



Frankfurt School
FS-UNEP Collaborating Centre
for Climate & Sustainable Energy Finance



FINANCING
SUSTAINABLE
LAND USE



Introduction to the Restoration Seed Capital Facility



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Supported by:



Federal Ministry
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based on a decision of the German Bundestag



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of the Environment, Climate
and Sustainable Development



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Making Investments in Forest Landscape Restoration Happen

What is RSCF?

RSCF is a **financing facility** aiming to promote private investment in FLR through closing the funding gap for the development of new funds and for pipeline and project development

What does the Facility provide?

Co-financing of development costs related to the establishment of a new fund, pipeline building or project development for existing funds, both on a **cost-sharing basis** (dollar for dollar matching)

Who is eligible?

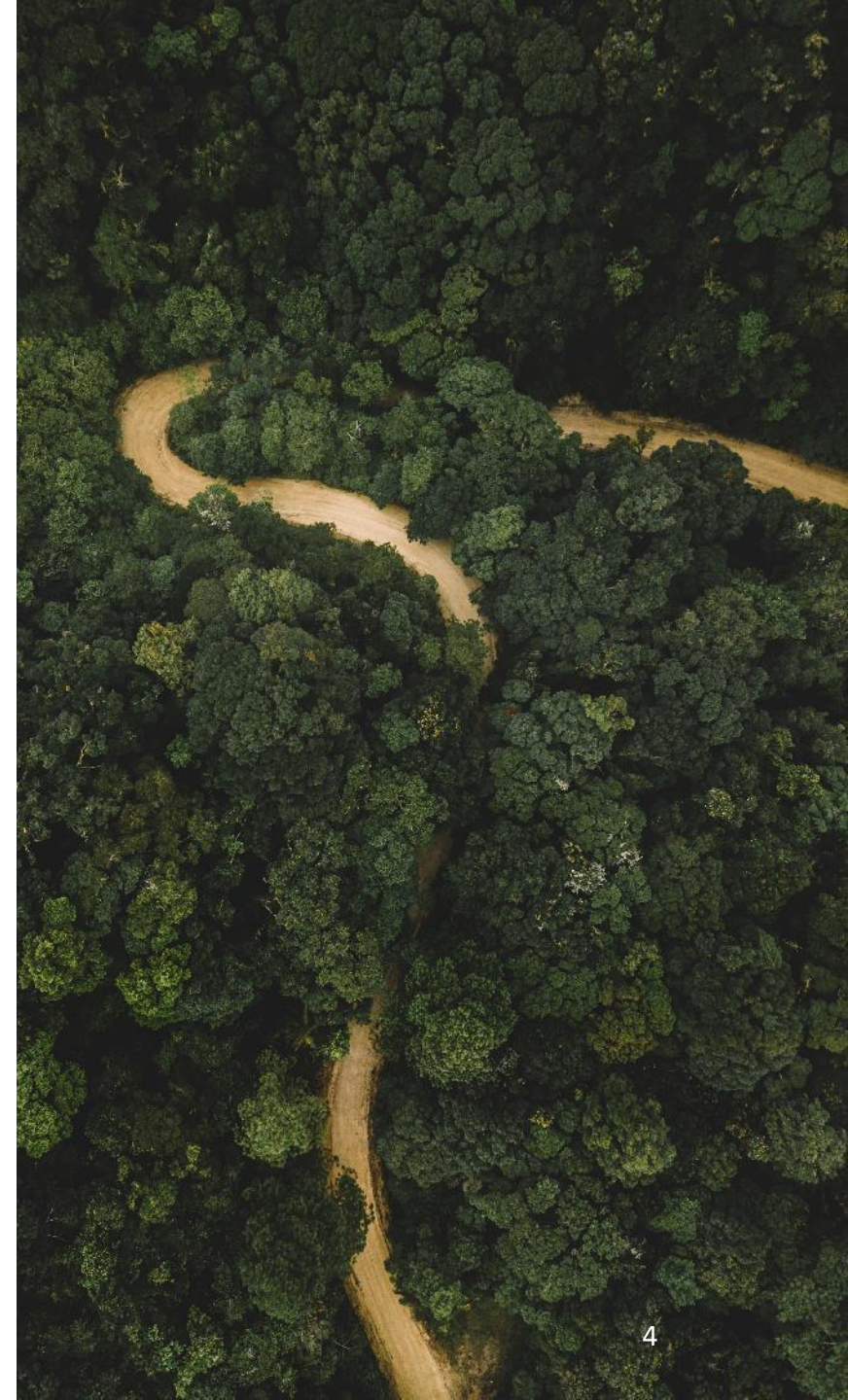
Fund managers (or investment advisers) managing funds dedicated to sustainable land-use activities or **new fund managers** interested in establishing a fund in the FLR- space

Where is the funding coming from?

