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Thesis working paper

The role of intermediaries in blending investments for landscape restoration projects

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1 Summary

Restoring degraded landscapes is essential to guaranteeing the ecosystem services landscapes provide for future generations. The growing global attention for land degradation has led to several international initiatives that promote landscape restoration (e.g. the Bonn Challenge and SDG 15.3: Land Degradation Neutrality). Although promising, these initiatives primarily involve the public and civic sector and "depend heavily on public and philanthropic funding" (Maillard & Cheung, 2016: 28). The World Business Council on Sustainable Development (2015) argues that reaching these policy ambitions requires the mobilisation of long-term private capital that allows landscape restoration initiatives to scale (WBCSD, 2015). Given the various barriers that impede private investors from investing in large-scale landscape restoration projects (LRPs), the World Resources Institute estimates that the landscape restoration sector is faced with a funding gap of around US $300 billion per year (Ding et al., 2017).

Blended finance, a "set of financing mechanisms that combines capital with different levels of risk in order to mobilise risk-adjusted, market-rate- seeking capital into impact investments", has the potential to address this funding gap (GIIN, 2018, Convergence, 2018: 1). Blended finance is increasingly recognised as an important structuring approach to mobilise new sources of capital towards the global goals (Convergence, 2018). However, due to a lack of market infrastructure, coordination and the requirement of many stakeholder groups for successfully blending investments, blended finance investments are not yet done on a large enough scale (Convergence, 2018). Intermediary organisations, those that "span the gaps among diverse constituencies to enable coordinated action" (Brown, 1991: 808), can play an essential role in organising problem domains and facilitating collaboration in nascent markets such as the one for blended finance. This paper focuses on the role of intermediaries (e.g. project developers, fund managers) in blending investments for LRPs. The paper aims to answer the following research question: *"What is the role of intermediaries in blending investments for landscape restoration projects?"*

This paper analyses seven initiatives in which stakeholders collaborate to blend investments for LRPs. In total, 21 semi-structured interviews have been conducted with a bank, two investment managers, a pension fund, seven project developers, two technical assistance facility (TAF) managers, four NGOs, two businesses, a cooperative and an IGO. This paper adheres to an exploratory approach and identifies the following:

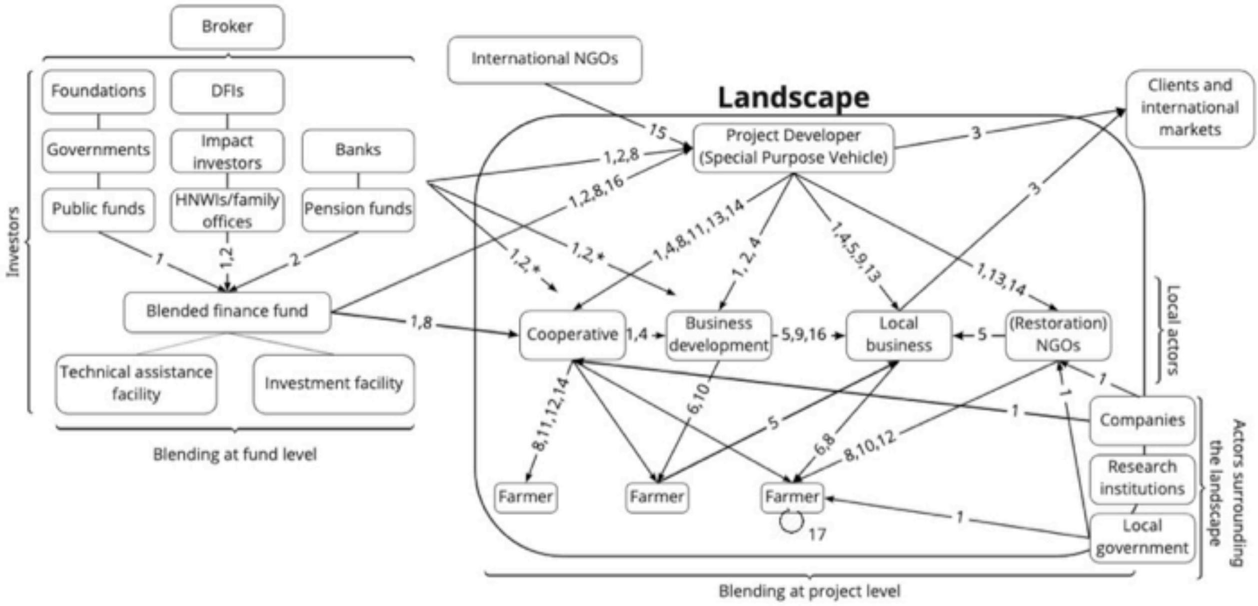
1. The most important stakeholders required for successfully blending investments
2. How the different activities within LRPs complement each other in terms of

3. How the process of blending is coordinated by an intermediary at both fund and project level.

Actors and activities within landscape restoration projects

Figure 1 demonstrates the various actors (e.g. project developers, local actors, actors surrounding the landscape and investors) that are necessary for successfully blending investments for LRPs. Stakeholder groups are responsible for the various activities that are part of the LRP. In order to generate financial returns whilst not compromising on social and/or environmental returns, LRPs should include these various actors and types of activities.

FIGURE 1



Legend

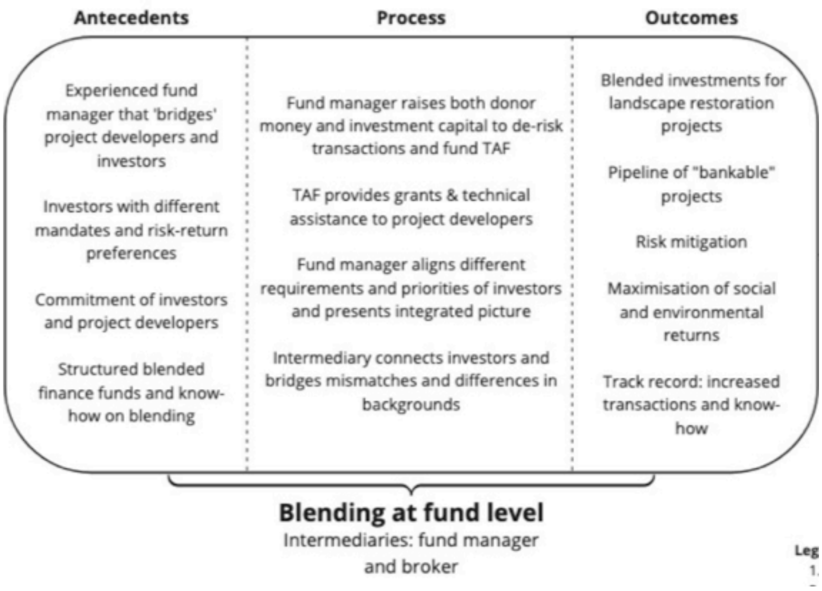
1. Donor money (grants, subsidies)
2. Investment capital (debt, equity)
3. Sales of products
4. Development of organisation
5. Shares
6. Buy products
7. Finance transformation
8. Technical advice (governance, implementation, monitoring, agricultural expertise)
9. Business support
10. Development of business model
11. Microcredits
12. Coordinate restoration activities
13. Providing methodologies and legitimacy to project
14. Co-design of project
15. Endorsements
16. Support in marketing and connection to international markets
17. Transformation to regenerative agricultural practices

*This arrow represents direct investments to local actors

Project developers design, develop and operate projects, coordinate with the stakeholders that operate within and outside the landscape, ensure funding for the project and aggregate investment opportunities. Local actors (e.g. farmers, cooperatives, businesses, NGOs) have in-depth understandings of the local and cultural circumstances and ensure the local presence that is necessary to develop long-term relationships with communities. Co-developing projects and institutions with local communities and smallholder farmers is key in transitioning to more sustainable agricultural practices as smallholder farmers often own the majority of the land within LRPs. Actors that surround the landscape (e.g. companies, research institutions and local governments) carry out activities in the landscape and/or depend on what happens in the landscape. For example, companies provide funding for some activities within the LRP that contribute to reduce their operational and reputational risks. Investors provide both donations and investment capital to LRPs either directly to project developers or other actors in the landscape or via blended finance funds. Investors have different risk-return preferences and mandates which makes them more or less prone to invest in particular activities within the LRP. Together, all these stakeholder groups contribute to various revenue generating (e.g. sales of products, microcredits, PES, eco-tourism and land acquisition) and non-revenue generating activities (e.g. capacity building, restoration of the land, stakeholder management, business support) which are prerequisites for successfully blending investments for LRPs.

Project developers and fund managers play a key role in blending investments at both fund and project level. Figures 2 and 3 show the prerequisites in terms of critical success factors that are necessary for successful blending, the way in which these intermediaries blend investments and the outcomes of this process.

