

Funding options for local non-profit ecosystem restoration implementers

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This special paper summarizes the main findings of the related study “Funding options for ecosystem restoration in Central America and Africa” written by Unique land use GmbH. This paper and the study were commissioned by the GIZ project “Support for the Design and Implementation of the UN Decade on Ecosystem Restoration” (DEER). The complete study can be found [here](#).

Key messages

- I Although ecosystem restoration is critical for addressing the climate and biodiversity crises, a substantial financing gap continues to hamper the implementation of restoration interventions.
- II Local level organizations are crucial for the successful implementation of restoration projects and activities. However, the funding options available for local non-profit restoration implementers are limited. On top, non-profit organizations face a number of additional challenges, such as high fiduciary, administrative, and technical requirements set by international funding mechanisms. Thus, a gap between local restoration project size and the expectation of funders remains.
- III Funding intermediaries – such as environmental funds at the national level – can help to bridge this gap, e.g. by helping to aggregate a number of smaller restoration projects or by developing larger restoration programs.
- IV Development partners can play an important role in the funding landscape for ecosystem restoration. They should continue raising awareness on the need to close the funding gap for ecosystem restoration and should carry on enhancing capacities of both local non-profit restoration implementers and intermediary organizations such as environmental funds.



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This paper is part of a Policy Paper series on the UN Decade on Ecosystem Restoration. The UN Decade links issues and challenges that have mostly been considered separately in the past, most notably: climate change, biodiversity loss and land degradation. It examines their interactions and identifies solutions. The [Policy Paper series](#) contributes to this, providing ideas and recommendations for joint implementation.

Introduction

Ecosystem restoration at scale is key to achieve the Sustainable Development Goals (SDGs) and to address the twin crises of **climate change and biodiversity loss**.

With the declaration of the **United Nations (UN) Decade on Ecosystem Restoration** (henceforth the UN Decade) from 2021 to 2030, the General Assembly of the UN has established a platform for action that aims to “prevent, halt and reverse the degradation of ecosystems worldwide” (UN, 2021)¹. Complementary, the **Bonn Challenge** and its **regional initiatives** are confronting the ongoing climate and biodiversity crises through scaling restoration at landscape levels. In Latin America, the regional **Initiative 20x20** aims to bring 50 million hectares of degraded land into conservation and restoration processes by 2030. Similarly, in Africa the **African Forest Landscape Restoration Initiative (AFR100)** aims to bring 100 million hectares of land in Africa into restoration by 2030.

Despite the wide acceptance for the need to scale up ecosystem restoration activities, a significant financing gap is

hampering the implementation of urgently needed restoration interventions. Current estimates of the **financing gap** vary. The World Resources Institute (WRI) estimates an existing funding shortfall of **USD 300 billion per annum** for overall landscape restoration (see Figure 1; Ding et al., 2018). The United Nations Environmental Programme (UNEP, 2021) predicts that by 2050 the financing for Nature-based Solutions will need to reach USD 536 billion per annum.

This financing gap is particularly salient for **local small to medium scale non-profit ecosystem restoration implementers** (in the following referred to as local non-profit restoration implementers) that face a range of additional challenges when seeking to access ecosystem restoration funding. Therefore, this policy paper focuses on the restoration finance landscape available to local non-profit restoration implementers – with a geographical emphasis on Central America and Africa. It analyses respective barriers and opportunities.