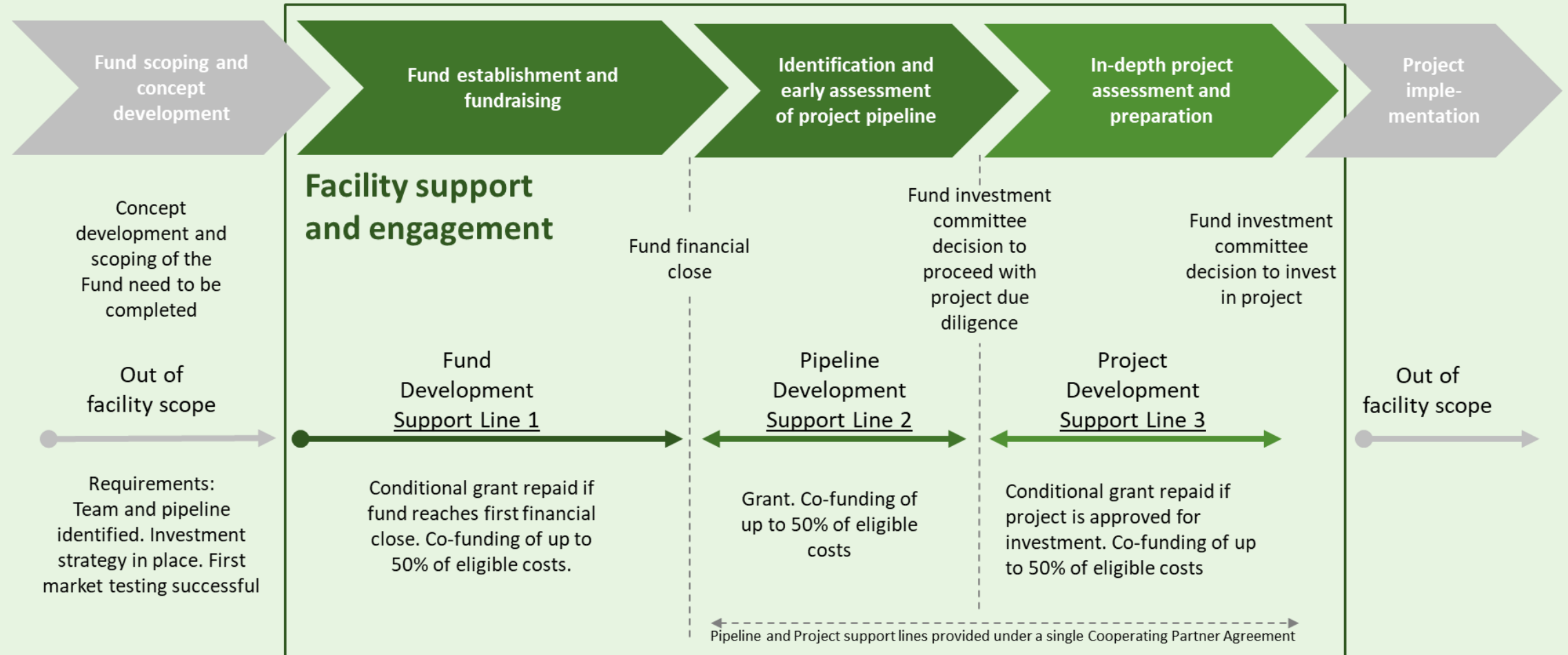
German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and Luxembourg Ministry of the Environment, Climate and Sustainable Development

Who is managing the Facility?