FIGURE 2 BLENDING AT FUND LEVEL

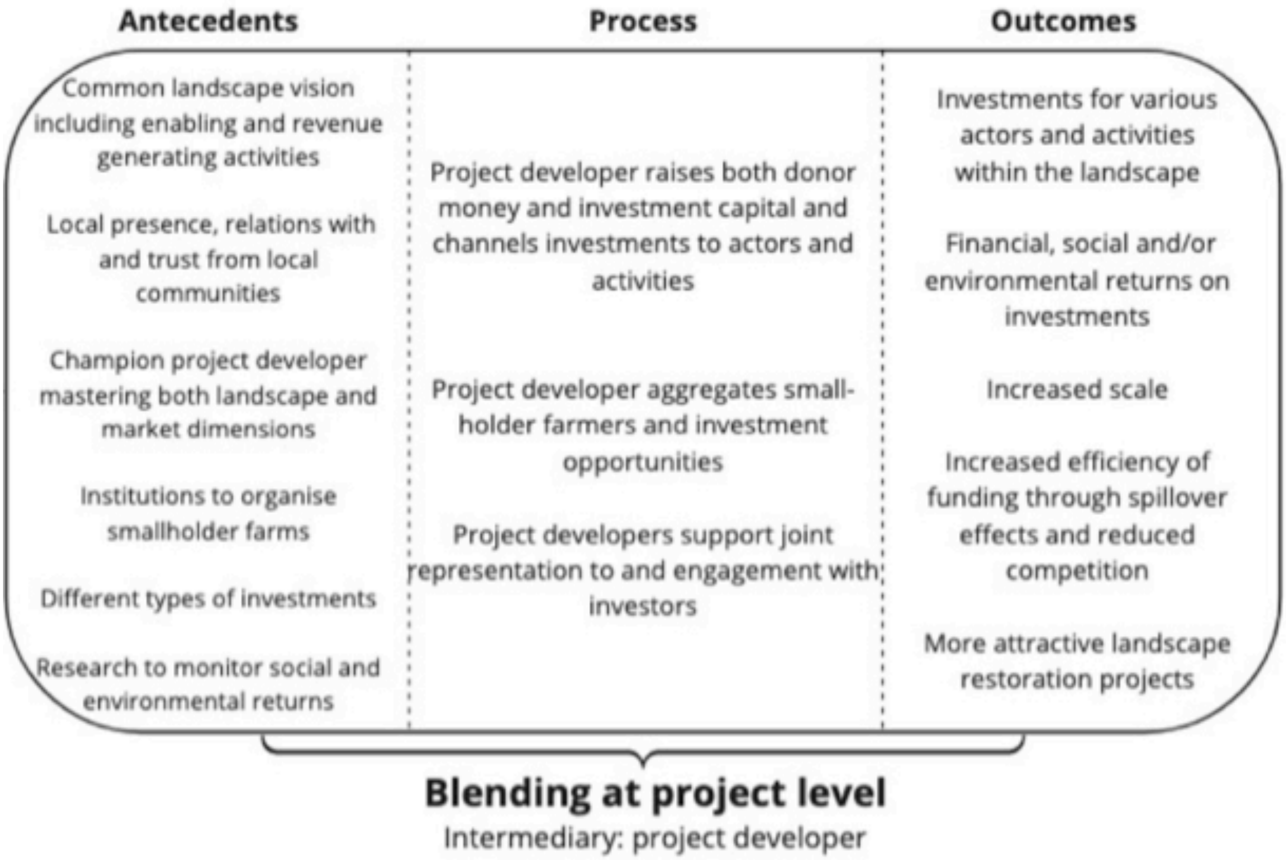


Successful blending at fund level requires a 'champion' fund manager that has experience in dealing with (institutional) investors and project developers. Through designing, developing and managing funds, fund managers with experience in a certain region or sector can invest in various LRPs which allows investors to invest in sectors or regions they are unfamiliar with. Fund managers have a certain bridging function by connecting investors which experience a 'lack of bankable projects' with project developers that struggle to find finance for their projects. Furthermore, next to 'finance first' investments, successful blending requires donations provided by foundations, governments and philanthropists which do not necessarily require a financial return on their investments. These donations are necessary to reduce or take away the risks that impede certain investors from investing in the blended finance fund. Last, successful blending requires a certain know-how or market infrastructure that facilitates transactions and familiarizes investors with investing in blended finance transactions.

Fund managers are responsible for raising donations and investment capital for their blended finance vehicles. By bringing multiple investors together, pooling resources and aggregating investment opportunities, fund managers enable risk-sharing and diversification for private investors, provide economies of scale and reduce transaction costs. Fund managers use donations as loan guarantees or first-loss protections by which they increase the risk-return profile of transactions. This incentivises private investors to invest in deals they normally experience as not attractive enough or too risky. Second, fund managers use donations to fund the technical assistance facility (TAF) of the blended finance vehicle. The TAF supports the preparedness of projects and implementation of projects on the ground and monitors social and environmental returns. The TAF complements the blended finance fund by providing grants and technical assistance to promising projects by which it supports the enabling environment in which the fund makes its investments. Third, fund managers broker between investors with different risk-return preferences, social and environmental return requirements and investment mandates. Fund managers present investors with an integrated picture and find a certain compromise between investors. They do this by taking the time to understand the positions of investors, finding mutual interests and setting reasonable standards for blending.

The blending process leads to several outcomes such as an increased total amount of blended investments, a pipeline of 'bankable' LRPs, risk mitigation for (private) investors, maximised social and environmental returns and a track record for LRPs. Investments that are blended at fund level can be channelled to project developers to finance their operations and the various actors and activities within the LRP. Through both diversifying, sharing and reducing risks for private investors, fund managers are able to leverage additional private investments for LRPs which leads to increased total investments. Furthermore, the TAF to an increased number of projects that are able to attract private and blended investments. In this way, the TAF contributes to overcoming the bottleneck of a lack of 'bankable projects' as perceived by investors. Furthermore, through ensuring capacity building, supporting implementation on the ground and capacity building, the TAF contributes to risk mitigation for private investors. TAF also plays a role in the maximisation of social and environmental returns by (financially) supporting in implementation on the ground and monitoring of social and environmental returns. Last, successful blended finance transactions for LRPs, increased experience and standardisation of the sector contribute to the development a track record which increases experience and familiarity of investors with the sector. This in turn, can lead to additional interest from private investors in LRPs.

FIGURE 3 BLENDING AT PROJECT LEVEL



Successful blending at project level requires a champion project developer that has a bridging function between investors and actors in the landscape. A project developer needs to design and understand the project and landscape approach. By having good established relationships with local actors, mastering the landscape approach, being an expert in the supply chain and speaking the language of investors, project developers are able to overcome a lack of engagement between certain stakeholders (e.g. investors and local communities) that are not used to work together. Project developers are also well-positioned to provide the LRP with a certain outreach and legitimacy. By both understanding what happens at the local and global level, project developers can 'translate' what happens on the ground to the language of the international community and investors. Second, successful blending at project level requires a common landscape vision that serves to coordinate the activities of various actors that are engaged in the restoration of the landscape. A common landscape vision manages trade-offs between competing land uses, interests and policies and can serve to mobilise various stakeholders in a landscape. Project developers need to have in-depth understandings of the local and cultural circumstances and trusted relationships with communities and smallholder farmers to be able to develop such a landscape vision. Third, successful blending requires a certain organisation or institutionalisation of smallholder farmers. Cooperatives allow for the aggregation of many smallholder farmers which lead to reduced transaction costs for investors and allow an LRP to scale. Last, successful blending at project level requires different types of investments for the various activities in the landscape. Project developers blend investments at project level by raising both donations and investment capital and subsequently coordinating and distributing these over the various actors and activities of the LRP. Project managers use donations to finance activities that do not generate financial returns on investments (e.g. stakeholder engagement, technical assistance) and are able to attract 'finance first' investments by designing projects with (various) revenue streams (e.g. sales of products, microcredits, PES). Project managers use these investments to support local organisations financially, provide technical assistance and co-create local businesses, cooperatives and NGOs. Furthermore, project developers play a role in aggregating smallholder farmers by receiving designated funds from (international) investors and subsequently providing loans to cooperatives which in turn provide microfinance to the farmers and producers in the landscape. Last, project developers contribute to blending investments at project level by incentivising joint representation and engagement with investors. By presenting the various activities in the landscape to investors as a consortium, actors are able to draft a more compelling story by emphasising potential synergies and the complementarity of the activities in the landscape.

Blending at project level leads to various results. First, through designing an LRP and blending different types of investments, the project developer is able to finance the various actors and activities within the landscape. Non-revenue generating activities (e.g. capacity building, restoration of the landscape) contribute to creating an enabling environment for attracting (larger scale) private investments. Furthermore, these activities lead to enhanced governance processes from local actors which mitigates the risks for investors. Next, by aggregating smallholder farmers through working with cooperatives, project developers are able to design a project with a scale that corresponds to the preferred investment sizes of certain investors. The combination of a certain scale, reduced risk and enhanced social and environmental returns makes for more 'attractive' LRPs. Last, by coordinating and distributing investments, project developers can support increased efficiency of funding, reduced competition between actors applying for same types of funding and positive spill over effects of activities that happen in the landscape.

2 Abstract

"It is good that we talk about blended finance, but eventually there are very few transactions that have been done in this field. Blended finance as such is really almost nothing yet. There mainly is some interest and commitment from governments and banks, but in terms of transactions there is almost nothing."

Quote Director Land Use Finance Unit, IGO

Although the idea of blended finance may sound compelling. the market for blended finance and landscape restoration are at a very early stage of development (Maillard & Cheung, 2016). Blended finance transactions still represent a small percentage of the total financing needs for the SDGs and the amount of transactional data, results and coordination is very limited (Convergence, 2018).

This paper contributes to our understanding on how the more conceptual idea of blended finance plays out in practice. Based on an analysis of seven initiatives and 21 semi-structured interviews, this paper identifies relevant insights with regards to real-life practicalities of blended finance and the role of project developers, fund managers as intermediaries in blending investments. First, this paper shows that investments can be blended at both fund and project level. The level at which blending takes place has implications for the intermediary involved, the critical success factors and the way intermediaries blend investments for LRPs. Second, this paper provides an overview of the various stakeholders involved in LRPs and the activities they undertake to make LRPs more attractive for (institutional) investors.

The outcomes of this paper may be relevant for investors interested in blended finance transactions and/or financing opportunities in the landscape restoration sector. Findings of this paper may lead to increased awareness and understanding of LRPs from the investor's side which consequentially may lead to an increased familiarisation with LRPs. Findings of this paper may also be relevant for project developers, NGOs and landscape restoration partnerships that struggle to design bankable projects and financing plans, as this often is not their core business. By providing an overview of the different types of investors, their requirements and motivations and how investments are blended at both fund and project level, this paper may contribute to their knowledge on critical success factors for blending investments and effective models for LRPs.

The findings and conclusions of this paper lead to seven critical success factors for successfully blending investments for LRPs.

1. Project developers are vital in connecting (international) investments with projects and stakeholders on the ground. Additional investments to finance the operations of project developers can strongly enhance the development of the market for landscape restoration.
2. Fund managers are essential in aligning the different requirements of investors that deploy both donations and investment capital in blended finance funds. The development of an additional number of blended finance vehicles can contribute to the development of the market for landscape restoration.
3. The continuous availability of donations is necessary to finance certain aspects of LRPs which are unlike to be finance with market rate returns of investments (e.g. building a proof of concept, on-the-ground restoration of the landscape, stakeholder management and capacity building). Those aspects of LRPs that are funded by donations are necessary to mitigate risks for private investors, allowing a project to reach an 'investment ready' stage and ensure social and environmental returns are not compromised.
4. Increased know-how on appropriate standards for blending through information provision and structured blended finance funds can increase the willingness of public and philanthropic investors to de-risk private investments and support the development of a pipeline of 'bankable' projects that have the potential to generate significant social and environmental returns.
5. A common landscape vision is essential to align trade-offs between competing interests and land-uses of stakeholders that operate within the landscape.
6. Successful mobilisation of smallholder farmers is key in restoring landscapes and ensuring investments reach on the ground activities and projects. Mobilising smallholder farmers requires project developers to have a certain authority, either by having a local presence or collaborating with local actors who are trusted by local communities.
7. The aggregation of smallholder farmers is key in reaching many smallholder farmers which allows the project to reach a certain scale that aligns with the investment sizes of some (institutional) investors. Working with cooperatives that aggregate smallholder farmers is key in reducing transaction costs for project developers and attracting large-scale private investments for LRPs.

Acknowledgements
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3 Introduction

"A factory-owner would frown upon the suggestion that a sound business decision would be to sacrifice his/her production equipment for the sake of the product being made" (Ferwerda, 2015: 27). Ironically, this is precisely what is happening with the current our ecosystems are managed. Our economies are based on consumption patterns and production methods that generate jobs, while simultaneously degrading the ecosystems which are at the basis of this wealth creation (Ferwerda, 2015). The World Resources Institute (WRI) states that over the past 50 years, almost a quarter of the world's land mass (i.e. 2 billion hectares or the size of both China and the US) has been degraded as a result of soil erosion, salinization, peatland and wetland drainage and forest degradation (Ding et al., 2017). Continued land degradation and the loss of ecosystem services severely endanger human well-being by threatening food and water security, leading to biodiversity loss, increased occurrence of extreme weather events, involuntary human migration and even civil conflict (Ding et al., 2017). The WRI estimates the costs of lost ecosystem goods and services related to land degradation to be $6.3 trillion annually (Ding et al., 2017). Restoring degraded landscapes is essential in guaranteeing the provision of ecosystem services for future generations. Given the variety of concepts that refer to landscape restoration, this paper adheres to the consensus definition of the Global Partnership on Forest and Landscape Restoration (GPFLR). The GPFLR defines forest and landscape restoration as "the process of reversing the degradation of soils, agricultural areas, forests and watersheds thereby regaining their ecological functionality" (Besseau et al., 2018: 7).

