

## News updates from the Land Use Finance Programme

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# &Green Fund

27 Jan 2020 [Charlie Nelson](#)

The question of how to stimulate the private sector to finance the transition to a sustainable agriculture and forestry sector is now a pressing issue: the current expansion-led agricultural production systems used in tropical forests lead to deforestation and high greenhouse gas emissions. But investment and sustainability risks are typically too high and timeframes typically too long for the private sector to invest in these sectors. The [&Green Fund](#), developed and set up in 2017 in partnership with [IDH Sustainable Trade Initiative](#) and [NICFI](#) (The Norwegian International Climate and Forests Initiative), works to address these problems. The fund's core mission is to prove that financing inclusive, sustainable and deforestation-free tropical commodity production can be commercially viable and replicable, and ultimately strengthen the case for a rural development paradigm that protects valuable forests, peat lands, while supporting highly productive and profitable agriculture.

The &Green Fund aims to catalyse more than USD 2 billion in investments to protect, conserve and restore 5 million hectares of tropical forests for the benefit of over 500,000 households through improved yields, incomes, job creation and more. The &Green Fund employs a landscape-level approach to conserving forests and peatlands related to its investments by collaborat-

ing with investee companies and relevant stakeholders to develop and implement landscape protection plans around their areas of production. The long-term vision of the fund is that tropical forests and peatlands are protected and restored, smallholder livelihoods are improved, and production is increased. However, the &Green fund is made unique by its mandate to absorb credit risks which deter other funds and development banks, giving it the rare ability to catalyse capital from a wide variety of lenders.



Last year, the &Green fund launched an investment of USD 23.75 million in PT Royal Lestari Utama (RLU) – an Indonesian joint venture between French tire manufacturer, Michelin, and Indonesia’s Barito Pacific Group – in which the capital was directed towards a plantation that is likely to become the largest sustainable rubber plantation when fully planted. Through cooperation between WWF, local NGOs, government and RLU, over 70 percent of the concession area will be set aside for local communities and conservation programmes including: a 9,000 hectare wildlife conservation area to function as a buffer zone for a national park; smallholder schemes in and around the concession area accessing approximately 3,500 smallholder rubber farmers; and over 16,000 people to be directly employed – all under a No Deforestation, No Peat, and No Exploitation (“NDPE”) commitment. As a result, through the smallholder schemes and employment, RLU will provide stable incomes and benefits for approximately 50,000 people

living in and around the concession area. Importantly, RLU and WWF will provide technical assistance on rubber tapping techniques and other agronomic practices, to increase yields by more than 2 times, and ensures that protecting high-conservation value tropical rainforests and wildlife becomes a community-supported effort.

In the case of this investment, the &Green fund worked with the Tropical Landscape Financing Facility (TLFF), RLU and local stakeholders over a period of 12 months to strengthen the Environmental and Social Action Plan (ESAP), build a credible Landscape Protection Plan (LPP) with quantified milestones for forest protection and social inclusion and implement transparent key performance indicators. To ensure these policies are implemented and adhered to, &Green advisors and independent verifiers will visit and inspect the project site regularly and transparently monitor and report on progress of ESAP and LPP. This adaptation of the project's environmental and social accountability allowed for &Green purchasing the riskiest tranches of the sustainability bonds established by TLFF to fund RLU. The transaction with &Green fund demonstrates how blended finance funds and commercial investors can invest in sustainable land use management projects: Through its hands-on investment approach, &Green lowers the credit and reputational risks for typical capital markets investors, ultimately mobilising far larger pools of commercial capital to invest in upstream production of globally important agri-commodity supply chains. &Green's participation and interventions proved to be crucial in demonstrating that TLFF's concept of buffering capital market investors with blended finance funds can, in fact, be replicated in the future.

To scale up sustainable and socially responsible business models across the agriculture and forestry sectors and protect globally significant ecosystems, private investors must look to invest in such business models and assist in their sustainable development. Looking towards the future, the &Green fund is searching for additional investment opportunities in the agriculture and forestry space that can live up to the fund's mandate of a triple bottom line delivering long-term social, environmental and financial returns.

## About the writer



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