LAND DEGRADATION NEUTRALITY FUND
An innovative fund project dedicated to sustainable land use
At a glance

Promoted by the UN Convention to Combat Desertification (UNCCD) and Mirova, the Land Degradation Neutrality (LDN) Fund will invest in profit-generating sustainable land management and land restoration projects worldwide, to contribute to a land degradation neutral world, which is UN Sustainable Development Goal target 15.3.

Focused on direct investment into large-scale land restoration and land degradation avoidance programmes, that will integrate smallholders and local communities, and a dedicated window for small scale projects and SMEs.

Provides long-term financing (debt/equity) to projects that meet strict environmental and social standards.

Pooling resources from both public and private investors committed to the goal of stopping land degradation.
Mirova is an affiliate of Natixis Global Asset Management dedicated to responsible investing. Addressing challenges of a sustainable economy sits at the very heart of our investment decisions.

Mirova’s philosophy is based on the conviction that integrating sustainable development themes can generate solutions that create value for investors over the long term: not only through better assessment of risks, but also by identifying favorable investment opportunities in a changing world.

Leveraging a comprehensive and consistent approach to responsible investing, Mirova provides a wide range of investment products and services through 5 centers of expertise: equities, fixed income, infrastructure, impact investing, and proxy voting & engagement. With €8.2 billion of assets under management, Mirova brings together nearly 70 multidisciplinary professionals including thematic investing specialists, engineers, financial & ESG analysts, and project finance experts.

Mirova benefits from 15 years’ experience in structuring and managing alternative asset funds (infrastructure, carbon, renewable energy) on behalf of prominent institutional investors, which combined with our partnership with impact investment manager and natural capital specialist Althelia Ecosphere should contribute to the success of the LDN Fund project.

Source: Mirova as of June 30, 2017
**LAND DEGRADATION**

**Global Challenge**

It is estimated that **two billion hectares of land is degraded worldwide**, and we continue to degrade another 12 million hectares of productive land every year. According to a study conducted in 2016 by the International Food Policy Research Institute (IFPRI), land degradation has already negatively affected 29% of global land area.

Land degradation is not a stand-alone issue, but threatens the future sustainability of life on Earth, with severe impacts on food security, livelihoods, climate change, biodiversity, and ecosystem services.

The land use sector represents almost 25% of total global greenhouse gas emissions, but these emissions can be reduced. As well as reducing deforestation there is also great potential for carbon sequestration through proven and effective practices such as low-emissions agriculture, agro-forestry and ecosystem restoration. These sustainable land management practices nearly always come with adaptation co-benefits.

Land degradation is connected to many factors that are directly or indirectly related to human activities, and occurs mainly because of over-exploitation of natural systems beyond their carrying capacity.

**Land Degradation Neutrality (LDN) concept**

Acknowledged by the international community since the United Nations Conference on Sustainable Development (Rio+20) in 2012, LDN is defined by the UNCCD as: “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”.

LDN is the state the world needs to move towards if we are to prevent further losses in social, ecological and economic capital caused by land degradation, and it can be achieved through approaches such as land restoration and sustainable land management.

To date, 110 countries have committed to translate the global land degradation neutrality target into specific national targets and actions, creating an enabling environment for LDN investments.

**A key SDG target**

Achieving LDN is included in the Sustainable Development Goals as target 15.3. LDN is closely linked to the other SDGs, and so the LDN Fund project will serve as a catalyst for progress in many areas.
**INTRODUCING THE LDN FUND PROJECT**

**Mission**

Public and philanthropic funding alone is not sufficient to finance all the investments required to achieve LDN at global level. The participation of private capital and expertise is also needed.

“The mission of the LDN Fund project is to become a source of transformative capital bringing together public and private investors to fund triple bottom line projects that contribute to Land Degradation Neutrality.”