The growing global attention for land degradation has led to various initiatives to halt degradation and increase restoration such as the Bonn Challenge, the New York Declaration on Forests and Sustainable Development Goal (SDG) 15.3: Land Degradation Neutrality. Most of these initiatives "depend heavily on public and philanthropic funding" (Maillard & Cheung, 2016: 28) leading to a funding gap op around US $300 billion per year for the landscape restoration sector (Ding et al., 2017). Many practitioner reports argue that long-term private capital is needed to scale up efforts in landscape restoration and reach the stated policy ambitions[1] (WBCSD, 2015; Ding et al., 2017). Blended finance aims to unlock larger pools of private capital by means of public and philanthropic capital which can be promising in addressing this funding gap. Despite its potential, blended finance investments to date represent a small percentage of the total financing needs for the global goals (Convergence, 2018). This is due to the broad range of stakeholders required for successful blending and a lack of a market infrastructure

[1] Using average restoration costs of $2390 per hectare, total financing needs for policy ambitions are estimated to be $359 (Bonn Challenge), $837 (New York Declaration on Forests) and $4780 (Land Degradation Neutrality) billion (Sewell et al., 2016).

and coordination (Bouri & Mudaliar, 2013; Blended Finance Taskforce, 2018).

The notion of blended finance for LRPs is thus merely conceptual: most legal and institutional arrangements and other tangible real-life activities are at a fairly initial stage and the concept of blended finance is used interchangeably by different actors. Although various practitioner reports outline the need, barriers and critical success factors for blended finance for landscape restoration, there is a lack of scholarly debate and empirical evidence (Ding et al., 2017; FAO & UNNCD, 2015). This paper contributes to this gap by focusing on the role of intermediaries in blending investments for LRPs. Given the "early development phase" and "lack of coordination" of the landscape restoration market, analysing the role that intermediary organisations in blending investments for LRPs can generate relevant insights into how intermediaries can contribute to the development of a market for blended investments for landscape restoration (Maillard & Cheung, 2016: 4; Sewell et al., 2016: 6). This paper will therefore analyse the prerequisites, role of an intermediary organisation and outcomes of the process of blending investments at both project and fund level.

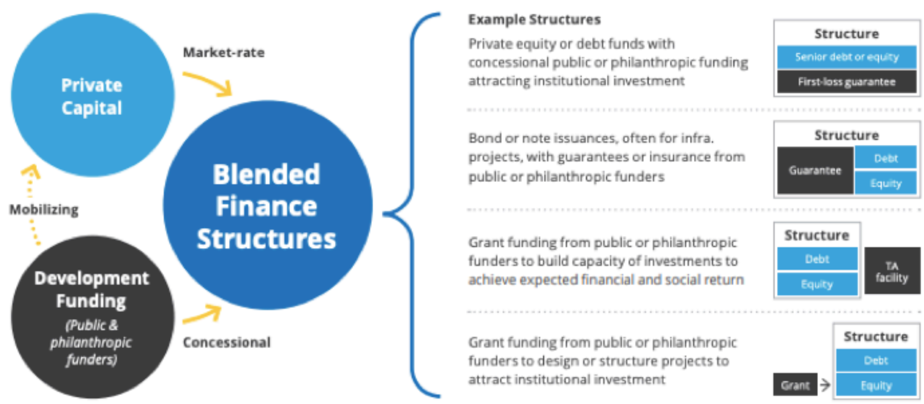
The structure of this paper is as follows. Section 4 describes the concept of blended finance and its potential role in overcoming the barriers that impede private investors from investing in LRPs. Section 5 deals with the concept of intermediaries from scientific literature on Cross-Sector Partnerships (CSP). It outlines the necessity, requirements and role of intermediary organisations in facilitating collaboration between diverse stakeholder groups. Section 6 presents the findings of the research in terms of the actors that are part of blending investments for LRPs and the various activities that are fall under landscape programmes. Section 7 presents two figures that outline the role of intermediaries at both fund and project level and distinguishes between antecedents, process and outcomes for successful blending. Section 8 provides readers with a conclusion and highlights the limitations of this thesis, provides avenues for future research and outlines its scientific and managerial implications.

4 Blended finance and the need for blended investments for landscape restoration finance

Blended finance can be described as a set of financing mechanisms or structuring approach that combines capital with different levels of risk in order to mobilise risk-adjusted, market-rate-seeking capital into impact investments (GIIN, 2018). Within blended finance structures, risk tolerant concessional capital is used to mobilise larger and more diverse pools of capital from commercial investors (GIIN, 2018, Convergence, 2018). Public and philanthropic provide such “catalytic capital” to increase their social and environmental impact in areas that align with their missions, foster market development and/or lay the groundwork for sustainable investments into markets that are currently untouched or underserved by formal capital markets (Bouri & Mudaliar, 2013; GIIN, 2018). In this way, blended finance can lead to the familiarisation of investors to a sector (e.g. conservation or landscape restoration) or region, who over time become more comfortable by which ultimately less concessional capital is required (Bouri & Mudaliar, 2013).

Figure 4 shows the various financing mechanisms or structures such as junior equity, subordinated debt, first-loss capital, guarantees and technical assistance that can be classified under blended finance (GIIN, 2018; Convergence, 2018).

FIGURE 4 BLENDED FINANCE STRUCTURES, SOURCE: CONVERGENCE (2018)



Overall, blended finance structures aim to reduce the risk and/or improve the risk-return profile of investment opportunities that "have strong potential for social or environmental impact" but are being "perceived as having high financial risk" (Bouri & Mudaliar, 2013). Investors can perceive high financial risk due to a lack of information or track record given the unfamiliarity of either the market or the particular type of investment (Convergence, 2018). Public and philanthropic investors can de-risk investments within a blended finance structure by protecting investors against potential losses by which they guarantee a certain percentage of return for commercial investors (Pereira, 2017). Public and philanthropic sources can also be used for technical assistance or capacity building which can lower transactions costs of investing in unfamiliar markets and improves the quality or "investment readiness" of projects (Pereira, 2017).

Blended finance structures allow a wide range of investors to achieve their unique objectives: public and philanthropic parties achieve their development objectives while institutional investors achieve their risk-adjusted return requirements and diversify their portfolios (Blended Finance Taskforce, 2017). Nevertheless, successfully designing and implementing blended finance structures are not without significant challenges (Convergence, 2018). These challenges include the novelty of the market resulting in a lack of data on deals, results, a general lack of coordination, large transaction costs of designing blended finance structures and the requirement of various stakeholder groups with different risk-return preferences, impact criteria and fiduciary responsibilities (Bouri & Mudaliar, 2013; Blended Finance Taskforce, 2017). Furthermore, blended finance structures can only be used for activities that can produce cash flows over time in order to repay investors an acceptable return that is comparable to alternative investment opportunities (Convergence, 2018).

Landscape restoration finance

Blended finance structures may be promising in overcoming the barriers that impede private investors from investing in landscape restoration on a large scale. Hamrick (2016) argues that assets related to conservation and landscape restoration, once considered a novelty, are increasingly seen as a sensible addition to investors´ portfolios because of their consistent financial returns. According to the FAO & UNCCD, the "financial return of landscape restoration no longer needs to be proven" (FAO & UNCCD, 2015: 59). There are many examples of profitable projects with a balanced risk/return profile in the long term. Returns for investors can come from increased value of the land, increased agricultural output, carbon credits, an increase in local products and jobs and enhanced corporate social responsibility (Commonland, 2017). Furthermore, investors increasingly seek investments that social and environmental impact and companies increasingly recognise the need to build responsible supply chains to mitigate operational and reputational risks (Huwyler et al., 2016; Maillard & Cheung, 2016).

Despite this increasing interest, a "substantial" funding gap for landscape restoration remains (Shames et al., 2014: 27). Next to shortages in public and philanthropic budgets, this gap can be explained by numerous barriers that impede private investors from investing in LRPs. First, most LRP benefits (e.g. carbon sequestration and increased biodiversity) are public and not easily translated into financial returns. Therefore, restoration projects with a weak business case and risk-return ratio remain unattractive to private investors that prioritise financial returns (Sewell et al., 2016; Ding et al., 2017). Second, many restoration projects are too small in size (e.g. $1 to $10 million) to attract institutional investors. So far, few LRPs have been able to design deals that were big enough to meet the requirements of institutional investors (>$100 million) (Shames et al., 2014, Convergence, 2018). Third, LRPs often require a multi-year process of delivering benefits which limits the appetite of institutional investors which favour short-termism and liquid investments (Ding et al., 2017). Last, investments in LRPs are considered to be risky due to the "early development phase" of the landscape restoration market (Maillard & Cheung, 2016: 4). For example, investors willing to invest in LRPs do not have the benefits of an established track record and tested models from which risk-return profiles can be calculated which makes evaluating LRPs investments complex and time-consuming. Overall, there seems to be a "lack of coordination" between financing and supply and demand (Sewell et al., 2016). Although farmers, businesses and project developers urgently need financing for their activities, most financial institutions argue that the biggest bottleneck for investing in landscape restoration is a "lack of bankable projects" (Sewell et al., 2016: 14).

The need for coordination

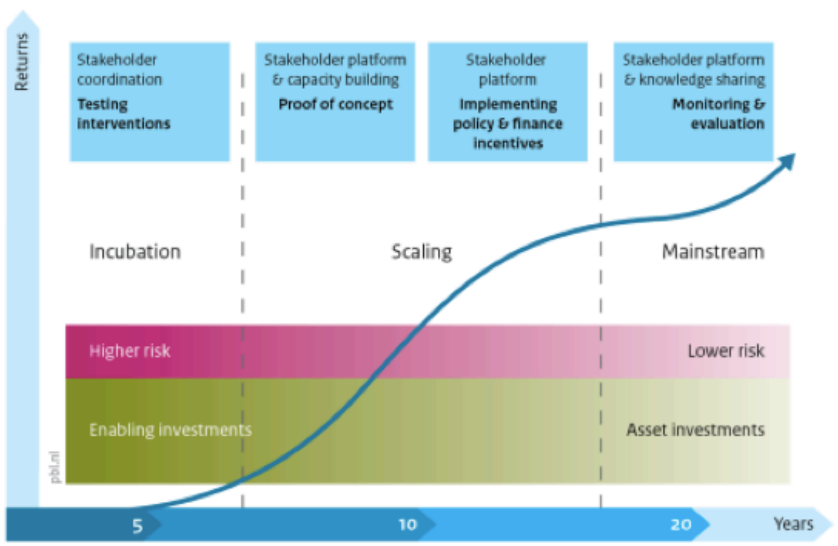
As LRPs often require financing that is provided by the whole spectrum of public, civic and private financial actors (see figure 3), there is a need for coordination of these investments.

