Financing Forest Landscape Restoration

Financing mechanisms and catalysts in support of private sector investments in Forest Landscape Restoration

From ROAM to Reality

8 Recommendations
“What’s your least favourite thing about Impact Investing?”
Robert Rubinstein, Founder TBLI Group (Geneva, November 2015)

“NGO’s feigning financial literacy”
Tenke Zoltani, Director Impact Investing, UBS

I did not want to include this quote nor a discussion about it in the body of this report, so I have used a “foreword,” whereas I acknowledge that forewords are generally provided by another, it nonetheless seemed like an appropriate place.

The “point” that I derive from this bold assertion is that for NGOs to move beyond the reach of indictments such as this, quite drastic action is needed.

The environments of financing Forest Landscape Restoration and funding it through grants are as different as the marine environment is from the terrestrial. Take fish compared to cattle – how they breathe, their relationship to gravity, and how they get from point A to point B.

NGOs hold the keys to the success of global restoration – the “how to,” and the experience on the ground – yet, perhaps to avoid the Zoltani indictment, NGO proponents all too often lead with, “I know nothing about finance.”

This must change, and what is proposed in this report represents far-reaching measures and initiatives encompassing catalytic initiatives and solid new mechanisms that together could help to transform the role that some of our leading NGOs might play.

For NGOs to go from one environment to the other will require preparation, planning, and an honest look at the tools, skills and equipment needed to paradigm shift from 50 or more years of doing things one way to doing them a different way.

The Bonn Challenge aspirations of Rwanda are achievable by a mammoth effort. One billion dollars of investment could flow into the country for landscape restoration purposes in the next 15-25 years. The measures promoted in this report represent steps in this direction.
EXECUTIVE SUMMARY

From ROAM to Reality!

Financing Forest Landscape Restoration in Rwanda spans extremes: an International “Impact” or “Climate” Investment Fund at one end and smallholder Voluntary Saving and Loan Associations at the other.

Only a view of the whole system will result in the design of financing mechanisms that are effective.

This “final report” – the conclusion of a 35-day assignment – makes eight recommendations across the two themes in order to get from ROAM\(^1\) to Reality:

Box 1. 8 Recommendations

1. **Take a rational approach to the proposed Fund** – a process that will result in final decisions is described together with an agenda for the critical meeting in Gland on February 19th. A Green Climate Fund strategy should be attained.

2. **Develop a Green Climate Fund strategy** – the consultancy revealed the potential for integration with National GCF funding proposals and recommends an action plan.

3. **Technology is a key success factor** – I conclude that a technology platform is on the critical path of financing FLR in Rwanda and recommend approaches to implementation as well as justifications for the same.

4. **Dare to connect the dots, and only accept joined-up thinking** – Border to border, National scale restoration will require pulling together as well as pooling resources in line with a National strategy.

5. **Clarify what it is that is “required” for Rwanda to do** – I critically review current assertions that have been made about what Rwanda should do in order to attract private finance for FLR.

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\(^1\) ROAM stands for Restoration Opportunity Assessment Methodology. This was completed in Rwanda in 2014 and identifies restoration opportunities defined in terms of investment potential.
The two themes are “mechanisms” and “catalysts.” In the conclusions of this report, the importance of each is considered along with their need to be integrated. A tentative proposal for their roll out is presented spanning the next 12-24 months – an ambitious plan aiming at the transformation needed to produce enough capital for global restoration.

The initiatives proposed in this report are undeniably significant however they are measured. One could argue that they are a minimum response. Aside from significantly helping to herald in an era of financing conservation and FLR, their adoption could safeguard and sustain donor support for our institutions through demonstrating commitment to the new global agendas of innovation and finance driven Development.

6. **Align publication and research with broader related challenges** – I highlight related opportunities and the need to address “business as usual” in the face of global changes in the development space.

7. **Foster a culture that promotes entrepreneurship and demands innovation** – I make recommendations for National, Regional, and International domains that will support the realization of FLR financing mechanisms.

8. **Accelerate in order to prevent inflated costs and develop the asset class** – I urge that an accelerator is created to make projects and programs investment-ready faster, and warn that failure to do so will consume vast amounts of donor and philanthropic dollars through expensive services provided by the private investment sector.
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RECOMMENDATION # 1

Take a rational approach to the proposed fund.

The decision of whether or not to create a dedicated FLR Fund is not straightforward.

Firstly, to avoid shoring up more capital that finds it difficult to find investments, it should not be taken in isolation without considering practical solutions for the actual delivery of finance in Rwanda and broader contexts.

Secondly, it is a multifaceted decision that should include consideration about the respective roles of other similar funds and their donors/participants, and the Green Climate Fund and its growing number of National accredited entities.

Figure 1. Diagram of the proposed FLR Fund

See Annex “A” for a larger version of this diagram, full discussion around the model and granularity about its component parts.
There are a number of distinct strategies to establishing international financing flows for FLR in Rwanda and for the Bonn Challenge in general. However, there is no reason why all avenues could not be explored concurrently with a combination of approaches.

Box 2. Strategies relating to the creation of an FLR Fund.

1. **Green Climate Fund (GCF) centric approach**: This would embed the concept of the proposed Fund in National accredited entities’ relationships with the GCF, through a partnership approach.

2. **A new Bonn Challenge FLR Fund**: This would recruit partners such as Triodos Bank together with Development Finance Institutions and investors in a typical layered fund fit-for-purpose for FLR.

3. **Leverage existing initiatives and support them**: The eco.business Fund (Financing in Motion), Landscape Degradation Neutrality Fund (UNCCD) and, in alternative ways, NatureVest already purport to deliver the necessary mechanisms.

We should not launch into plans for a new FLR Fund without first a) considering in full the potential for GCF engagement through Nationally accredited bodies, and b) at least discussing with our colleagues who are advanced in the creation of similarly themed funds about the potential to utilize these vehicles for FLR financing objectives.²

Box 3. Possible way forward 1

A dedicated Bonn Challenge FLR Fund should be created. Rwanda/FONERWA should be engaged with as a strong candidate partner for this, however, the initiative would not be dependant upon any single National institution or, for that matter, any single country. Other countries would be included (mainly through GCF/Nationally accredited institutions) to be part of the initiative. The discussion with similar Funds will serve to isolate the differences in strategy and approach as well as determine which DFI’s and investment managers will drive this project as opposed to the others.