**By tackling land degradation, the LDN Fund project is expected to have multiple benefits:**

**Socio-economic benefits**
- Decent creation job
- Increase resilience of local communities
- Timber and non-timber forest byproducts
- Cultural/recreational benefits
- Better public health

**Environmental benefits**
- Climate change mitigation and adaptation
- Restoration of degraded land/ecosystems
- Reduced deforestation
- Soil conservation
- Improved habitats and biodiversity

**Expected beneficiaries**

While investees of the Fund will be project entities, the beneficiaries are expected to be smallholder farmers, and agriculture/forestry workers in developing countries, who will benefit from the Fund’s investments in sustainable land management projects that create outgrower schemes and new decent jobs.

Access to finance for smallholders and small businesses in most land use sectors is a big challenge, often preventing them from using sustainable land management practices that could raise their productivity and incomes. For them, the LDN Fund project will channel capital through local financial institutions and intermediaries who commit to promote the growth of SMEs and support small- and mid-sized responsible producers in several land use sectors.
Investment criteria

Geography and target sectors

The LDN Fund will invest worldwide, with a targeted capital allocation of at least 80% in developing countries, throughout the following key sectors:

- Sustainable agriculture;
- Sustainable forestry;
- Other LDN-related sectors, such as green infrastructure and ecotourism.

A threefold approach to investment

Financial returns

- The Fund will invest in profitable projects with the aim of delivering competitive returns for investors. Sustainable agriculture and forestry can potentially offer attractive investment opportunities due to the rising global demand. Using improved agronomic practices helps to increase productivity, product quality and generate better returns, while sustainable certifications (e.g. Fairtrade, Rainforest Alliance, FSC) drive prices up.

Environmental and Social standards

- The Fund will only consider projects that can make a significant contribution to LDN while producing appropriate risk-adjusted returns and comply with robust Environmental & Social (E&S) standards.

Additionality

- The Fund is designed to offer financing solutions that are not readily available in the market, providing finance and strategic benefits in ways other investors or banks might not, e.g. longer tenors, longer grace periods, and more flexible repayment schedules.

Examples of investment opportunities:

- Large reforestation program with sustainable rubber tree plantations.
  Partnership with international conservation NGOs.
  Impacts include increased productivity, job creation, reduced deforestation and conservation benefits.

- Climate resilient coffee landscape restoration and productivity enhancement program on degraded areas.
  Increased sustainable production and income diversification through the adoption of agroforestry systems.

- Reforestation of degraded forest land in accordance with the highest standards for sustainable forest management.
  Project will create up to 1,000 new jobs, mostly for local people, with a benefit sharing system for local communities.
LDN FUND PROJECT CHARACTERISTICS*

Increasing private investment in sustainable development

The LDN Fund project will use a blended finance approach with a layered capital structure, to bring in private investors that may otherwise not have invested in sustainable land management projects.

Fund structure

- The LDN Fund will be structured as a layered fund with different classes of instruments (notes, shares).
- This capital structure can offer appropriate risk-return profiles for different investors.
- The junior tranche de-risks more senior tranches, encouraging investment from private investors.

![Layered fund structure diagram]

Technical Assistance Facility

A technical assistance facility will support LDN project developers and facilitate project preparation. It will complement the LDN Fund in supporting the development of a large portfolio of attractive LDN projects.

Fund information

<table>
<thead>
<tr>
<th>Fund manager</th>
<th>Mirova</th>
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</thead>
<tbody>
<tr>
<td>Target fund size</td>
<td>First closing: $100m, final closing: $300m</td>
</tr>
<tr>
<td>Investors</td>
<td>Public, donors, development finance institutions, private investors</td>
</tr>
<tr>
<td>Sectors invested in</td>
<td>Sustainable agriculture, sustainable forestry, other sustainable land use</td>
</tr>
<tr>
<td>Geography</td>
<td>Global, with a primary focus on developing countries</td>
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<tr>
<td>Instruments</td>
<td>Junior debt, equity</td>
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<tr>
<td>Fund life</td>
<td>15 years (for the first Fund. It is intended that successive funds will be launched after the end of the investment period, continuously extending the life of the Fund)</td>
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<tr>
<td>Target first closing</td>
<td>H2 2017</td>
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</tbody>
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* indicative terms

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