FIGURE 5 FINANCIAL, ENVIRONMENTAL AND SOCIAL RETURNS, SOURCE: FAO & UNCCD (2015)

Coordinating activities and investments within LRPs is challenging given the extensive amount of stakeholder groups involved (Sewell et al., 2016). Actors involved in LRPs (e.g. project developers, investment managers, private investors, (national) governments, industry corporations, (inter)national NGOs, regional development banks and local actors, businesses and communities) have their own interests, values, timelines and decision-making processes. This requires mechanisms such as an intermediary organisation to represent these various interests, link available finance to projects on the ground and coordinate monitoring and enforcement of the timeline of an LRP (Sewell et al., 2016).

Many practitioner reports argue that LRPs generally follow a certain timeline in which each stage requires different types of investments (FAO & UNCCD, 2015; Sewell et al., 2016). Early stages mostly require enabling investments which lay the institutional and policy foundation for LRPs which is critical for attracting asset investments on a later stage (Scherr & Shames, 2015). Enabling investments are done in activities that aim to both reduce the risks and increase the competitiveness of the LRP such as stakeholder engagement, capacity building and establishing an appropriate regulatory framework. Enabling investments are often grants or concessional loans from public and civic actors (e.g. foundations, governments and DFIs) which prioritise social and environmental returns (FAO & UNCCD, 2015). Figure 3 shows that LRPs usually require some years of enabling investments before being able to attract asset investments and "larger investment volumes" (Huwyler et al., 2016: 20). Asset investments are done in activities that generate income streams and financial returns such as regenerative agricultural production of food and fiber and socially responsible enterprises (Shames et al., 2014).

FIGURE 6 TIMELINE OF FINANCE FOR LRPS, SOURCE: SEWELL ET AL. (2016



Strategic coordination of investments can be done via a landscape investment facilitator (Scherr & Shames, 2015). The role of this facilitator is to attract both enabling and asset investments that support the implementation of the vision and plans as agreed upon by the LRP (Heiner et al., 2017). Such a facilitator can also steer existing financing to activities within the landscape and aggregate investment opportunities. The role can be played by an NGO, government agency, business association or community organisation (Heiner et al., 2017). Furthermore, landscape investment facilitators can help landscape initiatives to develop a financial strategy as part of the landscape programme and engage with financial experts and investors early in the process (Scherr & Shames, 2015).

5 Intermediaries facilitating collaboration

The importance of an intermediary in facilitating collaboration between stakeholder groups has been stressed in literature on cross sector partnerships (CSPs), blended finance, impact investing and.Social Impact Bonds (SIBs). This section describes the concept of an intermediary as defined in the literature on CSPs and outlines the requirements intermediaries must have and the roles they have in facilitating effective collaboration.

According to Selsky & Parker (2005), a distinguishing factor of CSPs is the frequent presence of an intermediary that manages the relationships within the CSP. Intermediaries are generally defined as organisations that "span the gaps among diverse constituencies to enable coordinated action" (Brown, 1991: 808). Sharma et al. (1994) argue that intermediaries are vital in sustainable development, due to the inability of organisations to span the entire problem domain covering economic, social, environmental and cultural issues. According to Van Hille et al. (2019), intermediaries play a vital role in overcoming barriers to collaboration such as high transaction costs and encouraging participants to overcome the initial distrust when there are differences in status, power and access to resources. To facilitate effective collaboration, intermediaries should have convening power by which they can activate stakeholders to collaborate and joint problem-solving processes (Kaleongakar & Brown, 2000). Rather than formal authority, intermediaries should have informal authority based on their position, influence, network, expertise and knowledge with respect to the problem area (Almog-Bar & Schmid, 2018). Intermediaries are usually located at the centre of several constituencies which enables them to establish "bridging ties" between stakeholders at the local, national and global level (Sanyal, 2006: 67). Sanyal argues that intermediaries, by being positioned at the "centre stage of development discourses", fill the "crucial structural gap" that is created by the separation between local NGOs and global funding agencies (Sanyal, 2006: 68). Furthermore, intermediaries need to be able to communicate the "big picture" with regards to technical, institutional and organisational relationships in the field and communicate a compelling visions that motivates participation and commitment among partners (Hamann & April, 2013: 15).

Stadler & Probst (2012) outline three roles intermediaries can have next to initiating partnerships: the convenor, the mediator and the learning catalyst. The convening role of intermediaries entails connecting different stakeholders within a CSP. Based on their network, intermediaries identify and bring legitimate stakeholders to the table (Gray, 1989). Intermediaries frame visions to appeal to a wide range of stakeholder interests and in this way bring "unaware, unsure and sceptical" actors to the table to explore possibilities for cooperation (Dorado & Vaz, 2003: 141). Their broad network and position allow intermediaries to have broad understanding of the problem domain and to connect the global and local level (Sanyal, 2006: 67; Stadler & Probst, 2012). Intermediaries can connect insights and actors from the local operations level, "where the problem's symptoms occur", with the global strategic level, "where the problem frequently has its roots" and thereby promote a systemic solution (Stadler & Probst, 2012: 37). The mediating role of intermediaries entails influencing the interaction between partners. Intermediaries usually talk to stakeholders, aim to understand their positions and figure out how and where overlapping interests between partners may emerge (Stadler & Probst, 2012). Intermediaries do so by facilitating initial discussions, mediating conflicts and creating a shared vision and working culture by for example drafting a memorandum of understanding. The learning catalyst role of intermediaries refers to the ability of intermediaries to enable partners to learn about the CSP and development challenge (Stadler & Probst, 2012). Based on their position, intermediaries have access to knowledge on the specific development challenges which allows them to provide problem-related background and country-specific knowledge based on research, expertise and experience with a wide range of stakeholders. This experience enables intermediaries to identify areas where CSPs make sense and in which form. During the partnership process they may provide the CSP with relevant suggestions, tools, templates and trainings in partnership management. Intermediaries are also well-positioned to disseminate best practices and lessons-learnt within the CSP to a wider audience and place issues the CSP is dealing with on the global agenda.

6 Methods

Given the recent formation of initiatives for blended finance in landscape restoration and the emerging involvement of the private sector in the landscape restoration investment market (WBCSD, 2015, Hamrick, 2016), this paper is inductive and exploratory in nature. It uses a multiple embedded case study research strategy by analysing several initiatives in which stakeholders collaborate to blend investments for LRPs and analysing multiple units of analysis (e.g. investors, project developers, NGOs, cooperatives, businesses). The following cases have been analysed:

1. Imarisha Naivasha (Kenya): a public-private partnership between communities, global corporates, development organisations, civil society organisations and the Government of Kenya that aims to address the environmental challenges within the Lake Naivasha catchment area.
2. Altiplano Estepario (Spain): a multi-stakeholder landscape restoration project in the South of Spain that aims to restore 630.000 hectares of degraded land in a depopulated rural area faced with high unemployment rates, subsidy dependency, mono-cropping, deforestation overgrazing and high levels of risk of desertification.
3. Baviaanskloof (South-Africa): a 500.000-hectare area nearby consisting of catchment areas of various rivers which, due to decades of overgrazing and unsustainable land management, are faced with decreased water absorption capacity of the land, increased impact of droughts and floods and loss of carbon capture, biodiversity, soil erosion and agricultural potential.
4. Café Selva Norte (Peru): a joint venture of four coffee producing cooperatives including 2000 producers in Northern Peru covering 20.650 hectares. The project aims to create strong partnerships between the cooperatives, project manager and investors to ensure the sustainable development of the coffee value-chain and empowerment of the cooperatives and producers.
5. Andes Action (South America): a Latin-American initiative that aims to restore 1 million hectares of high Andean forests in Colombia, Peru, Ecuador, Bolivia, Chile and Argentina.
6. Western Australian Wheatbelt (Australia): a former biodiversity hotspot with promising agricultural opportunities which is now faced with extensive land degradation, biodiversity loss, depopulation due to unsustainable agricultural practices.
7. Forest Resilience Bond (United States of America): a means to engage private sector investments to fund ecological restoration work related to activities that reduce fire risk.

This paper triangulated various data sources such as documents, semi-structured interviews and participant observation. Used documents range from project descriptions, stakeholder maps, reports, mission statements and brochures. 21 semi-structured interviews have been conducted with various actors and stakeholders. A list of interviewees can be found in the appendix. In general, interviews lasted between 45 and 75 minutes and were conducted in either Dutch, English or Spanish depending on the preferred language of the interviewee. Some participant observation was done for this paper by participating in a taskforce within the Landscape and Seascape Working Group of the Coalition for Private Investments into Conservation (CPIC). Observation allowed the researcher to get an ¨insider's view¨ of the social settings as they were perceived by members of these settings (Baker, 2006: 173). Partners such the World Wide Fund (WWF), The Nature Conservancy (TNC), The Netherlands Enterprise Agency (RVO), Finance in Motion, Mirova/Althelia and EcoAgriculture Partners jointly work on identifying successful strategies and models for multi-project landscape investments. Relevant insights on several initiatives, projects and models have been gathered via participating in various teleconferences and a face-to-face meeting in the Netherlands in June 2019.

7 Actors involved in landscape restoration projects

LRPs usually require and involve a multitude of actors from various societal spheres. Despite the variance between different projects and cases, figure 5 aims to provide an overview of the most important stakeholders related to attracting and coordinating blended investments for LRPs, how they relate to each other and what their roles are. This paper distinguishes between 4 different stakeholder groups: project developers, local actors, actors that 'surround' the landscape and investors.

Project developers

Actors that fulfil the role of project developer range from private companies to manufacturers, traders, (international) NGOs, microfinance institutions and multi-stakeholder platforms/steering groups. Their motivation for developing a project can range from environmental, social or developmental imperatives to commercial opportunities driven by private sector investments. The following quote stresses the importance of project developers within LRPs:

> *"What is key, and this is an important lesson we learnt in the 60 projects we have experience with so far, is a champion project leader that designs and understands the entire project and has knowledge both in terms of the landscape approach and the integration of the landscape and that is also an expert of the supply chain with the ability to value the goods that are produced, the food crops, timber, eco-tourism into the business as well. What we are looking for in projects is a champion project manager that is able to master those dimensions."*
>
> Quote fund manager

By combining their experience in sustainable agriculture and forestry, understanding of local conditions and relationships with local stakeholders (e.g. cooperatives, local producers and farmers and landowners) and having experience in engaging with financial institutions, project developers usually have a certain bridging function between investors and local actors. Project developers have an understanding of what happens on the ground and are well-positioned to translate this to the language of the international community and investors. This can lead to a endorsements and recognition from the international community which increases the project's ability to attract investments. The following quote shows the role project managers can have in this respect.

"We work with partners like the WRI, IUCN, UNEP to have their endorsements to be able to do tree planting on the long term and apply to funds of the Norwegian and German government. The support we are getting at the moment is crucial to have access to funding, because you need to build a legacy and have the correct pitches. You have to be present at these international conferences and platforms for the probability of accessing effective finance."