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² I have had hundreds of conversations with investors of all types, including second and third conversations with some, that have revealed, for example, that some of the most celebrated and written about “landscape investment” ideas were rejected by the investor as “nonsensical.”
Box 4. Possible way forward 2

It is possible, for example, that Finance in Motion, could be deemed an ideal partner, delighted to work with us and aligned with the ambitions of an FLR Fund. Key finance partners such as Kfw are already involved and a great deal of difficult (and expensive) work has already been done. This said, the eco.business fund has legacy partners and objectives. When weighed against the fact that there are a number of other high potential fund managers and DFIs interested in an FLR Fund, it could be deemed that a fresh approach would get us further faster and allow for a creation-for-purpose approach.

I recommend the following approach, and the corresponding agenda for the planned meeting between Ravi Prabhu, Stewart McGinnis, Chris Buss, and Fraser Brown in Gland on Friday 19th February 2016:

Box 5. Proposed Agenda for the Gland meeting

1. Status update on the interest of FONERWA in participating in a new Fund.
2. Discussion about the potential for adopting an engagement strategy with other National Climate Funds as a route to GCF engagement.
3. The merits of creating a new Fund as opposed to working with existing funds and programs. [Also, an opportunity to discuss the specifics of how the proposed fund works.]
4. A discussion on viable approaches to creating a technology platform that will catalyze FLR investment.
5. The agenda and objectives for the proposed Bonn investors’ meeting hosted by Horst Freiberg.
6. The merits of advancing discussions with specific potential partners – such as Triodos Bank – and the agenda for those discussions.
7. Other topics: Innovation; Virgin Earth Challenge update.
Develop a Green Climate Fund Strategy

As this assignment has progressed, the potential importance of the GCF for Financing FLR has become more and more clear. **The proposed Fund itself should be designed fit-for-purpose to become accredited to the GCF.** It may be the case that no other financing mechanism offers the scale and scope to catalyze transformative policy and structural changes needed at National or sub-National level to enable new investment models. It is therefore a vital component.

There are currently 20 accredited GCF organisations\(^3\). These include multilateral development banks and regional organisations, as well as national organisations such as FONERWA, the Centre de Suivi Ecologique in Senegal and the Peruvian Trust Fund for National Parks and Protected Areas.

Box 6. **Green Climate Fund Strategy**\(^4\)

A multi-layered approach is needed with respect to the Bonn Challenge and the GCF:

1. The WRI type 20x20 approach of high-level engagement with the GCF;
2. A National engagement approach through National Implementing Entities;
3. Create the FLR Fund ready for its own accreditation to GCF.

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\(^3\) As of now, each National Implementing Entity (NIE) will be at varying stages of submitting draft applications for funding and/or financing to the GCF (several have received funding already in fact). The Nationally accredited institutions are the “golden children” of the GCF, hand-held in their progress and with final proposals (sometimes after years of collaborative honing) arguably set for rubber-stamping.

\(^4\) A recent WRI presentation about AFR100, the new Africa ambition for restoration, lists nine actors under “Finance” but the GCF is not listed. I believe that while the former approach is needed, a better approach to the GCF is via its National accredited golden children.
The above approach could realize a pipeline of hundreds of millions of dollars for FLR financing that is Nationally driven. In addition, there is the potential to bake in (that is to say embed as if through its very ingredients) the Bonn Challenge, ROAM and FLR in general into meaningful country-led GCF dialogue. This fact alone, could also spawn GCF participation in the design and construction of global risk-adjusted FLR financing mechanisms that crowd-in further investment.

**Box 7. Rwanda case study**

- In Rwanda, there was a good foundation of discussion about financing FLR that came out of FAO's event in June 2015 and progressed through workshops at the FLR workshop in Washington in September 2015.
- During my brief return trip to Rwanda in September 2015, I persuaded one person and another that a conversation with FONERWA was merited (this was not a formally requested meeting).
- Finally, a meeting in MINICOFIN resulted in a meeting with Alex Mulisa (FONERWA coordinator). This led to my suggesting being seconded to the institution - an idea which evolved through important inputs and advice from IUCN and ICRAF into a less formal “desk” in its offices for ten days. There followed the opportunity to make a formal presentation about the potential for a National FLR financing proposition to be incorporated in the work-in-progress GCF Funding Proposal or a separate dedicated proposal.
- The offer of capacity support to National institutions preparing GCF funding proposals is well received, and when combined with appropriate engagement approaches, it is a high-potential means to expedite FLR engagement with National GCF plans and programs.

Through connections made in Washington, September 2015, and other suitable channels, I would follow the approach employed in Rwanda that is described above (which is similar to my approach with Moldova\(^5\)). The ability to navigate each country and region context would lean heavily on my capacity to understand the lay of the land, but certainly in Washington at the workshop this was navigated well with delegates being encouraged and spurred to engage with the Financing FLR topic\(^6\).

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5 I met with delegates of the Moldovan Government at COP21 and am supporting them with GCF accreditation strategy and concept note formulation. The focus will be integration of National biofuel strategies and other initiatives.

6 That said, FLR financing strategies would be Nationally and Regionally specific. In fact, the workshops in Washington revealed striking preferences amongst Latin American delegates for Private Equity models rather than Specialized Investment Funds.
In real terms, the process is often less conventional and formal than “normal” and the TOR would require words that permit tolerant coordination of such missions. It can be impossible to predict the outcomes and therefore impossible to set expectations when one has no idea what is possible until arriving on site and starting to navigate the culture, society, local resources, issues, beliefs, preferences, and goals.