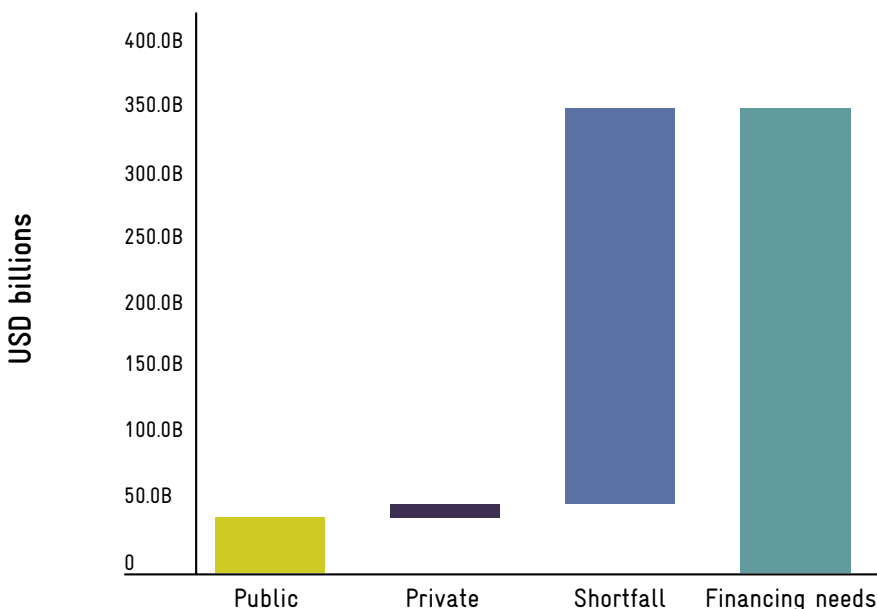


Figure 1: Annual global funding gap for conservation and restoration in USD billions (Ding et al., 2018)

¹ For further information on the policy context of the UN Decade please refer to [Policy Paper](#) no. 1.

Funding landscape

Ecosystem restoration must occur on different spatial scales, from local to global levels. **Local non-profit restoration implementers as well as Indigenous Peoples and Local Communities** (IP&LC) hold valuable knowledge on restoration needs and potential solutions that play a crucial role in restoration activities (IUCN, 2021). Yet, despite more than a decade of interest in restoring ecosystems on the global agendas, local non-profit restoration implementers still tend to have limited access to funding and experience many challenges when seeking to access it.

This is in part due to the **limited number and range of funding options available for them**. Grants and public funding options tend to be the only viable funding instruments due to their non-profit nature. Further, as national budgets for ecosystem restoration interventions are usually limited, local non-profit restoration implementers tend to be highly dependent on international or national grant funds. To apply for funding of several international funding mechanisms (e.g. the [Global Environment Facility – GEF](#) or the [Adaptation Fund](#)), all organizations first need to undergo a specific accreditation process to ensure they have strong financial management capacities and safeguards in place. Private foundations often reach out directly to pre-identified (local) non-profit implementers without open calls for proposals. Both of these practices further limit the funding options available to local non-profit restoration implementers.

In addition, international grant funding mechanisms tend to have **high fiduciary, and administrative and technical requirements** as part of their eligibility criteria (e.g. accounting standards, monitoring, and performance reporting). These requirements often exceed the capacities possessed by local non-profit restoration implementers. Their financial capacities can be limited due to small turnover rates that do not allow them to manage large grants. In some cases, technical capacities of local non-profit restoration implementers do not meet the standards, or they do not communicate sufficiently through monitoring and reporting processes. The minimum amount of money (e.g. grant amount) a donor is handing out to a recipient might also exceed project size or the absorptive capacities

of local non-profit restoration implementers. As a consequence, they tend to be disconnected from international funding mechanisms and other potential funding providers.

To ensure the implementation of ecosystem restoration projects and to further support the upscaling of local ecosystem restoration action, it is key to **enhance local non-profit restoration implementers' capacities to access funding sources**. International, regional, and national policy processes (e.g. the [UN Decade, Initiative 20x20](#), or [AFR100](#)) can contribute to overcome existing funding barriers to support the mobilization of finance and close the restoration financing gap at the local level.

The majority of the **funding available to local non-profit restoration implementers** can be grouped in four funding categories:

- Public funding, including public funding from international organizations
- Public funding, channeled by intermediary funding organizations, including national environmental funds
- Private philanthropic funding
- Other private funding schemes: e.g. results-based finance, decentralized donor-based tree planting, Corporate Social Responsibility interventions

Across these types of funding, most funding for ecosystem restoration implemented by local non-profit restoration implementers comes from public sources and international funding mechanisms. The successful financing of local restoration projects is therefore highly dependent upon the establishment of an **efficient funding infrastructure** (or “supply chain” of funds) that connects the local implementation level to funding sources available on national and international levels.