Quote project developer

In this way, project developers fulfil a crucial link between larger international funds and investors that aim to invest in projects with social and environmental returns, but do not have the local presence or community relationships to effectively invest in local projects. Next to this bridging function, project developers have various roles within LRPs. The main role of project developers is to design, develop and operate the main aspects of a project. As LRPs often include many projects and stakeholders, project developers are responsible for the coordination of these activities and ensure that the various activities contribute to the common landscape vision. Project developers usually design LRPs in collaboration with local actors and ensure strong governance processes and institutions within the project. In this way, project developers aim to align stakeholder interests avoid conflict of interests and prevent environmental goals are compromised. In some cases, project developers adhere to a certain methodology or landscape approach which is used to structure and plan for activities and projects within the landscape as well as mobilising stakeholders on the ground and reporting impact to investors. The following quote illustrates how methodologies of project developers can mobilise stakeholders on the ground.

"By providing their model, Commonland serves as a process catalyser by which the people themselves, the farmers, feel identified with this model and that it will really benefit them economically as well as having social and environmental value of their land."

Quote president of cooperative

To sustain their operations and manage the activities in the project, project developers are in charge of attracting donations and investments. Project developers use these resources to support local actors on the ground such as cooperatives, restoration NGOs. Project developers can for example become shareholders of local companies operating in the landscape or set-up and manage Special Purpose Vehicles (SPV) through which investments flow from the investors to the local partners such as restoration NGOs and cooperatives. Last, project developers play an important role in aggregating actors and investment opportunities on the ground via providing microcredits. In these cases, project developers receive designated funding from international investors and uses this for a lending scheme within the landscape. The following quote illustrates this.

"We lend money to the cooperatives and they lend money to the producers so that the management of those funds/microcredits from

cooperatives to producers is managed on their part. This is interesting as local actors contribute and invest, both in-kind and with money."

Quote project developer

Local actors

Local actors are those that operate within the landscape such as (conservation) NGOs, cooperatives, (smallholder) farmers, local businesses and business development entities. Actors that have a local presence are of vital importance for LRPs because of their ability to start projects together with local communities. The following quote from a project developer highlights the importance of having a local presence.

"We help to bring these people together, but we are not the trusted local partner. You can´t do this type of work without the social license to take action. I think that´s probably the most important thing to build trust and relationships."

Quote project developer

Local partners typically include experienced leaders with long-term, trusted community relations and deep local and cultural understandings of the landscape. They usually are from or are located within the area and speak the, sometimes indigenous, languages of the communities. Because of their local presence, they have the trust of the people and communities to take on projects. Local partners are thus a crucial link in collaborating with local communities which are crucial in the restoration of landscapes as they own the majority of the land. This is illustrated by the following quote.

"We operate in the most smallholders influenced land tenure structure of Spain. Farms are very small and diverse, there are many owners. The actions towards conservation and regeneration of the soil and landscape must be private actions that benefit farmers economically."

Quote director NGO

Conservation NGOs

NGOs usually carry out the local restoration activities within the LRP. Conservation actors usually obtain grant or government funding which they use to finance their operations such as tree planting, native seed production, constructing biodiversity corridors, vegetation

works and fencing. Conservation actors also have a coordinating role for these restoration activities to ensure these contribute to the overall landscape vision and are done in partnership with the local farmers. Furthermore, because of their expertise on the landscape, conservation actors are key in ensuring the landscape plan aligns with nature and biodiversity.

in making terms of their expertise on the landscape.

Cooperatives

Cooperatives or play a key role in organising and aggregating commercial farmers, growers and producers which enable LRPs to scale. Cooperatives also ensure the interests of their members are represented in the design of the project through meetings and workshops. The importance of cooperatives is highlighted by the following quote.

> *"It is key that we work with cooperatives as this allows us to get to scale. They are a vehicle to reach many producers, so we don't have to manage individual relationships with 2000 producers. This would be unfeasible as the overhead costs would be much greater. At the same time, cooperatives can also convey to us in the design process to ensure that the needs of their member are incorporated."*

Quote project developer

Some cooperatives also play a vital role in supporting farmers to make their transition to regenerative agricultural practices. This support can either be financial or in terms of advice, workshops, communication and events. The following quote illustrates this well.

> *"The members of the cooperative have to pay a small annual quote by which they have the right to get three advice sessions. The first is a farm visit during which problems are identified: where do you have to improve to start regenerative farming? Later, there are two follow-up visits and if they want to continue, they have to pay for these visits."*

Quote director local business

Local farmers

Farmers bring in their land and expertise and aim to transition to regenerative or more sustainable agricultural practices. In some cases, farmers make significant changes in their agricultural practices such as changing to different products. Such transitions require mayor investments and efforts related to stakeholder management in terms of convincing farmers of the environmental and economic viability of new way of land management. The following quote illustrates this well.

> *"To maintain their motivation, farmers really need to see that there is a sense in our project, that the farm improves and that you have less costs at the end. At the start, you have more costs, you have to invest to improve your farm and invest in machines which they normally don´t have. They need extra money at the beginning to invest."*

Quote director local business

Local businesses

Local businesses generally finance the farmers´ transition costs to regenerative agricultural practices, buys and processes the raw materials and then sells the products to (international) markets. Local businesses form an essential part of LRPs as farmers need to have some actor that buys their products and sells it to other markets. Local businesses are usually supported by the project developer, business development entity and other investors through (grant) funding and business support. In some cases, project developers and business development entities helped in developing the local business and became a (minority) shareholder. Farmers are, in some cases, involved in co-designing the local business and usualy have the majority of the shares.

Business development entities
Business development entities support farmers in identifying which alternative agricultural practices contribute to the restoration of the landscape whilst being economically viable. Business development entities co-design local businesses together with farmers and project developers and provide business support as illustrated by the following quote.

> *"We have a department that develops new companies and one that stays on board with those companies as a director. We also have a support department which offers support to the local businesses we found in terms of HR, financial management, logistics and legal support."*
>
> Quote co-director landscape company

Actors surrounding the landscape

The group of actors that 'surround' the landscape consists of companies whose operations depend on what happens in the landscape, research institutions and the local government. These actors might have operations within the landscape but play a less crucial role or operate outside of the landscape as well.

Companies
Companies (e.g. retailers, supermarkets, water and electric utilities, insurance and tourism companies) are dependent on or influenced by what happens in the landscape. They may for example source the natural resources required for their production in the landscape. Because of this dependency, these companies provide funding for the LRP that can mitigate their operational or reputational risks or contribute to their corporate social responsibility practices. The following quote illustrates this well.

> *"The 4 UK retailers, ASDA, Tesco, Marks and Spencer and Sainsbury´s, provide the largest amount of funding for our activities. Their commitments are based on the recognition that risks to their businesses based on reputational exposure and reliability of sourcing of products procured from an unsustainable environment are real and worth mitigating. Out of their funding, we drafted the management plan, set up the office and started community projects."*
>
> Quote project developer

Companies that are interested in joining the landscape restoration initiative often do so by providing donations which can be used for non-revenue generating projects such as restoration activities on the ground or building the landscape restoration initiative. Besides providing (grant) funding, some collaborations between companies, local actors and/or project developers went beyond providing funding. Within these collaborations, actors worked together more intensively and discovered other areas and activities in which they could join forces as illustrated by the following quote.

> *"We work with the foundation of a large travel agency in Europe. They invested in the cooperative to challenge us to have more farms on board of the regenerative agricultural concept and introduce some agro/eco-tourism in the area. We started to organise farm visits with them so they can bring tourists to see other parts of the country. The products we produce will be sold in the restaurants and hotels they collaborate with. There is a strong interchange"*

Quote director local business

Research institutions
Research institutions like local, regional or international universities, sometimes within a working group consisting of the local/regional government, cooperative, NGOs and local businesses, do research in various aspects of the project. The areas of research can range from how to implement the landscape plan, biodiversity, quality of the soil related to agricultural practices like compost and ground cover, economic analyses and the measurement and monitoring of social and environmental returns.

Local government
In some cases, local governments were involved in co-designing the vision for the Landscape and setting the regulatory framework. Local governments are often usually involved when an LRP corresponds to their mandate such as wildlife or economic development. Local governments usually contribute to the project via providing funding for projects that correspond to their programmes and policy pillars. Local public funding can either go to conservation efforts in the region or social projects.

Investors

The wide range of investors related to LRPs differ in terms of their investment mandates, social and environmental goals, fiduciary duty, preferred asset classes, sizes of investments, organisational form and risk-return preferences. Perhaps the most important difference between investors in the context of LRPs is whether they require projects to generate financial returns next to social and/or environmental impact. Some investors solely invest in financially viable projects such as sustainable agriculture, sustainable forestry and sustainable livestock management that demonstrate a financial return to investors. The need for different types of investments is illustrated by the following quote.

> *"To me, the whole basis of blended finance is that you need different types of finance and organisations. Finance can be finance that requires a return on capital and a return of capital. So, you need money back and you need to make a percentage return on that. And there is capital that seeks to have different types of impact, but not a direct cash return."*

Quote project developer

Pension funds

As pension funds generally have large amounts of capital under management, they oftentimes require a minimum amount of capital or size to deploy in projects and funds. Given the relatively small size of most LRPs to date, pension funds are often not investing in landscape restoration on a large scale. Furthermore, the fiduciary duty pension funds have towards their clients can impede them from investing in new and innovative sectors such as landscape restoration. The following quote from a portfolio manager commodities illustrates the impact of this fiduciary duty.

> *"Because of our fiduciary duty, we must make sure that nothing bad happens and therefore you need people with experience who have done land restoration before. These are the difficulties of investing in something entirely new. There is no big market for land restoration, so for us to make that experiment, I probably don't have a mandate to do so."*
>
> Quote Portfolio Manager Commodities, Pension Fund

Banks

Banks ranging from local, national and international banks, usually provide loans and directly invest in project developers and businesses that operate within the LRP. Banks can also invest in blended finance vehicles for landscape restoration. Banks seek a financial return on investment by providing loans but are increasingly interested in social and environmental returns. Nevertheless, banks have certain risk-return preferences and time horizons for investments which can impede them from providing long-term loans to LRPs. The following quote illustrates this well.

> *"LRPs often require a long-time horizon as restoring degraded land takes a long time. In the status quo situation, this makes it unattractive for banks to invest. Nevertheless, in blended finance constructions, it may be possible."*
>
> Quote Chief Executive Director Impact Finance

Blended finance funds

Most blended finance funds are divided into two facilities: the investment facility and technical assistance facility (TAF). The investment facility is managed by a fund manager who is responsible for designing, structuring and managing the fund. Fund managers are often in-between parties as they raise funds from investors and manage several projects. The following quote stresses the importance of fund managers in connecting projects with (intuitional) investors that are not familiar in certain regions or sectors.

> *"We mostly invest via a fund manager that can do many different projects. This needs to be someone who has experience in dealing with institutional investors That would give us more comfort that there is somebody who is experienced in these things. If you could find somebody who would be interested in managing the whole project and could be the party that can talk to the investors, that would be a shortcut. Otherwise, you would have to set up all this yourself."*
>
> Quote Portfolio Manager Commodities, Pension Fund

The TAF is generally managed by an NGO. The TAF manager helps to maximise the positive impacts of projects that are funded by the investment facility, develop a pipeline of investment-ready projects for the investment facility and supports projects in the implementation phase. The TAF is usually funded by foundations, governments and development finance institutions.

Development Finance Institution (DFI)
DFIs deploy both grant funding and investment capital and usually require a mix of financial, social and/or environmental returns. DFIs can invest in projects directly or invest in blended finance vehicles and finance both the TAF as the investment facility.