Box 8. A unique opportunity in Moldova

- I recommend a unique approach to ROAM in Moldova. During a 7-day trip in February 2016, I met with the Ministry of Environment, Moldsilva, Climate Change Office, Consolidated Agricultural Projects Management Unit, Carbon Finance Unit and the local Mayor in Unge

- **We could simultaneously conduct ROAM, support preparations for GCF accreditation, and prepare a funding proposal concept for GCF. In this way, the Moldovan ROAM would not just identify “opportunity”; it would delivery an actual proposal for financing of these opportunities. As such, it could be groundbreaking.**

Box 9. Potential co-benefits of the approach for ROAM

- This proposed “global sweep” of FLR financing connecting both to National proponents and GCF accredited entities, could help to further crystallize the “way forward” for the Financing FLR component of ROAM. In addition to tangible FLR financing progress, it could yield inputs in the next 10-12 months that would inform what ROAM should say about Financing FLR and how the topic should be articulated and promoted, and how relevant, effective training and capacity support could be delivered.
Technology is a key success factor.

Financing for FLR in Africa and many other countries will require technology that enables the registration and clearing of loans to smallholder farmers, and that closes the gap between, for example, Voluntary Savings and Loan Associations and Micro-finance Institutions (MFIs) or other local finance institutions. Multiple co-benefits are perceived.

I recommend the following approach to conceiving and then enabling such a technology platform:

1. A $10,000 International Competition to attract the best Expression of Interest
2. Shortlisted companies will be invited to submit a full proposal.
3. A $200,000 grant to the company with the best business plan and strategy.

A successful solution will be a commercial proposition as opposed to a grant-funded solution earmarked for NGO management and control. An immediate opportunity exists within Rwanda but the application of the technology could apply globally, be Cloud deployed as a service, and could be transformative for private finance to FLR.

Patently this is not an arena that ICRAF and IUCN are well versed in, however, there is a key role that our institutions could play as catalysts. Other Development actors are doing similar: The World Bank is looking for a similar system for Jamaica and Grameen in the Philippines. The grants in the proposed approach serve, like much of climate finance, to make the proposition attractive from a risk standpoint as well as to catalyze interest and publicity about the project.

An array of entrants would be expected from accounting software such as Sage, to system integrators such as SAP, to telecom companies such as Airtel. Airtel has already entered the “Soft loan” space and SAP in partnership with GIZ (See Figure 2.0) have pioneered a platform for smallholder coffee growers in Uganda which contains many of the required components of the proposed solution.

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7 Rwanda’s Vision2020 screams of wanting to be a knowledge economy built on a vibrant ICT sector. For the country to be a pioneer of such a revolutionary fintech/agtech technology with so many “wins” would help to position Rwanda as a tech leader.
8 https://www.devex.com/jobs/individual-consultant-design-and-set-up-of-a-system-for-coffee-financing-417554
9 Sage is well known for pioneering cloud based accounting solutions and has a strong presence in East Africa.
10 http://www.newtimes.co.rw/section/article/2015-03-31/187415/
Figure 2. Existing SAP and GIZ solution with Uganda Coffee Growers Association, which includes capture of financial and productivity data as well as financial forecasting and capture of market transactions.
Box 10. Co-benefits of the technology solution

Such a technology not only facilitates the loan process, but it allows the collation of data for multiple critical benefits and that will potentially:

1. Inform and support the broader institutional investment case;
2. Transform government knowledge, inform policy and support tax systems;
3. Drive the sustainability agenda including potentially tying the availability of credit to sustainable practices;
4. Transform the M&E proposition, and;
5. Delivers greater potential for capacity development at scale.

The technology would deliver the above benefits as follows:

1. **Inform and support the broader institutional investment case;**

   It will be possible to design the proposed financing platform such that it delivers the data in the scale and format required to engage institutional investment. The elevated transparency of smallholder business including better understanding of cash flows, track record, and risk will enable the flow of global finance to farmers within a sustainable context. In summary, we are creating information capable of catalyzing private sector investments.

2. **Transform government knowledge, inform policy and support tax systems;**

   If the system was designed in such a way to facilitate small business reporting to the government\(^\text{11}\) then through technology the GoR will gain a detailed picture of its agricultural sector, performance, sustainability and so on. With obvious benefits for strategy, the data will also potentially inform policy by shedding light on market failures.

   For example, in certain regions or business contexts (for example, woodlots with mainly exhausted stumps) loan application failure rates would be interpreted as actual market failure requiring government intervention through a policy mechanism. The underlying data would inform the creation of policy ensuring the likelihood of effective measures.

\(^{11}\) Export data would be compatible with an e-Gov system for submitting a basic income tax return: a suitably designed system offers the potential to capture all of the basic income and expenditures of the micro-business allowing an accounting for income tax. An export file would correspond to the requirements of an e-Gov platform.
3. Drive the sustainability agenda including potentially tying the availability of credit to sustainable practices;

A suitably designed system will capture much of the necessary information for the making of loan applications: a snapshot of the business (accounts), cash flow analysis (based on farm inputs) and a basic “business plan” i.e. what it is that is planned and why. An export file from the farmer’s system could be uploaded to a banking platform delivering this information for the purpose of assessing a loan application.

But the solution does not stop there. The data model could incorporate risk factors such as regional data about soil quality, national data about climate change, rainfall risk patterns et cetera. Also, the approach taken by the farmer – how agroforestry is incorporated, measures to prevent soil erosion on sloping land and so on – would be identifiable. This offers the potential for a credit system to reward good practice with better terms.

4. Transform the M&E proposition, and;

The proposed model for an FLR Fund highlights the multi-faceted role of M&E as well as identifying the different actors involved in the area: public sector, NGOs and Agencies and, now, investors. But the skills of those producing different M&E outputs are essentially the same, therefore, there is potential for greater collaboration.

Inherent in the technology platform’s data model is an M&E approach. Essentially, farmers are reporting much of the data that would need to be collated by any of the actors mentioned above. And the platform empowers the farmers to do so thereby avoiding many of the associated costs. The SAP/GIZ tool above (Figure 2) has fields to record numbers of trees as well as crops grown. This could be enhanced to provide statistical information about on-farm tree species and numbers nationally.