In this context, **intermediary funders** with the ability to connect local non-profit restoration implementers and international funding sources can be crucial actors in the restoration funding landscape. Figure 2 shows different scenarios of how public international funding can be channeled to local non-profit organizations in Central America.

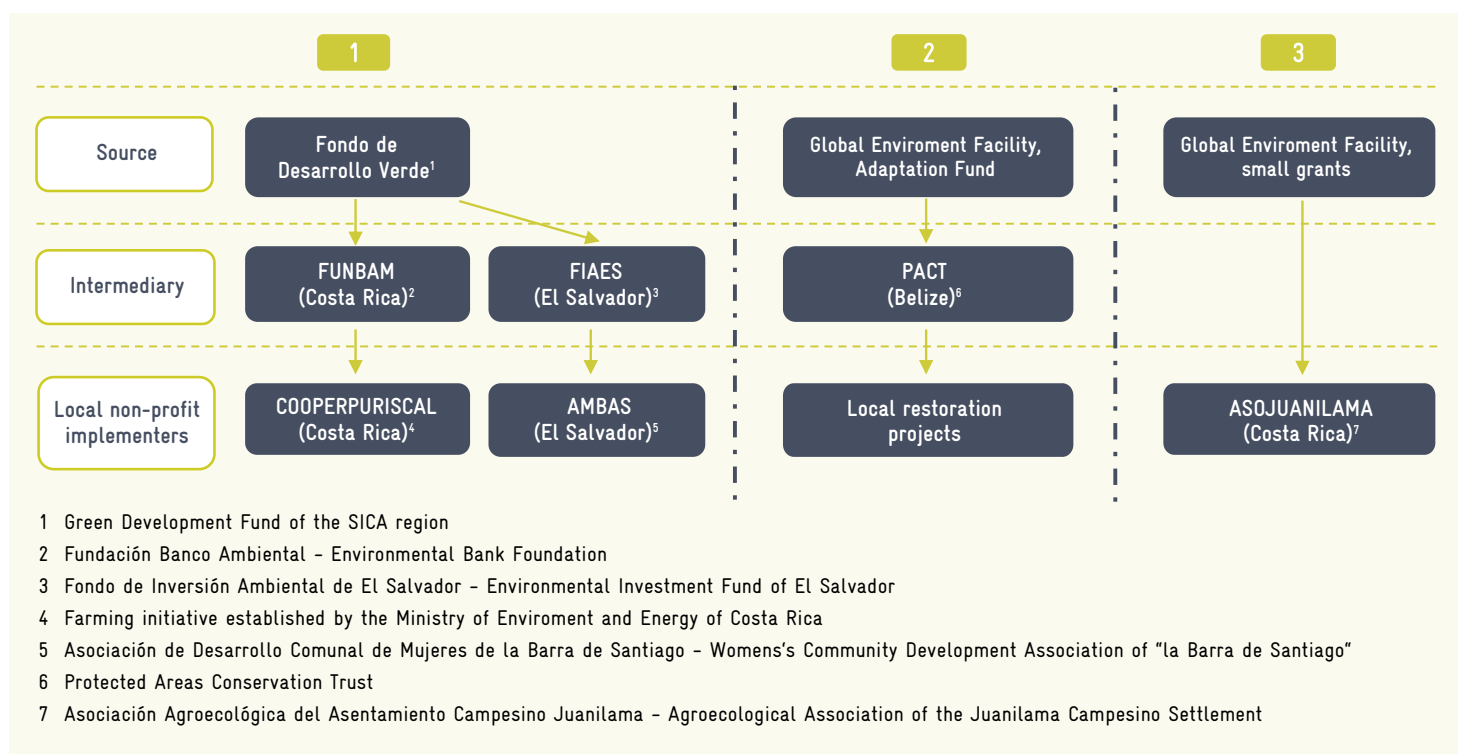


Figure 2: Indicative examples of the three funding pathways in Central America

In the first pathway depicted in Figure 2, national environmental funds act as intermediaries. Examples of this approach are the [Environmental Investment Fund of El Salvador](#) (Fondo de Inversión Ambiental de El Salvador – FIAES) and the [Environmental Bank Foundation](#) (Fundación Banco Ambiental – FUNBAM) in Costa Rica. However, not all countries have such intermediary funds sufficiently established to support local non-profit restoration implementers.

In the second pathway, non-profit organizations or other organizations can act as intermediaries. Examples of this pathway would include finance being channeled by the [Protective Areas Conservation Trust](#) (PACT) in Belize, the [World Wildlife Fund](#) (WWF) or [The Nature Conservancy](#) (TNC).

In the third pathway, local non-profit restoration implementers directly apply to internationally available funds through specifically designed small grants programs, such as those of the [GEF](#) or the [International Climate Initiative](#) (IKI).

In addition to public funding options, numerous other private sources of funding for restoration are emerging. Four such sources with potential to provide funding for restoration to local non-profit restoration implementers are:

- 1) **Private (philanthropic) tree planting organizations** (e.g. [Trees for All](#), [Plant-for-the-Planet](#)): These philanthropic platforms focus on tree planting and ecosystem restoration that are financed by individual or business donors seeking to plant trees and/or offset their carbon footprint. Signing up is usually simple and of low cost for organizations, but guarantees of funding are low.
- 2) **Matchmaking platforms** (e.g. [Terramatch](#) and [Xilva](#)): Matchmaking platforms are trying to connect project implementers with funders. These are constantly looking for new projects to incorporate into their portfolios. They pre-verify projects and then categorize them based upon various criteria that enable potential funders to find projects that meet their particular interests or needs.

- 3) **Corporate Social Responsibility (CSR):** A few private companies are offering CSR programs that focus on tree planting as well (e.g. [BancO₂](#) providing payment for ecosystem services in Colombia, or the global [1 Trillion Trees](#) campaign).
- 4) **Carbon finance:** The interest in carbon finance is increasing significantly due to the momentum behind corporate decarbonization and carbon neutrality commitments. Carbon finance has already been utilized by some local non-profit restoration implementers for