Multilateral public funds
Multilateral public funds such as the Global Environmental Facility and the Green Climate Fund are currently one of the mayor sources of LRPs. Multilateral public funds can be used to finance the multi-stakeholder platform that develops and build the project. Next to direct investments, multilateral public funds can invest in blended finance vehicles in which they back initiatives by being de-risking partners to make the fund attractive enough in terms of the risk-return profile for private investors. The importance of multilateral public funds is illustrated by the following quote.

> *"The Green Climate Fund is the largest single pot of money for these types of things. They have great flexibility within the amount of and types of money they can disperse such as grants, guarantees, concessional debt and equity. This is obviously really useful. Nevertheless, the process to get this money is long winded and can get up to two years which is not ideal if you want to mobilise capital quickly and get things done."*
>
> Quote Africa forestry lead, NGO

Governments
Government funding from both the local, regional and (supra)national level can be used for tree planting, establishing and building the initiative and supporting farmers in their transition to regenerative agricultural practices. Governments can invest in LRPs directly or invest indirectly via a DFI, multilateral public fund or blended finance vehicles for landscape restoration. Governments usually provide public funding for projects and initiatives that fall within their mandate such as water management, environmental management, economic development.

Foundations
Foundations range from philanthropic organisations, charities and corporate foundations and provide grants or programme related investments in LRPs that align with their priorities such as conservation or financial innovation. Foundations often make the non-business investments such as seed investments to build ground capacities, salaries of staff of cooperatives and NGOs, research, restoration activities, stakeholder management and other elements that need to be in place to attract other types of funding.

8 Activities within landscape restoration projects

Next to a multitude of actors, LRPs usually consist of various activities which are implemented and financed by various stakeholders both within and outside the landscape. Activities can be carried out by a single entity, but in some cases are coordinated and financed by various actors under an overall landscape vision. The following quote illustrates this well.

> *"Each landscape programme has a vision to which all the components contribute to. Four of them are income generating and five of them are enabling which is traditional NGO, government and development work to strengthen communities, have the right policies. It is quite complex, and many things need to happen at once."*
>
> Quote sustainable finance lead, NGO

This thesis distinguishes four groups of activities: restoration activities, business development activities, revenue generating activities and activities that contribute to creating an enabling environment.

Restoration activities

Restoration activities include forestation projects, soil and water management vegetation works, fencing, constructing ecological corridors, piloting of new grasses and systems in the agricultural zones and measures that reduce or prevent soil erosion. Restoration activities are mostly coordinated by conservation NGOs and cooperatives but can also be co-developed with the project developer, farmers and communities. Stakeholders contribute to the restoration activities by bringing in various resources such as the expertise around vegetation projects, funding and the time to coordinate and implement the restoration on the ground. This is illustrated by the following quote.

> *"One of our aims for the natural zones is creating a corridor between the natural areas and the natural areas of the farm. This requires money and time. There are two coordinators in the cooperative: the project developer and our biologist who is responsible for natural zone restoration, he knows a lot. We make this plan and at the end it must be supported financially."*
>
> Quote director landscape company

Business development activities

Business development activities include developing business plans, the formation of new businesses, business support and the processing and sales of the products of the landscape. Farmers that transform to regenerative agricultural practices oftentimes transform to different products for which business plans have to be developed. This entails co-exploring and co-developing agricultural/business models that are more profitable and sustainable. The following quotes illustrate the activities of a business development entity.

> *"We specialise in high-value crops that are selected based on their fit with the landscape and local and international markets. The organic farming system continuously improves the soil quality which leads to both healthier soils and higher quality products"*
>
> *"You need expertise on the development of a landscape-based economy which consists of identifying what are the main opportunities for this type of landscape. Is it crops, livestock, fishery, tourism, forestry or wild harvesting?"*
>
> Quotes director landscape company

LRPs that are business driven or include revenue generating activities require companies that sell the products that are produced within the landscape. In some cases, these companies did not exist prior to the start of the LRPs. As highlighted by the quote below, project developers, cooperatives and conservation NGOs can co-design and co-developed businesses with farmers. In these cases, decision-making, value and risks are in these cases shared between the farmers, the business development entity and the investors. For this reason, farmers often have the majority shares of the company.

> *"As part of the vision, there is a diverse production system for almonds and there is a private company that has been set up in partnership. Commonland initiated it but gave the ownership into other hands. We have been investing in it to get it all going and hire the right people."*
>
> Quote director landscape company

The importance of local ownership of the farmers is highlighted by the following quote.

> *"It should not be a company that comes from outside, the farmers need to do it themselves. You found a company together with the farmers that improves their lives. It is not the idea that we enter a region and make money out of it whilst nothing is flowing to the region anymore. The idea is that it improves the landscape and the local economy. It is not the easiest way, but you have to engage with the farmers very intensively."*
>
> Quote co-director NGO

Already present or recently formed local businesses can receive business support from both the business development entity and the project developer in areas such as finance, financial management, logistics, certifications, contracts, HR and legal support.

Revenue generating activities

Revenue generating activities (e.g. the sales of products, provision of microcredits, carbon credits, land/farm acquisition) are those that enable an LRP to attract private investments by their ability generate income streams and deliver financial returns on investment.

Processing and sales of products
One of the mayor revenue-generating activities is the sales of commodities and products that are produced in the landscape. The actors that do the processing and sales of these products are the ones that are able to attract private investments. The following quote illustrates this well.

> *"We are financing, like in the renewable energy space, and all of these funds are doing this, the production actors. We are financing the replanting of trees, the equipment and human resources needed to restore land and implement good agricultural practices and we are paid by the actor that can repay the financing which is done via the sales of commodities and raw materials that are produced such as coffee, coco, timber or whatever."*
>
> Quote fund manager

Project developers and local businesses buy the products from farmers that produce according to regenerative agricultural practices aligned with the landscape vision and subsequently process, market and sell them to their clients and (international) markets. As project developers and local businesses also focus on the processing level, investments made in the infrastructure such as warehousing facilities can be also revenue generating. Cooperatives usually become shareholders of the infrastructure and invest both in-kind and with money which ensures the long-term viability of the project by gradually transferring the ownership to the cooperatives. Project developers and business development entities are better suited than local businesses to tell the overarching story of the products and connecting with international markets. This is illustrated by the following quote.

> *"We work together with farmers to get the best products to the market. As they are produced in a responsible way and are of higher quality, we want to get those products to international markets, so the farmers have a story to tell, how good the products are and how much of the revenue goes to the farmers."*
>
> Quote co-director landscape company

Microcredits

In some cases, project developers lend money to the cooperatives which in turn lend microcredits to the producers. Over time, farmers pay these microcredits back to the cooperatives and project developers which generate revenues in the form of interests.

Carbon credits

Carbon credits can generate revenues which can be the overarching driver or support other activities within the LRP. "It is something of a buffering cost and makes the overall investment less expensive" (Quote project developer, personal communication, May 21, 2019). Projects that generate carbon projects are often developed by separate carbon project developers which are coordinated by the project developer. This is illustrated by the following quote:

> *"We are intending to develop anywhere between 20 and 50 carbon projects that can be co-developed by international carbon project developers. We don´t develop projects on our own, because it is such a huge landscape. We actually seek international project developers, selling them the opportunity and existing structures so they can develop these projects with our local partners. We generate the links and facilitate the conversation."*
>
> Quote project developer

Project developers can stimulate projects that generate carbon credits by establishing private conservation areas. Carbon project developers buy into the landscape, design a project and sell the carbon credits internationally. Carbon project developers in turn shares the revenues of the carbon credits with the communities or contribute to the overall LRP.

Land and farm acquisition

In some cases, project developers acquire farms and land with the aim of transforming the farms and make increase the value of the land by making it more productive. Revenue is either generated by selling the farm and land once it is transformed and more productive. Project developers play a bridging role between the farmers and investors as illustrated by the following quote.

> *"We find farms that are for sale and we package together the investment deal and then shop that around to investors. Once the property is purchased, we have an overseeing role where we charge a management fee and bridge between investors and the farm operations team."*
>
> Quote farmland portfolio development manager

Creating an enabling environment

Several activities within an LRP contribute to creating an enabling environment for attracting private and blended investments. The following quote stresses the importance of having an enabling environment in place:

"Entrepreneurs should be the drivers of bankable projects, but next to this there needs to be an enabling environment which is traditional NGO, government and development work to strengthen communities and have the right policies in place."

Quote sustainable finance lead, NGO

Activities that contribute to creating an enabling environment range from building the initiative by developing a common vision, stakeholder engagement, capacity building and research.

Building the initiative: a common vision

Building the initiative entails designing, developing and operating the key aspects of a project. In most cases, building the initiative implied the development of a common vision for the landscape including the identification of the area and actions. Common visions usually include various initiatives on natural resources management and economic development in the region and address diverse opinions and interests, uncoordinated efforts and conflicting agendas. Such a common vision can serve to mobilise various stakeholders. In this way, trade-offs between competing land uses, interests and policies can be managed. Visions are often co-developed by the project developer, conservation NGOs, local governments cooperatives, local businesses and farmers with differing visions, backgrounds and expertise. The importance of bringing these actors together is illustrated by the following quote.

"Living Lands as an NGO really sat together with the farmers and looked how they could create a vision for the landscape and make it a reality. Subsequently, it started to form partnerships around this vision. It is important to focus on what connects us and where we want to work towards together."

Quote director landscape company

Stakeholder engagement

Stakeholder engagement entails identifying and engaging with the key players in the landscape and defining proposals for key elements of the landscape plan. In landscapes with many smallholder farmers, stakeholder engagement implies significant time and money investments through frequent interaction and gaining the trust of local communities and farmers to convince them of the overarching vision. This is illustrated by the following quotes.

"You need to maintain and nurture the social processes. To do so takes time and money basically because you need to have the right people to be there at the right moment to talk to the right people to make sure they are aligned with our view."

Quote director NGO

"What I think is very important and often lacking is the thing that Living Langs does super well: landscape mobilisation. A team that is sort of a

glue between all actors, the farmers and people that live there. A team that listens, observers how things go and generates information bottom up. This sounds really vague, but it is so valuable if you have people that are relatively independent and detect signals, ideas and the feelings that people have."

Quote co-director landscape company

In order to scale, efforts have to be made in reaching out to new farmers that will adhere to the landscape vision. Facilitating workshops, informal meetings or "agrocoffees" between experienced and less experienced farmers to interchange ideas and practices are used to engage with other farmers in the landscape. The mobilisation of stakeholders on the ground is oftentimes a prerequisite for institution building and the subsequent development of businesses and cooperatives. This is illustrated by the following quote.

"You need those organisations and people in the landscape that focus on bottom-based stakeholder mobilisation and driving that shared and long-term vision. Both a movement and capacity have to be created so that businesses can ultimately flourish. We have to recognize that businesses themselves are only one aspect of a healthy landscape."

Quote managing director landscapes, NGO

Capacity building

Capacity building activities such as workshops and trainings can be used to ensure strong governance of institutions on the ground such as cooperatives and conservation NGOs. This enables cooperatives to strengthen their capacities and those of their members and better manage their finances. Capacity building activities and building a proof of concept can be important first steps or prerequisites before to attract other types of investments at a later stage. This illustrated by the following quotes.