5. Delivers greater potential for capacity development at scale.
Not only does the platform offer the opportunity for the delivery of information and training digitally, but it is a pull rather than push approach. Often capacity development is “pushed” onto people whereas in this instance the need to be able to make a successful loan application results in the farmers “pulling” the capacity that they need. This can result in more effective capacity building.

In essence, the farmer struggling with any element of the platform is encouraged to reach out for capacity support rather than the more traditional approach which is to first deliver capacity and then expect the recipient to act upon his or her knowledge. There is no reason why the proposed platform could not be enhanced to provide helpdesk functionality. An app could even provide voice instructions for illiterate users.

Box 11. Sample assessment criteria for entrants:

1. Co-investment – how much capital is the company committing to the project, or how much has been committed by equity investors.
2. Business model – how sustainable is the proposed business model, and what is the potential for global penetration
3. Value chain – how is value created for e-Gov, financial institutions and farmers?
4. M&E – How does the design address M&E. In particular what is the potential for the data to inform and influence global financial decisions relating to the asset class
5. Baking in sustainability – How does the design have the potential to tie credit terms to sustainable practice. For example, does it allow identification of agroforestry best practice that is easy to verify and understand?
6. Rwanda partnerships – Does the applicant have an office in Rwanda, intend to train staff in the country, partner with institutions or other actors in the country?

Comment 1. Rwanda and High-tech
The proposed technology lays in the spheres of Fintech and Agtech and many players exist in this space. In the past few years Agtech has become one of the hottest spaces on Venture Capitalist's agendas, and consultants are projecting wide scale disruption in banking through digital innovations.

Rwanda's Vision2020 screams of wanting to be a knowledge economy built on a vibrant ICT sector. In fact, the Minister for ICT and Youth recently announced plans to create a $100m investment fund for the tech industry in Rwanda. The initiative proposed above will excite the GoR and help agriculture within the political agenda. For the country to be a pioneer of such a revolutionary fintech/agtech technology with so many “wins” would help to position Rwanda as a tech leader.
Dare to connect the dots, and only accept joined-up thinking

- A coordinated effort and united front could profoundly support the establishment of significant private sector capital flows into FLR in Rwanda.
- Focusing on stakeholder engagement could result in seemingly disparate initiatives coming together under the ROAM umbrella.

Finance is predicated on one word, “risk”, and this is not isolated to risks inherent in a commercial proposition. When talking to investors about Rwanda, we want to be able to point to a unique ecosystem of donors, government actors, and institution aligned around the country’s vision for FLR.

**The stage is set in Rwanda for National restoration per ROAM, however, the orchestra is not ready to perform the corresponding concerto.**

Legacy issues inhibit truly effective collaboration between parties engaged in restoration in Rwanda. We complain about Ministries such as Agriculture and Natural Resources not “talking” enough and yet we in the Development sector are sometimes just as guilty. The occasional high-level conversation is not enough.

It is beyond the scope of this report to deep-dive into the “5 elements” of integrated landscape management promoted by Global Canopy Programme and others in the *Little Sustainable Landscapes Book*\(^2\), however, three of them are poignant for successful FLR in Rwanda:

1. A multi-stakeholder platform;
2. Shared understanding and;
3. Collaborative planning.
Lots of noise is happening but music is not being made.

Box 12. The potential within our partnerships

- FAO is the grand master of “convening power”, WRI prolific in structuring inspiring initiatives and getting them across the line, ICRAF is embedded with RAB and many of the local donors, as well as having its power-house HQ nearby in Kenya, and IUCN has just landed with a hungry new august team, participation of RNRA and an exciting mandate from big partners.

- Doug McGuire of FAO tells me that the interdepartmental GoR taskforce is in place and has great potential. Further, FAO is planning a follow-up event (to the conference at Serena in June 2015) with RDB on the topic of FLR and potentially focused on finance. There is an urgent need to join the dots here and work more closely together.

- RNRA’s expression of interest to the World Bank FIP programme was accepted. Proposals will be prepared to the tune of $50m in collaboration with FONERWA whose current GCF FP is almost $100m for Gicumbi. Through other colleagues within MINERENA we have open communications with the Dutch water resources (broadly watershed protection) initiative - $40m.

- These are all significant restoration interventions the sum of which is greater than the individual initiatives. Bringing this “sum” together is precisely what true “FLR” is – a multi-stakeholder, collaborative effort built on shared understanding.

Country scale FLR will not happen in Rwanda unless all of the players act in harmony.

Table 1. Proposed activities and timelines relating to work with stakeholders
The following combination of in-country work and international promotion could serve to maximize the attractiveness of Rwanda’s FLR investment proposition:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Timelines</th>
<th>Practicalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder engagement within Rwanda</td>
<td>March – June 2016</td>
<td>Up to four missions each building on the one before promoting the FLR vision through roundtables and other means.</td>
</tr>
<tr>
<td>Coordination with principal partners</td>
<td>May 2016</td>
<td>Time with FAO in Rome and WRI/IUCN in Washington. There are many other actors such as SNV and CI that bring value.</td>
</tr>
<tr>
<td>FAO/RDB FLR international fair</td>
<td>July 2016</td>
<td>Drive the Financing FLR theme of the event through collaboration with stakeholders and preferably partnerships.</td>
</tr>
<tr>
<td>IUCN World Congress</td>
<td>September 2016</td>
<td>Target the announcement of initial FLR investment packages in Rwanda(^\text{13}) at this event.</td>
</tr>
<tr>
<td>Rwanda FLR financing road show</td>
<td>September 2016</td>
<td>Starting with PRI in Person, bring a team of Rwandans on an initial global investor road show.</td>
</tr>
<tr>
<td>COP22</td>
<td>December 2016</td>
<td>Promotion of financing for FLR using Rwanda as a model for success and showcasing a best in class approach.</td>
</tr>
<tr>
<td>Global Landscape Forum</td>
<td>December 2016</td>
<td>Presentation of “Roam to Reality” - Rwanda country-scale FLR, a model for success.</td>
</tr>
</tbody>
</table>

\(^{13}\) And corresponding programs such as ICRAF’s agroforestry packages.
“Sustaining momentum in a landscape initiative with many moving parts requires strong leadership. While the multi-stakeholder platform will have a process for selecting representatives from different stakeholder groups, and this group will provide overall leadership for the initiative, it is important to provide opportunities for other actors to play a leadership role. Since landscape initiatives usually need to be long-term to achieve landscape-scale transformations, processes need to be developed which recognise that new types and groups of leaders may be needed to respond to change. Organising roundtables of key groups of leaders to support specific landscape activities can be highly impactful. Such roundtables can tap into informal power networks in areas such as policy mobilisation, investment, and business engagement; but also among educators, farmer organisations, environmental groups, or municipal leaders. “

P98 - Little Sustainable Landscapes Book
Clarify what it is that Rwanda is “required” to do.

