WEBINAR
Investing in Smallholders' Regenerative Practices
August 26, 12:00 GMT
Agenda

• Welcome Remarks
  Sebastian Subsol, Senior Technical Specialist - Climate Change – IFAD

• TerraFund (Rural Prosperity Bond)
  Venkat Iyer, Manager, Global Restoration Initiative, World Resources Institute

• Smallholder Forestry Vehicle
  Alex Freeland, Senior Manager, Corporate Finance & Strategy, Komaza

• Q&A Session
TerraFund
(Rural Prosperity Bond)
2020 Global Lab Instrument

Proposed by
WORLD RESOURCES INSTITUTE
GRI INVEST STRATEGY (RURAL PROSPERITY BOND/ TERRAFUND)  
Restoration through finance.

July 2021

PHOTO: Aron Simeneh / WRI
I. Why Restoration?

II. Local Inhibitors

III. The GRI Three Pillar Strategy

IV. TerraFund Framework

V. Localized Financing and its Impacts

VI. Holistic Theory of Change
1. WHY RESTORATION?

The Problem: Land Degradation. 25% of global lands face degradation caused by unsustainable management practices, primarily in agriculture.

- Degradation leads to decreased biodiversity and land productivity. Global financial damage of $6.3 trillion/year in crop loss.

Restoration is a Key Solution. Restoration is the recovery of ecological systems and involves the improvement of land-management practices to drive economic growth while protecting the ecosystem.
Bringing 50 million hectares of degraded land in Latin America & the Caribbean into restoration by 2030.

Africa restoring 100 million hectares of deforested and degraded land by 2030

31 countries have committed to restore 128 million hectares

$18 in development finance

$481M private sector commitment

TOTAL 52.6 mha

$2.5B
Financial ambitions by private sector impact investors to fund restoration projects in the region.
BUT, ONLY 18% UNDER IMPLEMENTATION

Self-reporting indicates only 31.2 Mha are under implementation.
2. LOCAL INHIBITORS

- **Unsustainable land management practices,** overpriced imported fertilizers and pesticides with no local alternative.

- **Limited access to financing,** especially for **small enterprises** and those pursuing tree-based crops and solutions that take time.

- **Lack of capacity building and support** for small-scale actors interested in pursuing restoration-themed business models.
3. WRI – GLOBAL RESTORATION INITIATIVE

Inform
Create new data on tree growth and its impacts that provide insights at the global, national and landscape scales
• Restoration Watch
• ROAM assessments
• Thought leadership
• Stories of implementation

Enable
Shift policies and incentives by helping decision makers solve each others’ challenges
• Political mobilization
• Innovation in policy analysis
• Policy Accelerator

Invest
Accelerate projects and businesses and match them with funders to start closing the funding gap
• Land Accelerator
• TerraMatch
• TerraFund

Core Offers
4. INVESTMENT MATTERS

Good Investment

Every $1 invested in restoration can yield $7 - $30 in economic benefits.

Land restoration enables new opportunities for women, giving them more economic and political power.

Investment makes it more economically feasible and lucrative to restore land rather than destroy it.

Restoring the 150 million hectares under the Bonn Challenge would generate $30 - $40 billion/year for local farmers and $85 billion for local economies.
5. TERRAFUND FRAMEWORK

- **TERRAMATCH** | Global platform connecting tree-growing projects with funding partners, and tracking results.

- **LAND ACCELERATOR** | Workshops/ personalized mentorships that empower restoration entrepreneurs to grow their businesses to attract venture capital.

- **TERRAFUND** | Grant/debt instrument channeling funds towards selected enterprises graduating from Land Accelerator, helping them scale their production and restoration efforts.
THE GRI INVEST APPROACH

- Long-term partnerships built.
- Al-backed satellite data and monitoring tools for both funders and project developers.
- Already directed $4+ million to tree-growing projects.

Strict monitoring

- Terrafund (previously RPB)
- In only 6 years, mobilize $70 million to restore 100,000 ha of land.
- Connect SMEs to 800,000+ farmers, most of whom are women.
- Improve yields of farmers by at least 40% and support 18,000 rural jobs.

Holistic Finance Monitoring Model w/ Tangible Impacts

- 3.1 million trees growing and 101,200 ha under restoration.
- Created 2,700 jobs and helped 120,500 farmers.
- Already supporting 56 entrepreneurs from 23 different countries.
7. TARGETED LOCAL FINANCING

- **Goals of TerraFund**
  - Empowering locally led programs.
  - 'Learning by doing' by tackling localized restoration models to gauge which are the most successful.
  - Local knowledge and ownership of projects.
  - Help funders target investments to improve livelihoods of marginalized groups.
8. IMPACTS OF LOCAL FINANCING

<table>
<thead>
<tr>
<th>Top 40 – Restoration Developers and Enterprises in WRI pipeline</th>
<th>Investment/Grants</th>
<th>Hectares restored</th>
<th>Livelihoods generated</th>
<th>Trees Planted</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 Restoration Enterprises</td>
<td>$2 million</td>
<td>890</td>
<td>882</td>
<td>290,500</td>
</tr>
<tr>
<td>20 Restoration Project Developers</td>
<td>$2 million</td>
<td>3,281</td>
<td>1,032</td>
<td>2,670,500</td>
</tr>
<tr>
<td>TOTALS</td>
<td>$4 million</td>
<td>4,171</td>
<td>1,914</td>
<td>2,961,000</td>
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</table>
9. Case Study in Funding Enterprise:

