

September 29th - 30th, 2016
Palmeraie Golf Palace,
Marrakesh



29 - 30 septembre 2016
Palmeraie Golf Palace,
Marrakech

HIGH-LEVEL MEETING ON THE INITIATIVE FOR THE ADAPTATION OF AFRICAN AGRICULTURE TO CLIMATE CHANGE "AAA"

RENCONTRE DE HAUT NIVEAU SUR L'INITIATIVE POUR L'ADAPTATION DE L'AGRICULTURE AFRICAINE AUX CHANGEMENTS CLIMATIQUES "AAA"

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THE LAND DEGRADATION NEUTRALITY FUND PROJECT

Presentation
AAA High-level summit
September 29, 2016



Organization

Role, Location

Description



Co-promoter, Germany

- Initial Concept creation
- Building enabling environment for LDN
- Institutional coordination

Established in 1994, the United Nations Convention to Combat Desertification (UNCCD) is the sole legally binding international agreement linking the environment, poverty and development to sustainable land management in the drylands. The UNCCD is particularly committed to a bottom-up approach, ensuring the participation of local communities in combating desertification and land degradation. The secretariat of the Convention also facilitates cooperation between developed and developing countries, particularly regarding knowledge and technology transfers for sustainable land management practices. The Global Mechanism (GM) is the operational arm of the UNCCD, mandated to support UNCCD country parties in the mobilization of resources for its implementation. The GM facilitates countries to translate the Convention into action and to achieve Land Degradation Neutrality at the national level.



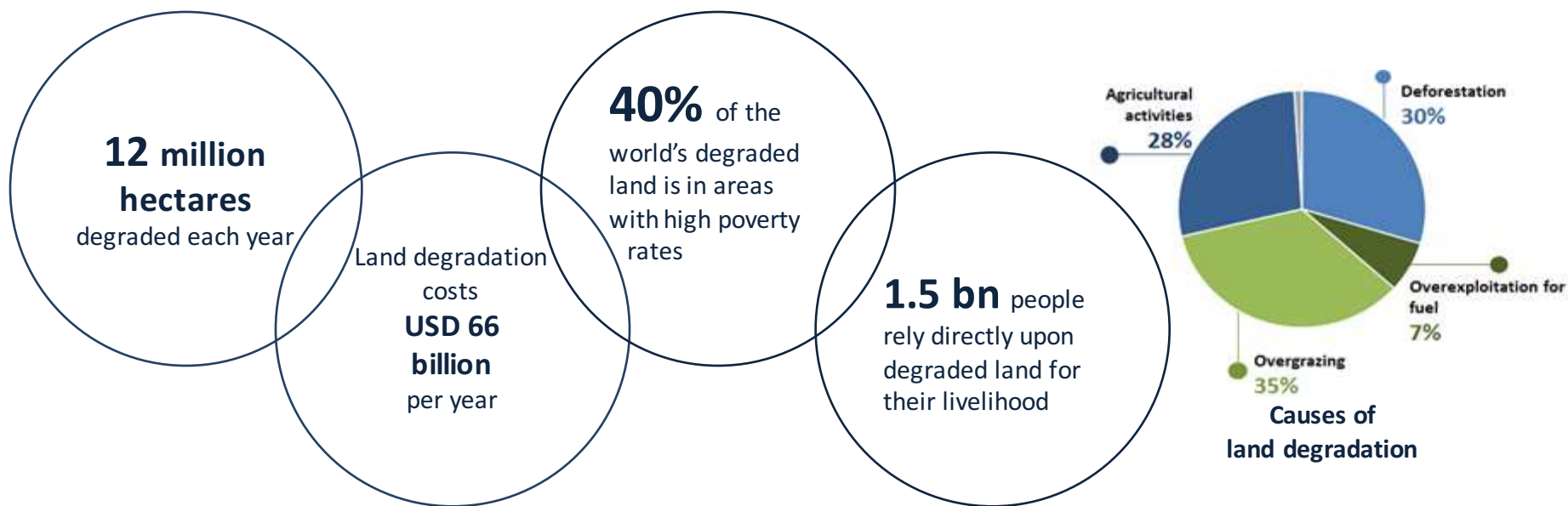
Co-promoter/Investment manager, France

- Fund strategy
- Deal structuring
- Fund management
- Fund raising
- Investment selection/monitoring

Mirova is the responsible investment division of the Natixis group. It offers a global responsible investing approach involving Equities, Fixed Income, General and Renewable Energy Infrastructure, Impact Investing, and Voting and Engagement. As of March 2016, Mirova has €6 billion of assets under management and as of December 2015, €40.3 billion under advisement in Voting and Engagement. Its team of circa 60 multidisciplinary experts includes specialists in thematic investment management, engineers, financial and environmental, social and governance analysts, project financing specialists and experts in solidarity finance.