Without interpreting this section as being critical of other’s efforts, consider what we know now due to more work within the country, other perspectives from the private investment arena and deeper relationships with key people within GoR. Use this progress and additional knowledge to assess what it is that Rwanda is “required” to do.

The TOR for this assignment includes the conclusions of the document *Rwanda’s Green Well* (in press), that;

“The process of attracting private investment at scale will require Rwanda to implement a program that:

1) identifies and promotes commercially viable FLR practices and partners;
2) supports the commercialization and preparation of the business case for these FLR activities;
3) organizes fundraising to secure private investments for FLR, and
4) designs and operationalize a Rwanda FLR-dedicated public-private partnership (PPP) entity.”

Box 13. Initial questions raised by a review of the previous findings

In the early stages of this assignment these questions were about these “requirements”:

1. To what extent have “viable FLR practices” been identified through ROAM?
2. How should each be promoted and to whom?
3. Whose job is it to promote them?
4. Why produce this business case? Who is it for?
5. Who should produce it?
6. What is the right way to organize fundraising? Who decides this?
7. Why is a PPP “entity” needed to attract private investment at scale?
Based on knowledge attained through work within the country, perspectives from the private investment arena and relationships with key people within GoR, the questions highlighted above presented many open-ended results and limited direction. Who in Rwanda would one go to with the directive that “you need to implement a program that does these things”? The Minister for Agriculture? Minister for Environment? Finance? RDB? Head of FONERWA? What would this program actually look like?

Table 2. The following ready-reckoner highlighted the challenges foreseen:

<table>
<thead>
<tr>
<th>A program is required that:</th>
<th>Agroforestry</th>
<th>Woodlots</th>
<th>Protective Forests</th>
<th>Native Forests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifies and promotes commercially viable FLR practices and partners.</td>
<td>Viable</td>
<td>Viable/Not viable</td>
<td>Not viable</td>
<td>Not viable</td>
</tr>
<tr>
<td>How should each be promoted and to whom?</td>
<td>Micro-finance?</td>
<td>Banks/SACCO/ MFI?</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>Supports the commercialization and preparation of the business case for these FLR activities.</td>
<td>To get a loan from a bank, MFI, SACCO?</td>
<td>To get a loan from a bank, MFI, SACCO?</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>Organizes fundraising to secure private investments for FLR.</td>
<td>International/ private investors?</td>
<td>International/ private investors?</td>
<td>?</td>
<td>?</td>
</tr>
</tbody>
</table>

There seems to be an idea pervading the Development community that success lies in researching the issue of “commercial viability”...

... in reality this is not how commerce works.
Table 3. Existing and recommended approaches:

- I propose that “what Rwanda is required to do” should be framed differently:

<table>
<thead>
<tr>
<th>Exiting view:</th>
<th>Recommendations:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rwanda “should implement a program that identifies and promotes commercially viable FLR practices and partners”.</td>
<td>Rwanda should design policies that support FLR businesses if and where needed.</td>
</tr>
<tr>
<td>Rwanda “should implement a program that supports the commercialization and preparation of the business case for these FLR activities”.</td>
<td>Rwanda should encourage and support business education.</td>
</tr>
<tr>
<td>Rwanda “should implement a program that organizes fundraising to secure private investments for FLR”.</td>
<td>Rwanda should stimulate and promote suitable investment capital.</td>
</tr>
</tbody>
</table>

If there is the availability of resource - not just financial resources, knowledge resources can apply equally well - entrepreneurs will grow businesses. This is well settled in the body of evidence within the area of business studies.

These alternative recommendations could easily be made to MINIAGRA, MINIRENA, RNRA, REMA, MINIINFRA, MYICT, or FONERWA because one can identify precisely what they equate to in real terms and what the benefits are.

Table 4. The corresponding ready-reckoner offers clarity and direction.