**Tilaa Lmtd, Ghana.**

- **Project Type:** Agroforestry/cashew trees

- **Usage of Capital:**
  - Equity/debt finance used to plant cashew seedlings
  - Construction of environmentally friendly concrete beehives
  - Purchase of machines for mechanization

- **Key Impact:**
  - Livelihoods: 30 direct employees, 500 smallholders engaged through business
  - Environmental: 50 hectares restored, 20,000 trees planted
10. Case Study in Funding Project Developer:
Youth Environmental Services, Uganda

- **Project Type:** Reforestation & Riverbank Restoration

- **Usage of Capital:**
  - Grant funding used to facilitate tree planting
  - Environmental education
  - Coordination on collaborative natural

- **Key Impact:**
  - Livelihoods: 38 direct employees, 150 smallholders trained, 300 volunteers engaged
  - Environmental: 70 hectares restored, 90,000 trees planted
11. GRI'S THREE KEY PILLARS AIMING FOR HOLISTIC, SYSTEMIC CHANGE:

• Building a pipeline of strong restoration enterprises through the Land Accelerator, more than 1,300 business are already registered and vetted.

• Funding enterprise/projects with a targeted debt/grant blend through TerraFund, with portions of the loan amount forgivable upon reaching and maintaining ESGs over time

• Compiling knowledge and monitoring progress with the existing GRI TerraMatch platform, which has cutting-edge spatial and monitoring systems
Smallholder Forestry Vehicle (SFV)

2018 Global Lab Instrument

Proposed by KOMAZA
The Smallholder Forestry Vehicle
A catalytic investment facility to scale smallholder forestry
Africa’s wood market crisis: $30B industrial supply deficit by 2030

To meet 2030 demand, Africa needs to plant trees today. Good time to plant trees is 10 years ago or today.

- Population growth and economic development have resulted in industrial timber consumption increasing faster in Africa than any other region over the last 50 years.
- The African industrial wood demand is expected to continue growing at 7% p.a.

Local commercial plantations currently produce under 50% of industrial timber used. The African industrial wood supply is only expected to grow at 3% p.a.

- Industrial wood import is expected to grow at 10% p.a., reaching $30B by 2030.

Source: Africa will Import not Export Wood (GEF, 2017)
# Smallholder forestry is the solution to scale commercial forestry

*Large-scale plantations struggle to scale due to lack of available land and complex land tenure issues*

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<tr>
<th>Large-scale plantations¹</th>
<th>Smallholder Forestry</th>
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<tbody>
<tr>
<td><strong>Lack of Available Land</strong></td>
<td>Plentiful Land to Grow Trees</td>
</tr>
<tr>
<td>Areas suitable for forestry are already populated resulting in few large tracts of land and high prices.</td>
<td>Smallholder farmers control ~80% of agricultural land² in across sub-Saharan Africa.</td>
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<tr>
<td><strong>Complex Land Tenure</strong></td>
<td>Simple Land Tenure</td>
</tr>
<tr>
<td>Land disputes and lack of formal title in some regions mean that land acquisition can be complex and risky.</td>
<td>Farmers retain ownership of the land, and there are no complex valuations, transfers, or transactions required.</td>
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<tr>
<td><strong>High Establishment Cost</strong></td>
<td>Low Establishment Cost</td>
</tr>
<tr>
<td>Plantations requires purchase of a large tract of land, resulting in $5,000/ha establishment cost.</td>
<td>The smallholder forestry model does not need to purchase land, resulting in $1,000/ha establishment cost.</td>
</tr>
</tbody>
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¹ Allocating Capital for Maximum Impact in Africa’s Plantation Forestry Sector (Criterion Africa Partners & Indufor, 2017)
² Smallholders & family farmers (FAO, 2012)
Komaza’s model is a win-win partnership with smallholder farmers

Without any upfront cash or forestry knowledge, farmers can earn life-changing incomes from their unused land.

- Komaza and farmers plant trees (owned by Komaza) on unused land (owned by farmers), observing environmental and social safeguards.

- Komaza provides high quality inputs and “McDonalds of Forestry” trainings that translate expert forester knowledge into simple, repeatable tasks for farmers.

- With field staff from local villages managing farmers, Komaza closely engages with local community stakeholders to deliver quality services.

- Komaza delivers early thinning revenue in Year 3-4.

- Final harvests after 10 years return life-changing payouts to each family, equivalent to 5x her annual cash income.
Access to appropriate capital is Komaza’s main barrier to scaling. Forestry assets are capital intensive and long-term - tailored patient capital finance is vital to expand.

Investors who are able to provide the tailored patient capital required cannot currently invest in Komaza given the venture risk associated with the model.
Komaza and The Climate Lab collaborated to design the SFV

The SFV is a new financing structure that can unlock the capital that smallholder forestry needs to scale

The Lab provided expert advice as well as access to insights from a broad range of relevant stakeholders

- **DFIs**
  - IFC
  - World Bank Group

- **Private investors**
  - Deutsche Bank
  - CRITERION

- **NGOs**
  - The Nature Conservancy
  - WWF

- **Enterprises**
  - Bboxx

And many more......
The SFV applies best practice asset financing techniques to smallholder forestry assets
Komaza is now seeking ~$50M to establish a proof of concept SFV, that will realize huge environmental and social benefits.

- ~2.8 million tCO2eq sequestered
- ~68,000 farmers generating income from sustainable forestry
- ~21,000 ha of sustainable commercial forest developed

This is just start..... once the concept has been proven, Komaza will replicate this model to access the capital needed to continue scaling smallholder forestry across Kenya and beyond.
Q&A