Land Degradation Neutrality Fund: De-risking Private Investment in Restoration

Delivering a just rural transition through the world’s first commercial fund dedicated to land restoration
Restoration and Returns through the LDN Fund

An Impact Investment Fund offering commercial returns on land restoration projects

Location
Asia, Africa, Latin America & the Caribbean and the Pacific region.

Context
60% of land worldwide is degraded, with one quarter of anthropogenic greenhouse gas emissions resulting from intensive land use. Unsustainable agricultural practices are cited as one of the leading causes.

Challenge
Achieving land degradation neutrality, enshrined in SDG Target 15.3, is estimated to cost the global economy around USD $6.3 trillion every year. Levels of public and philanthropic capital available for land restoration projects are insufficient in many regions of the world.

Just 10% of public climate finance was invested in food and land use systems in 2017-2018, and less still for land restoration. This is in spite of its strong promise as a climate solution. Risk levels are currently considered too high for most restoration projects to attract substantial private capital.

“Land degradation neutrality is... a commitment to tackling climate issues and food security at the same time. It may come to redefine our relationship with the land.”
Stéphane le Foll, former Minister of Agriculture, Agrifood and Forestry, France

Solution
Promoted by the UN Convention to Combat Desertification, the Land Degradation Neutrality Fund (LDN Fund) was set up in 2018 by sustainable fund manager Mirova as the first fund in the world dedicated to reversing land degradation through investment in commercial restoration projects.

The Land Degradation Neutrality (LDN) Fund blends resources from the public, private and philanthropic sectors to achieve land degradation neutrality through sustainable land management and land restoration projects that are implemented by the private sector.

To do so, the Fund uses public money to attract private capital by offering investors a ‘first-loss capital’ structure, in which the Fund typically takes the riskiest positions in ventures, attracting additional commercial financing at lower risk levels to help projects reach a greater scale and increase their positive impact.
Eligible projects must have an established track record of achieving a triple bottom line of commercial viability, land restoration and socioeconomic benefits.

"The idea of creating a Land Degradation Neutrality Fund that, simultaneously, drives private sector investment, revitalizes degraded areas and scales up sustainable land use practices is truly innovative, and deserves the support of the global community."

Global Landscapes Forum

Impact

As an impact investment fund, the LDN Fund is built around a triple bottom line. Its overarching aim is to transition 500,000 hectares of land towards Sustainable Land Management (SLM) practices, while helping to lift people out of poverty.

The Fund’s projects will result in the storage of an additional 35 million tons of CO₂ equivalent. Social impact will be achieved through the creation of 100,000 jobs, with investments predominantly targeting rural areas of developing countries.

The LDN Fund recorded its first investment in 2019, supporting the Urapi Sustainable Land Use program, which implements agroforestry projects and supports cooperative formation in Latin America. The program will reforest almost 9,000 hectares of degraded land while enhancing the livelihoods of 2,400 smallholders.

As of 2021, public first-loss capital has succeeded in attracting investments totalling USD $100 million, indicating a significant scale-up potential for the model. The fund has targeted a further USD $200 million in private sector investments.

As part of a wider theory of change, the Fund will demonstrate the viability of this model for achieving SDG outcomes to the investment community.

"Put a dollar wisely into restoring land and you can get up to $30 back. The stock market can’t deliver that, but restoration can."

Dr Andrew Steer, former CEO of the World Resources Institute, commenting on a 2017 WRI report on land restoration.