- The table offers hypothetical examples of actions arising from the application of the revised recommendations. It draws heavily on the application of the proposed technology platform, which together with the FLR Fund, it is assumed would be recommended as a means to realizing the benefits of the approach.
<table>
<thead>
<tr>
<th><strong>Agroforestry</strong></th>
<th><strong>Rwanda should design policies that support FLR businesses if and where needed.</strong></th>
<th><strong>Rwanda should encourage and support business education.</strong></th>
<th><strong>Rwanda should stimulate and promote suitable investment capital.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Data recorded through the proposed platform would include plot polygons, land slope, as well as location information allowing detailed spatial analysis. Grants for terracing could be allowed on a needs basis and these could support loan applications.</td>
<td>Capacity to understand why borrow, the implications, the terms, and how to prepare a plan are intrinsic to the financing FLR model and this work must be funded probably through grants and deep working relationships with partners such as World Vision. The platform can be harnessed to deliver training digitally.</td>
<td>Members of Rwanda’s key institutions such as FONERWA would sit on the board of an international investment fund (FLR Fund for example). Other key people would be on investment/advisory committees. Partnerships with local finance institutions would be facilitated and the ag-finance tech platform promoted.</td>
<td></td>
</tr>
<tr>
<td><strong>Woodlots</strong></td>
<td>Applications for finance would include details about tree stump rotation, quantity and business plans. Policy could support struggling owners with stump removal grants. Market failures as exposed by failure to attain finance would be revealed by data within the platform.</td>
<td>A dedicated woodlots financing program would promote knowledge acquisition because obviously that knowledge is required in order to be successful and access the finance.</td>
<td>Specialized promotion of opportunities from the FLR Fund for woodlot owners including awareness campaigns and tailored functionality within the technology platform to make it easy for owners to access finance.</td>
</tr>
<tr>
<td><strong>Protective Forests</strong></td>
<td>Policies relating to residential and industrial water users, agricultural water use, and power consumers could catalyze flows of concessional finance as seen, for example, in the US. Contractors or community groups could utilize the technology platform to access finance for afforestation and reforestation.</td>
<td>Nurseries could be financed based on minimum fixed price purchases by GoR. A corresponding national education program would support the proliferation of demand driven new businesses and simultaneously teach business practices.</td>
<td>Having suitable policies in place to support financing of protective forests through flows of tax revenue and concessions from various sources. Such a model would be best created with the source in finance in mind so that it is built-for-purpose.</td>
</tr>
<tr>
<td><strong>Native Forests</strong></td>
<td>Farmer Managed Natural Regeneration (FMNR) approaches within dedicated Native forest zones and corridors could result in effective restoration. The platform might record data using a similar model to TIST in order to capture carbon revenues for participating farmers.</td>
<td>Sustainable forest management whether it be connected to innovative tourist schemes or more practical benefits for communities can be taught to people who live in the vicinity of native forests. The benefits can prompt both protection and production activity within a sustainable model.</td>
<td>Opportunities for investment in sustainable forest management could be promoted. The proposed FLR Fund could support and partner with others such as REDD+ investors and State initiatives.</td>
</tr>
</tbody>
</table>
The idea of a “PPP” has appeared consistently in our publications relating to Rwanda each time with seemingly greater emphasis. But, I have found few people who really know what is meant by the idea of a Public Private Partnership. Personally, I frequently return to the anecdote of a municipally owned swimming pool given to a private operator under certain terms to conduct as a business – that is simple. But agroforestry, woodlots, protective forests, and native forests?

Actually, the proposed FLR Fund is a PPP because it partners public and private actors. Are we saying that a woodlot owner that receives a grant is in a PPP, or that a state owned protective forest planted by a private contractor is a PPP? I don’t believe that they are. What exactly is a “PPP entity” for FLR in Rwanda?

Careful consideration should be given to how issues such as tackling barriers to investment, and policy in general are currently handled within and across politics in Rwanda. My impression is that via the Board of REMA and other formal or informal relationships, policy is promoted and implemented if or when advantageous changes are identified. Do we know how “broken” the existing approach is before we set about proposing to change it?

Would a PPP be required to herald the dual mechanisms of an FLR Fund and technology platform or would, via the aforementioned formal and informal relationships, it be relatively easily planned for and adopted? In fact, I perceive that should plans for an FLR Fund and technology platform take root, then something like the proposed informal PPP (below) could be well received as a means to maximize the impact and effect of the mechanisms.
Such a mechanism is low impact in the sense that it does not require the creation of a new institution or “entity” rather it is a coordinated set of relationships and commitments that should serve the dual purpose of removing barriers for investment and devising policy that support the flow of finance.

The proposed PPP would serve two key roles:
1. Identify and remove the barriers to investment.
2. Identify the optimal policy mix.

On the public side the PPP addresses the dual role of resolving the barriers to investment and informing policy. On the private side the PPP administers and advises on the implementation of FLR and delivery of finance again through identifying and addressing barriers and policy deficits.
Align publication and research with broader related challenges

This recommendation is one that is related to the question of organisational structures needed for an era where aid leverages finance. During a talk about financing FLR at ICRAF in September 2015, scientists asked what the consequences of this paradigm change could be for research and how research topics might evolve. I have strong views that are illustrated in three examples of research that I see would add value to our new reality:

**Example 1: The effect of ESG policy on land use decisions in a financing for development era.**

Looking ahead, institutional and private sector finance will become the source of capital for global FLR. Right now, most financial institutions in this sector are designing Environment, Social and Governance (ESG) policies that will mandate the “ESG Approach” that their investees take.

What is the gap between current ESG policy trends and those that would ensure sustainable land management in the future? Conversely, what is the gap between current M&E emphases – both within institutions/agencies and the public sector - and the data needed by investors to ensure ESG compliance?

Potential impact: If the appropriate research based influence is brought to bear through leveraging new relationships with, for example, Principles of Responsible Investment or even careful design of IUCN membership recommendations for investors, this could change the game.

**Example 2: The potential effect of a drone infrastructure on sustainable land management.**

Why do we leave all of the fun things to the private sector? Drone infrastructure could resolve issues such as smallholder access to market, unreasonable farm gate prices, and the slow pace of structured market developments for smallholder grown fruits, fish and other high value produce. And what would be the corresponding effect on sustainable land management? Wouldn't an accelerated roadmap to new revenue streams together with fresh incentives to employ agroforestry on their land affect the critical path to sustainable land management.

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Are we going to speak to the obvious need for expanded road infrastructure or are we going to herald solutions that leapfrog old technologies? If we do, the path to appropriate policies to support these new technologies will, in turn, be promoted and, potentially, forest landscape restoration accelerated.

Comment 2. Why are we not trying these things?

Example 3: Do smallholders now prefer loans or grants: a synthesis of research and experience derived globally by relevant actors.

The pervading attitude of African governments is one of subsidizing or issuing a traditional tender to plant trees. And the source of the finance is more likely to be aid than tax revenue. My empirical research, together with advices from the likes of World Vision, suggests that a loan is actually now preferred by people on the ground because the negative connotations of “hand outs” with respect to empowerment are increasingly understood.

A growing body of evidence for this would influence laggard policy makers and accelerate the integration of new FLR Financing mechanisms into National systems.

If you have doubts about this type of innovation, Amazon now claim to have the cost of delivery by drone down to 23 cents per trip, and some manufactures claim to be able to supply an infrastructure including 150 drones for less than $1 million. Why have ICRAF/IUCN not piloted deliveries to smallholders?
Foster a culture that promotes entrepreneurship and demands innovation.

Employing an “Innovation Lab” philosophy, the IUCN as Secretariat must foster innovation and entrepreneurship at National, Regional, and International levels.