"We are doing a seed investment which boils down to donations for which we do not expect any return. The expected return is the increased capacity of the initiative to be able to drive impact. The ground capacities contribute to the requirements that we need for other investors."

Quote project developer

"If you get a number of farmers to transition to a certain type of agroforestry system, before a private investor would come in, there could be some training programmes, an effort to help to organise the farmers in a cooperative that would be a pre-investment that would not be profit seeking. It is more to prepare the ground for these particular deals."

Quote Director Policy & Markets, NGO

Research

Research consists of various activities such as baseline, risk and feasibility studies, the measuring, monetising and monitoring of social and environmental returns, cost-benefit analyses of proposed measures and research into the impact of agricultural practices on the water retention capacity of the land and soil quality. Many argue that research is an essential part of the LRP to ensure the scientific base of the operations that are implemented within the landscape. Furthermore, measuring and monitoring social and environmental returns is often required by certain types of investors which need to prove that the projects in which they invested are sustainable. Cost-benefit analyses can serve to engage stakeholders such as companies that source from the landscape or are dependent on the landscape for their operations such as water and electricity utilities. These analyses help project developers in "making a compelling economic case" to these actors (quote project developer, personal communication, April 29, 2019).

9 Coordination of investments

Although being more complex in terms of coordinating and activities, landscape approaches also allow for various sources and types of finance. The following quote illustrates this well.

> *"Landscape approaches cut through siloes, bring together industries, governments, civil society, investors, corporations and global entities (e.g. the UN and Global Funds). The rationale behind landscape approaches is that the landscape, finance, market and business do not happen in isolation from each other. This allows for the identification of multilateral public funds, but at the same time other sources of (private) funding may be available as well."*
>
> Quote Sustainable Finance Lead, NGO

This paper argues that blending and coordination of investments happens at two levels: fund and project level. The level at which the blending takes place affects the stakeholders involved, how they collaborate and most importantly, how and by whom the blending is coordinated.

Blending at fund level

Blending investments at the fund level consists of de-risking transactions for private investments, a TAF, alignment of different requirements from investors and a certain type of coordination and brokerage between the various investors. The fund manager is key in blending investments at the fund level and can therefore be considered as an intermediary.

Donations to de-risk transactions
Blended finance vehicles blend both donations and investments from public, private and philanthropic sources. Donations, provided by governments, multilateral public funds, foundations, philanthropists and DFIs at fund level are used is amongst others used to secure the risks taken by private investors. Such de-risking is necessary to incentivize some private investors with certain risk-return preferences to deploy capital into the fund. Fund managers play an essential role in attracting blended investments and pooling these for risk diversification and sharing which is necessary for attracting private sector investments. The following quote illustrates this well.

> *"The two layers of the fund, junior and senior are meant to bring in the private sector to invest in senior tranches. The risk is designed as a scheme where there are two different de-risking mechanisms or support*

from junior tranches that would allow us to get senior money. By pooling capital, we diversify and share risks."

The necessity of donations to de-risk transactions is due to a lack of track record and unfamiliarity from the investors´ side to invest in a certain model or sector. The following quote illustrates this.

"We aim to incentivise banks and investors to allocate more capital towards sustainable land-use. They will say that this entails risks that they are not used to analyse and/or fund. Unless there is a party that takes away all or parts of the risk, nothing will change."

Quote Director Sustainable Land Use, IGO

Technical assistance facility

Donations are also used to fund the TAF of a blended finance vehicle. The TAF is usually managed by an NGO and is smaller in size than the investment facility of a blended finance vehicle. There is close collaboration between the fund manager and TAF manager with regards to the interaction with the project developers and investees as illustrated by the following quote.

"The technical assistance facility manager is really coordinated with us and it is jointly that we go to the project developer and say, the fund will finance you and the technical assistance facility will help investments to support the implementation on the ground."

Quote Fund Manager

The TAF complements the investment facility of the blended finance fund by mitigating risks and maximizing the impacts of the fund. It does so by increasing the preparedness of projects, supporting implementation on the ground and supporting the monitoring of social and environmental impacts. The importance of increasing the preparedness of projects in terms of absorbing investments is highlighted by the following quote.

"Many project developers, particularly in lower capacity regions, lack the required rime and resources to conduct research, analytical capability and report writing that are necessary to deliver innovative sustainable land use management and LRPs. Instead, they need to focus on their immediate business needs. As a result, a significant number of potential projects suited for investment will not make it through the project selection and funding process. This will mean they go without finance, are under-financed or continue to rely on grant-funding cycles and donor support which makes it difficult for planning and implementation over the long-term."

Quote Senior Project Manager, NGO

The TAF can alleviate this bottleneck by supporting projects in becoming 'bankable'. The TAF does so by supporting the design of a project, delivering advice and provide donations to initiatives that are not ready for private investments, but may be so in the future. By supporting the project preparedness of projects that can eventually be funded by the investment facility of the blended finance vehicle, the TAF builds a portfolio of bankable projects and develops a certain pipeline for the fund. Furthermore, once the investment facility has invested in a project, the TAF can deliver 'post investment assistance'. This helps project developers in delivering projects with higher technical standard, reduced risks and/or with increased positive social and environmental impacts. The following quote illustrates this well.

> *"We receive support from the technical assistance facility in the capacity building for the producer cooperatives, so their governance is stronger. Better governance and management of the finances of the cooperatives reduces the risks for the project."*
>
> Quote Project Developer

Representing the interests of investors

A blended finance vehicle implies the inclusion of different types of investments provided by investors with different risk-return preferences, investment mandates and priorities. The fund manager has an intermediary role in aligning these different requirements of investors. The following quote illustrates the role of the fund manager in aligning requirements.

> *"The fund manager really needs to represent the interests of the investors. Its neutrality is essential in preventing conflicts of interests. We are a bank, we have our clients and we want to ensure a return on our loans and create a positive impact, but the fund manager needs to represent the interests of investors. If there is a discussion between us and an investor in how the risks and returns are distributed. If we need a certain percentage of financial return and an investor also requires a certain percentage, then you need a neutral fund manager who indicates what is reasonable and needed."*
>
> Quote Executive Director Impact Finance, Bank

The role of the fund manager is necessary due to the potential mismatches in the interests and requirements of investors caused by different priorities of investors, strict requirements of public investors and multilateral funds and the reluctance of public and philanthropic investors to subsidise the private sector. Fund managers need to balance the different priorities of investors and provide investors with an overall picture as illustrated by the following quote.

> *"Trying to manage between the competing primary drivers of different funding organisations is definitely a challenge. Ideally, you want to bring them in on the vision that is all integrated and need to work together. But it can be challenging because investors are not always aligned. It is then our job to propose the best indicators and present the integrated picture."*
>
> Quote Africa Forestry Lead, NGO

Fund managers can present such an "integrated picture" via the monetisation of the social and environmental returns of the projects a fund would invest in. The importance of aligning the differing interests of investors is vital to make blended finance transactions a success, as illustrated by the following quotes.

> *"I often see a mismatch between what a public party can offer and what a private actor asks. As long as this mismatch exists, a fund can have capital, but when our criteria do not align with the requests of a client, the money won´t be spend. That has been the case in a lot of instances. The demand from the government to allocate capital in a certain way is often not realistic enough as what a bank or client can do. This is a reason why money often does not flow, because objectives are often too strict. When these objectives remain too strict, the money won´t flow and the situation will remain business as usual, then nothing will change."*
>
> Quote Director Sustainable Land Use, IGO

Brokerage between investors

The successful blending of investments between capital providers requires a certain type of brokerage as illustrated by the following quote.

> *"Assuming there is no rethinking of values, assuming that they play the same game as they are doing right now, the key in improving blended finance vehicles is better cooperation between various capital providers".*

Such brokerage can be done by an intermediary organization. In this paper, a specific unit of the United Nations functioned as an "impartial broker" to stimulate coordination between investors and project developers is required to stimulate the blending of investments. Brokerage entails facilitating connections between investors, governments and multilateral funds and overcoming barriers to collaboration due to the different backgrounds of stakeholders. The broker analysed in this paper connected private investors with governments to leverage money from public investors and multilateral public funds. The following quote illustrates this well.

> *"We open a lot of doors. For example, for a particular fund, we have leveraged capital from the Global Environment Facility. The same accounts for BNP Paribas, we help them to mobilise capital and raise funds. Capital can flow via us or directly from a public institution to a bank."*
>
> Quote Director Sustainable Land Use, IGO

Brokers facilitate transactions and collaborations between investors because of their connections with governments and financial institutions, as illustrated by the following quote.

> *"We have strong links with governments and financial institutions. We have a strong track record of working with governments and the financial*

sector. Our regional and national offices have a range of activities on sustainable land use, agriculture, forest and LRPs. Furthermore, our contacts with governments at (sub)national levels that have a strong political will to carry out forest and landscape restoration can be key to create and maintain political support."

Quote Director Sustainable Land Use, IGO

Brokers can be a key factor in overcoming barriers related to the different backgrounds of the stakeholders that impede a successful blended finance transaction from happening. The following quote illustrates this well.

"They all come from a different angle. I just had a call in which I noticed the big gap between an agri-producer, a bank, a UN institution and a public financial institution like a climate fund. The challenge is to bridge these differences and investigate whether there is enough of a basis to finance a project from all different angles. This is what we try, and we try to actively broker and mediate within specific transactions."

Quote Director Sustainable Land Use, IGO

Blending at project level

Blending at the project/landscape level involves attracting donations and investments, the aggregation of smallholder farmers and a certain coordination between investments within the landscape. There are various actors in the landscape which can have a coordinating role in terms of attracting and structuring investments. Nevertheless, the project developer is often key in supporting actors in the landscape to attract funding and coordinate the funding over the various activities that happen within the landscape. Therefore, it can be considered as an intermediary for blending investments at the project level.

Attracting donations

Attracting donations (e.g. subsidies, grants and programme related investments) is oftentimes vital to fund several activities within the LRP that do not generate income streams such as the early stages of a project, restoration activities, stakeholder engagement and research. Donations are in the early stages of an LRP allow for experiments, testing solutions and "answer all the crucial questions that we need for the requirements for other types of investors." (Project developer, personal communication, May 21, 2019). Investors which require financial returns on their investments usually do not invest in these early stages and step in on a later stage as illustrated by the following quote from a fund manager.

"We are not financing the early stages of the project. We finance the scale up of what has been working and often the initial phases have been funded by philanthropy and project developers themselves. After the first financing that has been proven that there is a real track record or ability to deploy more, then we can commit finance to the scale up. Our fund aims to fill the missing middle where there is a lot of money available for early

stage pilot phases, but there is no one else that can help the investment afterwards."

Quote Fund Manager

Project developers usually attract donations and subsequently distributes these funds to other actors in the landscape such as the cooperatives or conservation NGOs. Nevertheless, these actors also play a role in attracting donor money themselves.

Attracting investment capital

Next to direct investments made in local actors within the LRP, project developers can have a coordinating role. In such cases, project developers have a certain coordinating role by which they channel investments to different actors in the landscape or align funding with the several activities that are planned for the landscape. An illustrative example is provided by the following quote.