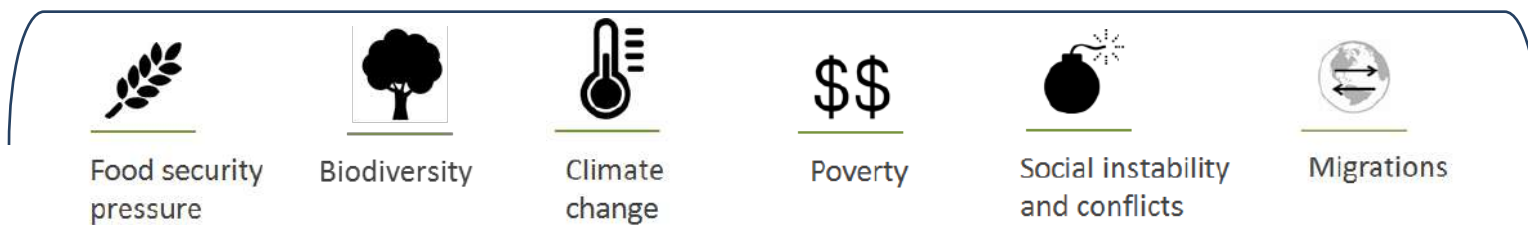
What is at stake?

Poor land management practices, often fueled by exploitation for short-term economic gains instead of favouring long-term sustainability, have led to the **loss of more than 25% of the world's arable land in the last two decades.**



Land-degradation is not an isolated issue

As well as the direct economic value of using land and its resources, land-based ecosystems and their management can have substantial indirect effects:



Increasing awareness that the cost of inaction is significantly higher than the cost of action led to the emergence of the Land Degradation Neutrality (LDN) concept, and its inclusion in the SDGs:

“ Land Degradation Neutrality is **a state where the amount and quality of land resources necessary to support ecosystem functions and services and enhance food security, remains stable or increases** ”



**SDG 15.3
ACHIEVING LDN
BY 2030**

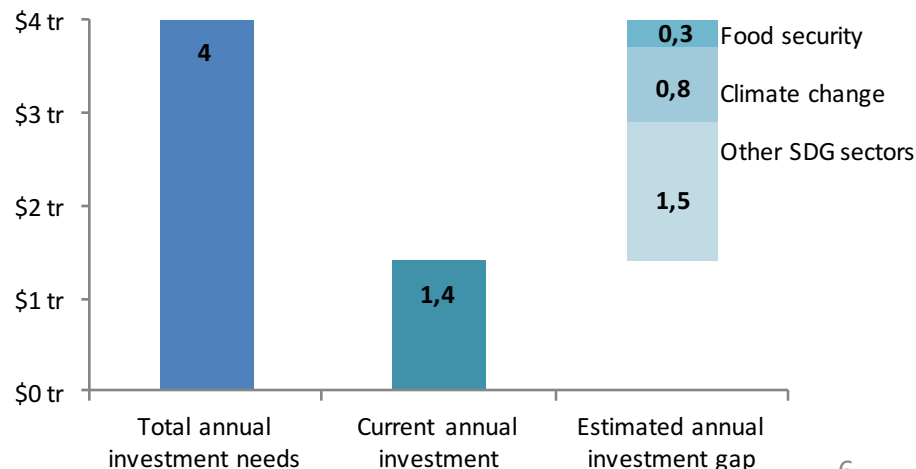
- > Avoiding or reducing the rate of degradation
- > Restoring degraded land

LDN is linked to many other SDGs, and should serve as a catalyst for making progress ...

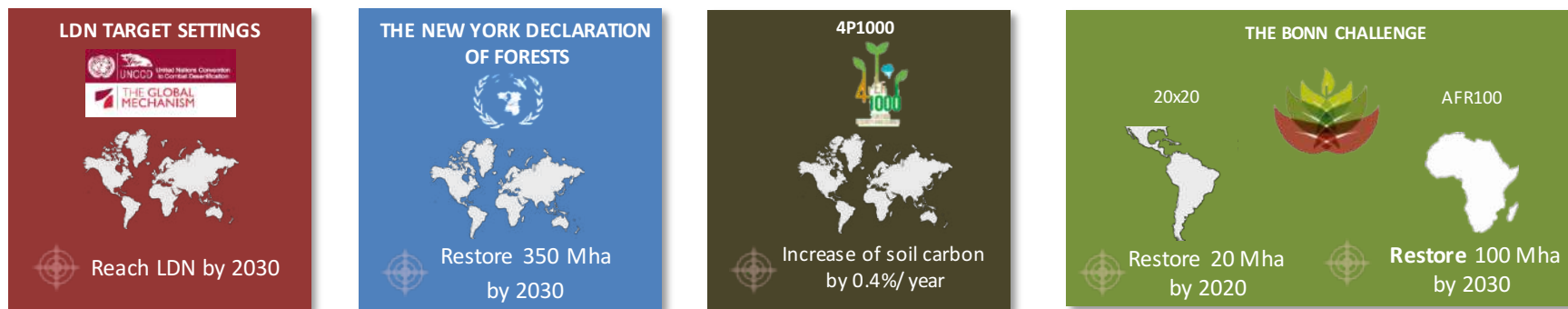


... contributing towards the great need for more investment in the SDGs

Estimated investment needs in key SDG sectors
USD trillions



Public momentum generated by various forest and landscape restoration initiatives around the globe:



Increasing political support

Over a 100 countries to date have shown a strong interest in LDN, participating in national target setting exercises and/or developing government initiatives to spur the growth of sustainable land management and land restoration investments

Public money as the main source of financing

Of the \$5-10 billion annual investment currently being deployed into LDN activities, it is estimated that as much as **90%** of it are contributed by public funding sources (FAO & UNCCD, 2015); few multilateral key dedicated public funding initiatives that include LDN-related activities as part of their investment mandate.