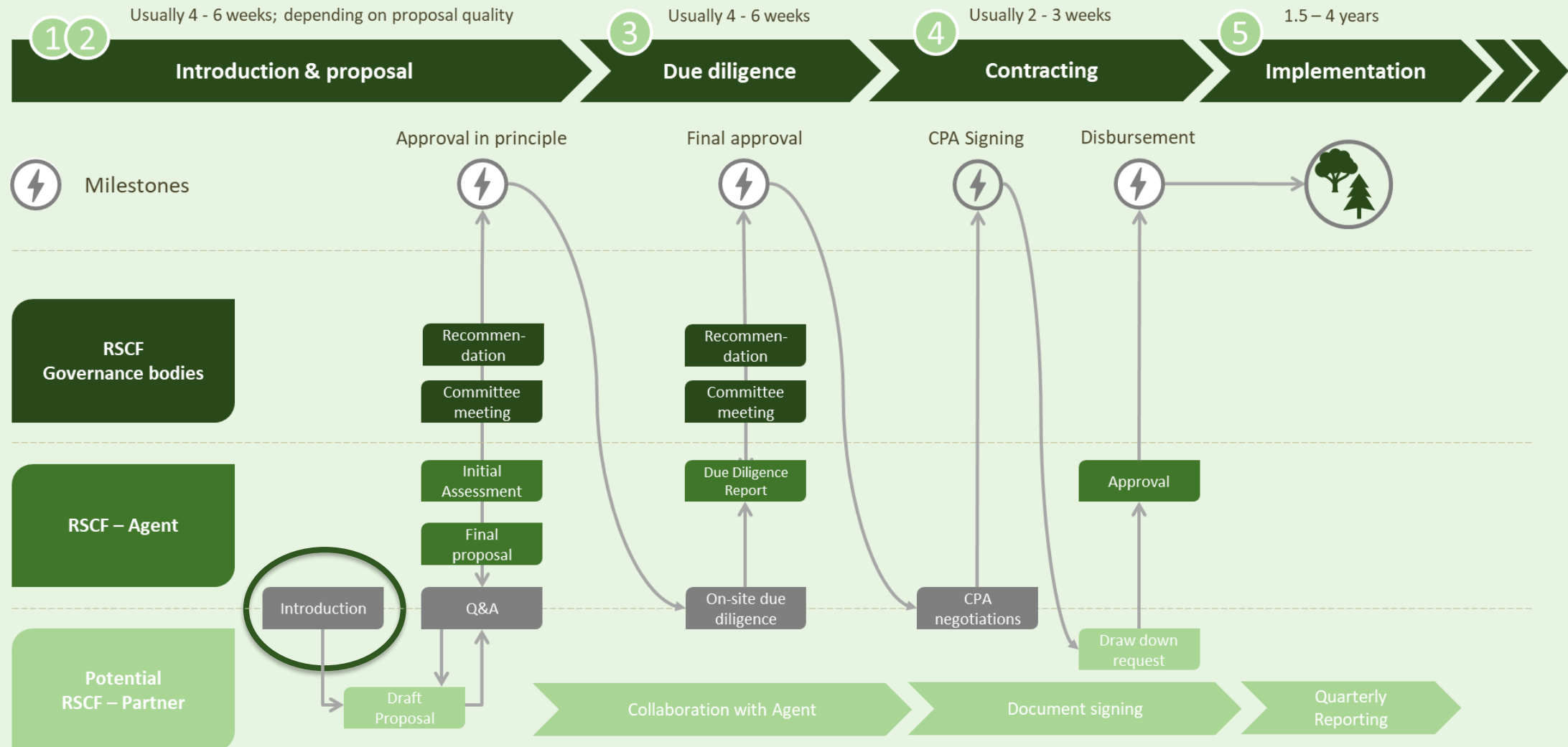
RSCF is managed by **United Nations Environment Programme** and implemented by **Frankfurt School of Finance and Management**



RSCF Support across the Lifecycle – Overview



Next Steps – Engagement Process



Eligibility Criteria

Entity type

- **Fund managers or investment advisors** to funds
- Investment advisors to **Special Purpose Vehicles (SPV)** investing in a portfolio of projects
- **Not eligible:** standalone projects, project developers

Geographies

- All **ODA-eligible countries**
- Focus **Latin America, Africa** and **South-East Asia**
- **Note:** investments need to be in eligible countries, fund manager can be located anywhere

Fund capacity

- Applicants need to demonstrate the **commercial viability** of the concept:
- Financial and technical expertise
 - Execution capability and capacity to implement proposed investment strategy
 - On-ground teams desirable
 - **Note:** on-ground presence can be established through RSCF support

Sector

- Forest restoration & protection**, combined with sustainable land-use activities:
- Agroforestry & sylvopastoral systems
 - Sustainable forest management (secondary forests) & sustainable forestry on degraded lands
 - Non-timber forest products
 - Generation of carbon credits & payments for ecosystem services
 - Supply chain investments to support restorative activities



Eligibility Criteria

Investment portfolio/ characteristics

- Novel and **innovative** strategies, business models or geographies
- **75%** of fund investment volume dedicated to eligible activities
- Potential for **replication** and **scalability**

E&S Mgmt. and Climate Change

- Environmental and social risk management
- Environmental and social impact reporting framework
- Mechanism for evaluation and mitigation of climate change risk & impact
- **Note:** development eligible for co-financing under SL1

Additionality rationale

- Enabling activities **beyond business as usual**
- Positive **E&S impacts**
- Restored/conserved forest ecosystems will sustainably maintain their beneficial functions
- **Climate change** mitigation & adaptation
- Broadening of geographic & thematic **scope**
- Unlock **private capital**



Restoration

Candidates need to demonstrate strong alignment with the goals of forest landscape restoration:

“regaining ecological functionality and enhancing human well-being across deforested and degraded forest landscapes”

What does this mean...