restoration and conservation interventions (e.g. the [Mikoko Pamoja](#) project in Kenya that uses Carbon finance to fund community mangrove restoration). However, the participation in voluntary carbon markets requires the upfront adaptation of standards (e.g. the [rules and requirements by The Gold Standard](#) and the [rules and requirements of the Verified Carbon Standard](#)) and long-term planning (around 20 years). This can be challenging for local non-profit restoration implementers with limited human and financial resources.

Policy recommendations

In light of the challenges and barriers discussed above, the following recommendations towards development partners² and the wider restoration community aim at enhancing local non-profit restoration implementers' access to restoration funding.

- **Development partners should continue raising awareness of the funding gap for ecosystem restoration as well as about the fact that the access to funding is especially limited for local non-profit restoration implementers.** Furthermore, development partners can help to enhance funding availability and a well-functioning “supply chain” of funds which are needed to channel financing from international, multilateral, and bilateral sources to local non-profit restoration implementers.
- **Development partners should continue enhancing capacities and fostering knowledge exchanges, including the creation of networks amongst local non-profit restoration implementers on issues related to accessing funding. The UN Decade on Ecosystem Restoration with its [global partner network](#) offers an excellent platform for this.** Development partners can support local non-profit restoration implementers to familiarize themselves with the existing restoration funding infrastructure and the “language of the donors”. Cooperation amongst local non-profit restoration implementers can help to exchange information on available funding opportunities and lessons learnt from previous application processes. It also supports regional agenda setting, increases the visibility of local non-profit restoration implementers towards potential funders, grows the number of investment-ready restoration projects, and supports the diversification of funding streams.
- **Development partners seeking to advance restoration should strengthen intermediary funding organizations.** Intermediary funding organizations, such as national environmental funds, can play a key role in channeling funds from larger (international) donor organizations to local non-profit restoration implementers.
- **International programs targeted specifically at local non-profit organizations should be maintained and further expanded.** So-called “small grants” programs (e.g. [the GEF Small Grants Programme](#) or the [IKI Small Grants Programme](#)) that transfer funds from the international level directly to local non-profit restoration implementers are important as they specifically address the bottlenecks of low fiduciary and limited administrative capacities of local non-profit restoration implementers, while providing them with capacity building to increase their skills in fund management and financial administration.