The LDN Fund's mission:

To contribute to the objective of LDN by bringing together public and private interests to fund triple bottom line investments that combat land degradation around the world.



Land Degradation
Neutrality Fund

INVESTEES (Assets)

Project from various sectors:

- sustainable agriculture
- sustainable forestry
- green infrastructure
- land rehabilitation

Land rehabilitation and degradation avoidance projects worldwide

Projects meeting four criteria:

- **strong contribution to LDN** and strict environmental and social standards
- **potential for scalability** or replicability to maximise impact
- **bankability** / ability for the project to generate return
- **investment readiness** with potential assistance from a technical assistance facility

Developers can implement land use transformation and repay the financing with revenues generated by the projects

FUNDING (Liabilities)

Capital raised from Public and Private Investors:

- *public: DFIs, international and multilateral financial institutions, donors*
- *private: impact investors, institutional investors, foundations*

Layered structure with different risk-return profiles :

- *public investors are junior to private investors, i.e. junior investors are repaid after the other investors*
- *by taking first loss risk, junior investors play a catalytic role to attract more private capital*
- *issuance of notes with lower risk and higher liquidity will allow further private fundraising*

Investors commit capital and have expectations in terms of impact and return

Investment approach

INVESTMENT APPROACH

Investees / partners:

The Fund will team-up with:

- supply chains actors to improve their supply chains,
- landscape investment specialists to scale-up their pilot projects and
- local banks and small funds to reach small-scale projects and SMEs

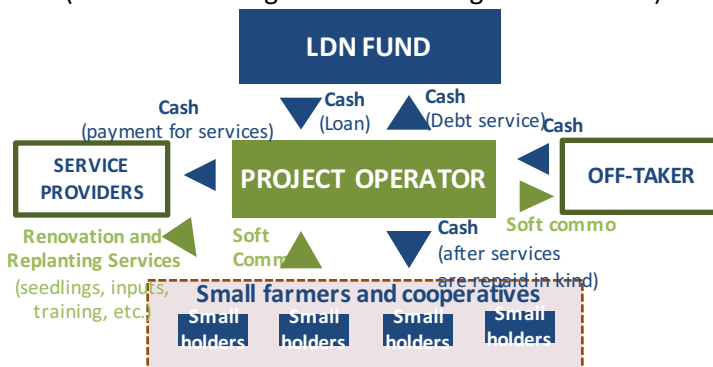
Terms and conditions:

- Provide **long term financing** to fund land use transformation CAPEX (replanting, rehabilitation, renovation) mainly in the form of mezzanine debt (and equity)
- Provide **technical assistance** through TA Facility set-up alongside the Fund
- Support **blended finance structures** and **coordination** with public partners at project level

FINANCING SCHEMES (examples)

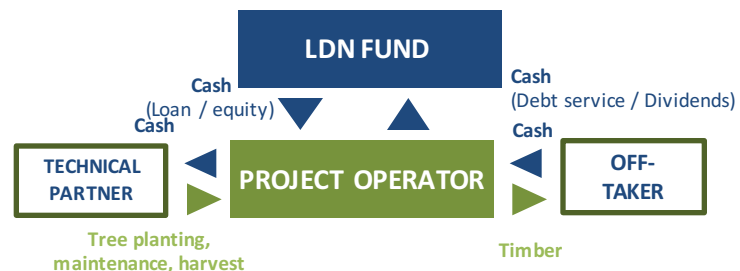
PROGRAMMATIC APPROACH

(well-suited for agriculture and outgrower schemes)



INTEGRATED APPROACH

(well-suited for forestry and green infrastructure projects)



Argan region plays a key role against desertification

- Argan trees represent a surface of 830 000 ha, with a sharp decrease over recent years
- A large-scale programme consisting in the rehabilitation of 200,000 ha has been established by public authorities (Ministère de l'Agriculture et des Pêches Maritimes, Haut Commissariat aux Eaux et Forêts et à la Lutte contre la Désertification, le Ministère des Finances avec la Fédération Interprofessionnelle Marocaine de l'Argane (FIMARGANE).

Argan oil as a growing export sector

- Local structure are being implemented to support the development of the argan sector
- Local operators are implementing robust operational processes
- Argan oil market is expected to grow 4 times until 2022

An investment opportunity for the LDN Fund

- Given the triple bottom line potential for the project: environmental, social and economic, Mirova is structuring an investment in the argan oil supply chain in Morocco for the LDN Fund
- Specific features and challenges:
 - Establish the right contractual structure in order to reach smallholders while limiting counterparty risk
 - Share benefits with all stakeholders
 - Increase technical assistance to improve SLM practices