It is my opinion that most FLR funding initiatives I have seen; from GCF applications, to World Bank FIP applications, to projects (including IUCN’s Rwanda project), to large donor interventions including GEF, risk doing little or nothing beyond business-as-usual. Financing for Development remains rhetoric and while it does the pace of progress towards the solutions we need is lessened.

In a context where ONLY a swift and purposeful transition to a new approach where financing mechanisms are catalyzed to drive flows of investment into FLR can possibly achieve the necessary scale, this seems like a huge issue to me.

A large part of the answer lies in culture and an even larger part lies in the people who have the skills and experience to drive investment initiatives and restructure business-as-usual approaches into next generation models.

Last month the World Bank published this definition of Innovation:

*Simply put, innovation is finding and applying new approaches to address existing problems or serve unmet needs. From a development perspective, an innovation is a new solution with the transformative ability to accelerate impact. Innovation can be fueled by science and technology, can entail improved ways of working with new and diverse partners, or can involve new social and business models or*

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16 There are exceptions such as DFID
17 The corresponding call made last month by USAID, Gates Foundation, DFID, Canada, Sweden, UNICEF, Canada, Australia, Rockefeller Foundation, and Results for Development is a good reference document for the approach extolled within this recommendation.
policy, creative financing mechanisms, or path-breaking improvements in delivering essential services and products. Innovation has been and will be pivotal for reaching sustained, scalable solutions to the world’s complex problems.

Successful organisations from Walmart\textsuperscript{18} to the World Bank\textsuperscript{19} have employed an \textit{Innovation Lab} model. Candidly, this is often needed to shield innovation from institutional complexity, culture, and strictures, but the result is an accelerated pace of innovation and a greater likelihood of keeping pace with advancements in technology as well as global trends across industries and sectors.

I recommend the following radical global, regional, and national measures that promote entrepreneurship and foster innovation:

\textbf{GLOBAL: A Global Innovation Hub.}

I recommend the creation of a Bonn Challenge Global Innovation Hub

The organisational structure of the Bonn Challenge – secretariat and a GPFLR made up of mega-institutions many of which are convention centric – has enjoyed debate\textsuperscript{20} over the years about how to maintain its flexibility and an innovative culture.

What would happen if, for example, Lars Laestadius and I became initial actors in an informal “Bonn Challenge Innovation Hub” – a landing point for private sector players, NGOs and others to engage with the Challenge? Could we become a conduit into the partners of the GPFLR that would promote new partnerships and initiatives quickly and effectively?

What would be the effect in terms of GPFLR engagement, and ever increasing constituencies being enabled to pick up the Bonn Challenge marching flag and drive it

\textsuperscript{18} http://www.walmartlabs.com/
\textsuperscript{19} This world bank blog asks, “Why do the World Bank and other development institutions need Innovation Labs” http://blogs.worldbank.org/voices/what-are-innovation-labs-and-how-can-they-improve-development-0
\textsuperscript{20} Some have been stalwarts resisting rigid and formalistic approaches.
forward? I submit by way of case-in-point that the Virgin Earth Challenge proposition might have taken substantially less time to get started if such a thing existed.

Box 15. Some practicalities of the Global Innovation Hub

Accountable to the secretariat and perhaps with Carole Saint Laurent as focal point, the “Innovation Hub” would answer to the secretariat but not be of the secretariat – it would have an autonomous mandate to on-board initiatives and accelerate innovations that have the potential to drive the Bonn Challenge movement ahead. It could in time become a jumping off point for new innovations that have the potential for global impact.

REGIONAL: A digital innovation hub

The Ministerial Round Table in 2015 heralded a new regional approach, and the sharing of innovation was explicitly requested by, I think, Minister Herman Rosa Chavez from El Salvador. There is nascent potential for the transfer of lessons learned and approaches within and across this global movement, and now is the time to make this happen digitally. Innovations in the main FLR regions (Asia, Africa, Latin America) could be disseminated by harnessing technology.

Chad Chapellman’s engagement during the FLR Forum to develop the web platform was innovatively inspired, but the online forum stagnated almost straight away. In fact, these things are not easy to bring about and require dedicated people and expert resources.

I recommend considering the platform developed by Two Degrees Network (2degreesnetwork.com) in Oxford that promotes cross fertilization of ideas securely between partners and at different levels in organisation and industries, and within a managed environment.

A tool such as this could be harnessed as a new innovative approach to complement physical events such as those pioneered by Mirjam Kuzee. Further, such an initiative would embed innovation across the Bonn Challenge, recognising its champions as progress is made (not least in Financing FLR).

21 The Virgin Earth Challenge is a global innovation prize that could hardly have been designed better to fit with the objectives of the Bonn Challenge. It offers $25 million to the first group or company that can prove that its solution to sequestration is possible at scale. It took me one whole year to find a way forward for the Bonn Challenge with respect to the Virgin Earth Challenge.
NATIONAL: National FLR Innovation

An immediate opportunity exists with the new FLR Hub in Rwanda to institute a non-standard innovation mandate for it.\(^{22}\)

I recommend that the Regional FLR Hub should be denominated as an, “FLR Innovation Hub”. This is a clear message to the global FLR community that innovation is the watchword in a post-grant, post-pilot era.

Box 16. An innovation mandate for the Rwanda Hub team.

- The team should be tasked with delivering the objectives of the current project (in terms of FLR achieved) by conceiving and utilizing new finance-based mechanisms.
- I do not believe that the approach is inconsistent with the project document; however, programme funders should be on-boarded with this plan by whatever means necessary.

In practical terms, support for the “FLR Innovation Hub” could come from different sources and levels: I could mentor the team with respect to innovation and entrepreneurship, Rob Wilde could endorse and promote innovative and entrepreneurial behaviour in pursuit of project goals, and Stewart McGinnis could ensure that innovation is rewarded and promote levels of autonomy that he considers conducive to the goal of seeing local teams owning ambitious plans and taking initiative.