² The term *development partners* is used to refer to multilateral and bilateral development and aid organizations and agencies.

- **Development partners can indirectly continue to support local non-profit restoration implementers by showcasing the socio-economic benefits of ecosystem restoration** (e.g. through ecosystem valuation assessments) and **advocate for their integration into political decision making**. This can help local non-profit restoration implementers to better communicate the socio-economic value of restoration when fundraising.
- **Development partners can help to scale up pilot projects of local non-profit restoration implementers into larger investible projects so that they can diversify their funding streams**. Local non-profit restoration implementers can be supported to access funding dedicated to developing business ideas and enter economic markets. This can be one possibility to establish long-term financial sustainability and independence from public funding sources. It includes approaches to enhance collaboration across different sectors, engage the private sector, support the development of sustainable supply chains, and access to markets for products contributing to restoration objectives. Examples for this are the [TerraFund for AFR100](#) and the [Land Accelerator Africa](#). Further, given the upswing of voluntary carbon markets, local non-profit restoration implementers can be supported in better understanding and fulfilling the respective requirements. However, this should include critical examination of the carbon calculation methodology and the developments of the market in general.
- **The UN Decade with its wide partner network can support** local non-profit restoration implementers in finding adequate funding. Besides contributing to knowledge exchange (see point 2 above), the UN Decade can support the matchmaking of funders and local non-profit restoration implementers through its own platforms. These include the UN Decade Hub which is currently under development as well as cooperating platforms like the [Restor](#) platform that are contributing to the UN Decade Hub. The [UN Decade Finance Task Force](#) can further develop and promote emerging and innovative financing tools and mechanisms that help bridging the funding gap for local non-profit restoration implementers (WB, 2022).

Conclusion

To make significant progress towards the ambitious objectives of the Bonn Challenge and the UN Decade on Ecosystem Restoration, funding for ecosystem restoration needs to be increased and local non-profit restoration implementers need to be connected to existing funding sources by overcoming the challenges they currently face, including limited fiduciary and administrative capacities.

The UN Decade can highlight the important work of local non-profit restoration implementers and support the availability and accessibility of adequate funding sources. This can be done through their platforms which can enable matchmaking and a “supply chain” of restoration funds that connect international donors with local non-profit restoration implementers. The UN Decade Finance Task Force with its great expertise can offer valuable advice, identify existing and emerging actors and tools, and can advance innovative funding mechanisms.

Through a well-established “supply chain” of funds, intermediary organizations, like national environmental funds, can play a vital role in aggregating projects at the national level and connecting local actors to national and international funders.

In addition, matchmaking platforms offer good opportunities for local restoration implementers to develop an understanding of the funding landscape and attract potential funders for their work. In order to secure long-term funding, it is necessary that local non-profit organizations seek to diversify their funding streams. Development partners can support local non-profit restoration implementers (e.g. through grants or capacity building) to achieve levels of readiness required to be eligible for larger or long-term financing schemes like results-based financing, philanthropic investments, and private sector investments.

Looking at the bigger picture, ecosystem restoration at scale will ultimately require a transformational change of the way in which mainstream public and private funds with impacts on ecosystems are spent. Public and fiscal incentives shaping private investments would need to be reformed to promote economic development compatible with the conservation and restoration of ecosystems and private actors would need to systematically integrate environmental considerations into their investments.

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