Revenue-generating activities maintain ecosystem functions of restored ecosystem in a sustainable way

Substantial commitment to restoration is crucial, going beyond protection and zero-deforestation approaches

...for the application process?

Detailed description of restoration approach required

Variety of restoration strategies are eligible such as active restoration or passive restoration/ natural regeneration



RSCF Support – Overview Co-Financing Options

Fund Development (SL1)

- For first time fund managers or innovative approach
- Fundraising phase
- Bridge liquidity gap from fund establishment up to first close
- Fully-developed fund concept
- First investor feedback secured
- First close in ~8-12 months

Transacted only in conjunction under one Cooperating Partner Agreement

Pipeline development (SL2)

- For Funds in investment phase
- Assess & develop early project opportunities outside current scope
- New geographies, sector or business models
- Early-stage projects
- Before project DD

Project Development (SL3)

- For Funds in investment phase
- Support development of specific projects beyond business-as-usual approach
- New geographies, sectors or business models
- Investment memo & internal IC approval available
- Financial close of project in ~6 months

Support Line 1 – Fund Development

Objective

- Support fund managers raising a new fund
- Partnership lifetime 18-24 months

Requirements

- Fund scoping completed & well-defined investment strategy
- Clear route to market strategy in place
- First investor leads and fundraising plan established

Financing

- Reimbursable grant of up to USD 750,000
- Repaid at first close
- Co-financing of up to 50% of eligible costs

Eligible Costs

- External costs related to fund establishment and fundraising
- Marketing and travel costs
- Legal costs
- Admin & set-up costs
- Costs related to local capacity building
- Cost related to development of ESMS





Support Line 2 – Pipeline Development

Objective

- Development of pipeline outside their current scope
- Partnership lifetime 12 – 14 months

Requirements

- Fund is in investment phase
- Strategy to expand pipeline sourcing into new regions, sectors, value chains
- **Only in conjunction with SL3 (one single Cooperating Partner Agreement)**

Financing

- Grant of up to USD 750,000; max. 30% of SL2 & SL3 bucket
- Co-financing of up to 50% of eligible costs

Eligible Costs

- Pre-feasibility studies & business model development
- Establishment of on-the-ground presence
- Costs related to capacity building of local project developers and partners and internal capacity development
- Travel costs



Support Line 3 – Project Development

Objective

- Development of impactful projects to the stage of investment decision
- Reduction of broken deal cost risk
- Individual project co-financing

Requirements

- Beyond business as usual (less developed projects, higher risk, new countries)
- Approval of each project through RSCF
- Substantial restoration impact
- **Only in conjunction with SL2 (one single Cooperating Partner Agreement)**

Financing

- Reimbursable grant of up to USD 1,750,000; min. 70% of SL2 & SL3 bucket
- To be repaid at financial close of each project

Eligible Costs

- Costs related to the due diligence process
- Legal and fiscal studies
- Travel costs
- Environmental and social risk assessment
- Financial risk analysis and project valuation costs



The way towards a successful application

Intro Call & Follow-Up Calls

- Introduction to fund manager, fund and its investment strategy
 - Presentation of fund timeline and, if applicable, milestones
 - Outline motivation for RSCF support, including funding requirement
 - Deep dive into selected areas & round of questions
 - Possibility for candidate to ask questions, learn more about RSCF & support lines
- Invitation to proposal submission based on eligibility criteria, restoration impact & fit to RSCF

Evaluation criteria of proposals

- Financial viability (commercial terms and returns)
 - Technical viability and valid investment case/strategy
 - Execution capacity of the team
 - Quality of pipeline
 - Additionality of RSCF support
- Proposal assessment through RSCF implementing bodies
- Presentation to Investment Advisory Committee if quality and coherence are given

RSCF and SCAF evolution



- Funded by the Global Environment Facility and the UN Foundation, Phase I of SCAF started in 2009. The Facility worked with 10 investment partners and provided USD 2.4 million of seed financing to 20 renewable energy projects in 14 developing countries in Africa and Asia
- SCAF phase II started in 2014 and will run until 2026 with three specific support lines for fund establishment, pipeline and project development
- SCAF II has signed and supported 17 partners, as well as 23 projects
- Following the achievements of the Seed Capital Assistance Facility (SCAF), the Restoration Seed Capital Facility (RSCF), an independent sister-facility to SCAF, was launched in 2020
- The RSCF is following the same operational guidelines that has made SCAF a success
- The inception of RSCF demonstrates the replicability of SCAF within other sectors and the attractiveness of the facility to donors as well as the private sector