I heard a joke this week that I have adapted as a light-hearted intervention to this discussion:

“A social entrepreneur and environmental economist were walking through a landscape in Rwanda, and the entrepreneur turned to the economist and said, “Look there is an RWF

\(^{22}\) Rob Wilde has established an impressive start-up team, which is already demonstrating initiative, and with the right encouragement could offer insights that are important for the global movement.
5000 note on the ground – let’s pick it up.” The economist looked at her and said, “No, it is simply impossible that there could be an RWF 5000 note on the ground here.”

Comment 3. Entrepreneurs or economists?

We need to ask honest questions. Do investors invest in economist’s ideas or entrepreneurs? When assessing a business proposition do investors employ an economist? If the answer is, “no,” then why would we frame “opportunities” for FLR using economist’s terms?

And it is legitimate to wear the entrepreneurs hat in this process, therefore, frankly “why wouldn’t we?”

Box 17. Some thoughts about organisational considerations

If the success of global Forest Landscape Restoration depends on private sector finance then it depends on entrepreneurs and the private sector at large. How well do our organisations fit this new environment of the post-Addis Ababa financing development paradigm generally?

What is the gap between IUCN/ICRAF, in organisational terms, between the structures and capacities needed for an era of aid and those needed for an era where aid leverages finance? I respectfully recommend considering a “Head of Entrepreneurship” to begin to close this gap. This senior appointment would be a custodian and champion of innovation.
Accelerate in order to prevent inflated costs and develop the asset class

I recommend the creation of an Accelerator that would take high-potential FLR projects and programs that are “not quite” investor ready and that would accelerate their preparatory activities through the provision of expertise and resources.

I propose duplicating substantially the Climate Policy Initiative’s model of the “Climate Finance Lab” that calls for innovative financial instruments, typically receives over one hundred entries annually and selects as many finalists as its underpinning funding can bear in order to accelerate the time to market/adoptation of the innovations. The Lab now has its own team however its “secretariat” is the CPI.

The creation of an Accelerator that would make projects and programs investment-ready faster could prevent the norming of “typical” investment sector rates\(^{23}\) in solving these types of challenges. We might consider the pre-emptive benefits of such an initiative as a means of preventing the private investor world from cashing in on the gold rush of financing development in all its forms. Failure to do so might result in vast amounts of donor and philanthropic dollars being consumed through expensive services provided by the private investment sector\(^ {24}\).

Box 18. Operational and practical considerations for the Accelerator

The proposed “Accelerator” could sit under one of the GPFLR institutions and grow in line with its financial capacity as supporters realize its potential impact. That “growth” would include hiring the skills and capacities needed. The proposed Global Innovation Hub could be the initial “home” for the Accelerator.

Our “Accelerator” should run three strands to its annual or bi-annual call:

- Forest, Landscape Restoration investment opportunity
- Policy innovation
- Supply chain innovation

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\(^{23}\) In the course of my research I met a private investment firm that had been paid “several million dollars” to uncover three viable investments in sustainable business opportunities in developing countries.

\(^{24}\) A worst-case scenario is that funding that would have previously been allocated to your projects and programs will instead be diverted to paying top-dollar for private actors to provide answers and solutions that, I argue, we have had adequate time, resources, information, and motivation to position for.
The categories of catalysts offered in the Little Sustainable Landscapes Book's (the “three catalysts) - governance, finance and markets – are, as it happens, mirrored within the three proposed “strands” of the Accelerator’s work. In some ways the proposed Accelerator is a practical manifestation of some of Integrated Landscape Management’s theory.

Box 19. Other multiple benefits that the Accelerator offers:

- “Winning” ideas are showcased internationally, potentially becoming blueprints for others to learn from in each of the three strands;
- The initiative would serve as a focal point for donors eager to support transition activities from grant-based interventions to investment solutions;
- The restoration “asset class” will emerge more quickly due to greater coordination, clarity and leadership;
- Finalists could “pitch” investors during a Global Landscape Forum plenary session or other prestigious opportunities raising the profile of best-in-class approaches;
- The Accelerator could evolve and scale attracting talent and preventing high-priced consultancies and investment houses from carving out a lucrative niche on new “development” revenue streams.
This report makes eight recommendations across two themes. Each recommendation could be considered in isolation; however, none can be considered a golden bullet.

Only in unison do the recommendations represent a set of key actions/measures that work together to address risks and facilitate unlocking of finance for FLR in Rwanda and generally.

One Fund does not a market make. Our solution must think bigger, more holistically and end-to-end.

We cannot limit our ideas to developing financing mechanisms and must consider solutions across both themes of the mechanistic and the catalytic.

In terms of the catalytic components, innovation and entrepreneurship are a life-blood of financing FLR, and the proposed Accelerator, message clarification, focused research and publication, and coordinated, collaborative approach together create a support system on which success depends.

The mechanisms of a layered fund, GCF approach, and a digital platform are aimed at reducing risks for large private sector investors as well as considering specifics such as how to consolidate the FLR market demand side.

Arguably, this is proved by considering other expedited attempts to provision finance (investment) for restoration only for these monies to sit and stagnate while hundreds of projects and programs fall short of qualifying for it.

CONCLUSIONS
The recommendations made in this report are presented together as a proposed way forward. The terms of reference asked for key actions and measures, which could be carried out within the next 12-24 months. These are contained within the recommendations and could be made into a plan.

Box 20. Final thoughts about risk

Each and every FLR investment propositions is different: from woodlots to new native forests to agroforestry. Even agroforestry in one area of Rwanda, for example, that requires terracing, is different to areas with slight slopes. Add to this the differences in soil quality and rainfall patterns from one area to another and we can quickly see that each and every “investment decision” is different because the corresponding proposition is unique.

And this is fundamentally why “risk” is such a challenging topic. On the one hand ROAM could identify stellar returns on investment (ROIs) for one intervention or another but these general ideas are of little value to an investor considering a specific proposition. Frankly, the capability of the project’s management team might be more important.

The only way to resolve these issues is to understand mechanisms suitable for micro-lending at one end and a suitable Environment Social and Governance approach of the investment financiers (and Fund mechanism) at the other, and to connect the two so that the complexities and idiosyncrasies of each are made compatible within the design of the overall financing for FLR solution.