"We act as a hub to coordinate and orchestrate financing through the development of proposals for cross-cutting objectives, helping to align sectoral activities into the integrated plan and engaging the government and development partners to seek financing."

Quote Chief Executive Officer, NGO

In some cases, funds are pooled and allocated to finance development projects that align with the common vision and to cover the operational expenses of the project developer. Such coordination can lead to reduced competition for funding of actors that operate in the landscape and increased efficiency of the investments as illustrated by the following quote.

"We help to ensure there is less wasted in terms of resources. Each of the institutions complement each other. The resources available can be used without multiplicity instead of various institutions doing almost the same thereby requiring double the amount of resources".

Quote project developer

Furthermore, funding that is used to support certain kinds of projects and activities can have positive spillover effects to the operations of other actors in the landscape. The following quote provides for an illustrative example.

"Living Lands used grant funding to support the local business. They established regenerative agricultural programmes on the fields of the farmers that produce essential oil crops which will be sold to the local business. Who is doing the business development then? Living Lands de-risks the production side of the local business but at the same time uses the funding to improve soil health and water retention capacity and in this way achieves its natural capital returns.

Quote Director Landscape Company

Aggregation of smallholder farmers

Project developers play crucial role in the aggregation of smallholder farmers which reduce transaction costs and allow projects to reach a scale that is more attractive for private investors. Project developers aggregate smallholder farms by providing loans to cooperatives which in turn provide microfinance to the farmers and producers. In this way, smallholder farmers can finance their transformation to sustainable agricultural production. Aggregation can be done by project developers who collaborate with several cooperatives which aggregate many smallholder farms. This aggregation allows the project developers to reduce the transaction costs of operations as the management of microcredits is done by the cooperatives themselves. Project developers that collaborate with cooperatives can reach many smallholder farmers which is crucial in the restoration of landscapes. This is illustrated by the following quote.

> *"In many cases, it is hard to find land available, so we need to work with smallholders. One of the financing gaps is that money is not flowing to the smallholders and this is a major cause of land degradation. However, if you don´t have a project developer that plays a role in aggregating and coordinating for everything, then it will not work."*
>
> Quote Fund Manager

Joint representation and interaction with investors

Actors in the landscape (e.g. project developers, cooperatives, NGOs and local businesses) can represent themselves as a consortium and jointly engage with investors. This can lead to stronger proposals and a better story towards investors.

> *"When investors come, we always present ourselves as a consortium. The local business eventually makes the proposition for attracting investment capital. However, when investors come, the consortium will be emphasized. This makes it difficult sometimes, but also has a lot of advantages as you have actors with different types of expertise. The partnerships in this sense makes for a better story to the investors."*
>
> Quote Director Landscape Company

10 Conclusion

The prerequisites, process and outcomes of blending investments at fund and project level

Figures 2 and 3 outline the role of intermediaries in blending investments at fund and project level. These figures distinguish between antecedents, process and outcomes. Antecedents compromise prerequisites and actors that are necessary for (hypothetical) success of blending investments for LRPs. The process outlines how intermediaries operate in the blending process whereas the outcomes refer to the results.

Blending at fund level

Antecedents
Successful blending at fund level requires a 'champion' fund manager that has experience in dealing with both (institutional) investors and project developers. Through designing, developing and managing funds, fund managers with experience in a certain region or sector can invest in various LRPs which allows investors to invest in sectors or regions they are unfamiliar with due to a lack of knowledge or experience. The central position of the fund manager allows it to establish "bridging ties" between global funds, investors and stakeholders at the local level which would be disconnected otherwise (Sanyal, 2006). Scherr & Shames (2014) argue that such a disconnect exists in the landscape restoration market where investors lack understanding and awareness of financing opportunities for landscape restoration and experience a lack of "bankable projects" while project developers and businesses struggle to find finance for their projects. Fund managers can act as the vital link between the various stakeholders that need to be involved for blending investments for LRPs by aligning expectations and developing a common language among stakeholder groups that is necessary to structure blended finance transactions (Bouri & Mudaliar, 2013). Fund managers ensure convening power by having experience in managing funds, a region or sector that (institutional) investors are unfamiliar with and through linking investors with project developers and businesses that may not be used to interact with each other. Furthermore, fund managers are responsible for designing structured blended finance funds which are a prerequisite of successfully blending investments with different types of risk-return preferences. Fund managers are usually supported by private companies who advise them on how to structure funds based on market practices. In this way, fund managers contribute to a certain standardisation in the marketplace as has been argued by Nicholls (2008). Standardisation can provide essential information to investors which is a "prime need" for the development of effective blended finance transactions (Nicholls, 2008: 26). For example, donors which usually provide

guarantees and first-loss protection may not know what appropriate standards are for providing such de-risking capital.

Process

Fund managers are responsible for raising donations and investment capital for their blended finance vehicle. By bringing multiple investors together, pooling their resources and aggregating investment opportunities, fund managers play an essential role in risk-sharing and diversification for investors. Furthermore, fund managers can provide economies of scale and reduce transaction costs which makes it attractive for investors to invest in blended finance funds (Emerson & Spitzer, 2007). Next, fund managers can lower the risks for private investors by attracting donations that have a de-risking function. Fund managers bring together various investors with different mandates and risk-return preferences that are necessary to finance different aspects of LRPs. Furthermore, the fund manager channels donations to the TAF. The TAF complements the activities of a fund manager by providing grants and technical assistance to promising projects and partnerships. Fund managers also play a key role in brokering between different types of investors. The differences in investors´ risk-return preferences and social and/or environmental requirements can lead to continuous negotiation processes which, in turn, can lead to deals and collaborations falling apart (Convergence, 2018). For example, governments and foundations may not be willing to subsidise private investors too much or public investors have strict requirements which impede blended finance transactions to occur. Fund managers broker by presenting an integrated picture and finding a certain compromise and balance between investors. The alignment of interests of investors corresponds to the mediator role of intermediaries as proposed by Stadler & Probst (2012). Fund managers take time to talk to investors and understand their positions. They thereby filter and interpret information and aim partners to recognise mutual interests and interdependencies such as the increased impact public and philanthropic investors can make by de-risking private sector investments thereby leading to additional investments that generate social and environmental returns (Manning & Roessler, 2014).

Outcomes

The (blended) investments can be channeled to project developers of LRPs which use these investments to finance their own operations and the different activities and actors in the landscape. Through both diversifying, sharing and reducing risks for private investors, fund managers are able to leverage additional private investments for LRPs which leads to increased total investments for LRPs. Furthermore, by investing in early stage projects that have the potential to become 'investment-ready', the TAF leads to an increased number of projects that are able to attract private and blended investments. In this way, the TAF contributes to overcoming the bottleneck of a lack of 'bankable projects' as perceived by investors. Furthermore, through ensuring capacity building, supporting implementation on the ground and capacity building, the TAF contributes to risk mitigation for private investors. TAF also plays a role in the maximisation of social and environmental returns by (financially) supporting in implementation on the ground and monitoring of social and environmental returns. Last, successful blended finance transactions for LRPs, increased experience and standardization of the sector contribute to the development a track record which increases experience and familiarity of investors with the sector. This in turn, can lead to additional interest from private investors in LRPs.

Blending at project level

Antecedents
Successful blending at project level requires a champion project developer that bridges investors and actors in the landscape. Project developers design and understand the project and landscape approach which entails having good established relationships with local actors and understanding the local conditions. Furthermore, project developers need to be able to bring the produced products and services to the market, be an expert in the supply chain and have relationships and experience in working with financial institutions. Project developers are able to connect insights and actors from the local level with the global strategic level (i.e. global funds, international NGOs). By understanding the "problem's symptoms" (i.e. how land degradation affects farmers and communities on the ground) and the "roots of the problem" (i.e. how the international community deals with land degradation), project developers can promote systemic solutions (Stadler & Probst, 2012: 37). Project developers are able to link international funds that have resources but lack the local connections to implement projects with local communities that need financing but lack the 'financial literacy' to develop 'bankable' projects (Scherr & Shames, 2014). Furthermore, successful blending at project level requires a common landscape vision/plan which serves to coordinate the activities of the various actors that work on the restoration of the landscape. Common visions that compromise both enabling, and revenue generating activities have the ability to bridge various regional initiatives, provide a long-term perspective for the landscape and align trade-offs between competing interests and land uses of stakeholders. Drafting such a vision requires having a local presence that is necessary to develop trusted relationships with communities and smallholder farmers. Project developers need to ensure that local actors feel aligned to the landscape vision and support the transformation to regenerative agricultural practices. Furthermore, successful blending requires a certain organisation of smallholder farmers and the presence of business activities in which cooperatives play a crucial role. Cooperatives allow for the aggregation of many smallholder farmers which lead to reduced transaction costs and allow an LRP to scale. Local businesses or project developers that are able buy, process and sell products from the farmers and cooperatives are necessary to ensure farmers can sell their (regenerative) products to markets and finance their transformation to regenerative agricultural practices. Businesses and cooperative need to have strong governance processes, a certain volume, capacity and financial management which mitigates risks for investors. Successful blending at project level requires different types of investments for the various activities in the landscape. Revenue generating activities can be financed by private investments while the activities that contribute to an enabling environment can be financed

solely by donations. Different types of investments require various investors with different risk-return preferences and social and/or environmental goals.

Process

Project developers attract donations and investments which they coordinate and distribute over the various actors and activities in the LRP. Donations are used to finance activities that are not suitable for attracting investment capital (e.g. restoration of the landscape, technical assistance and stakeholder management) and create more attractive risk-return profiles of investments for private investors by providing de-risking capital. Project developers are able to attract these different types of investments by designing projects with (various) revenue streams and activities that align with the social and environmental goals of investors. Project developers use donations and investments to cover their operations and support actors in the landscape. Project developers support local actors financially by providing (soft) loans, become shareholders of local businesses or design and found new organisations (e.g. cooperatives and local businesses). Project developers often co-design these institutions with farmers, local communities and NGOs as part of the common landscape vision. Furthermore, project developers play an important role in aggregating smallholder farms through working with cooperatives. Project developers aggregate smallholder farms by receiving designated funds from (international) investors and subsequently providing loans to cooperatives which in turn provide microfinance to the farmers and producers. This enables smallholder farmers to finance their transformation to sustainable agricultural production. Working with cooperatives enables the project developer to reach many smallholder farms whilst ensuring their interests are represented. Project developers are able to aggregate various cooperatives and, in this way, reach a certain scale that is attractive for certain types of investors. Project developers play a key role in facilitating transactions by linking these cooperatives with investments they otherwise would not easily have access to due to a lack of familiarity or connection (Nicholls, 2008). Furthermore, aggregation allows the project developers to reduce the transaction costs of operations as the management of microcredits is done by the cooperatives themselves. Last, the variety of actors in the landscape may represent themselves and the various activities in the landscape to investors as a consortium. By joint representation and engagement with investors, actors are able to draft a more compelling story towards investors by emphasising potential synergies and the complementarity of the activities in the landscape. Actors may jointly apply for proposals as they see the value in each other´s projects and in this way increase the chances of getting funding for their activities.

Outcomes

Blending at project level leads to various outcomes. First, project developer attract and distribute investments which support the various actors and (non-)revenue generating activities within the LRP. Activities that create an enabling environment (e.g. capacity building for cooperatives) mitigate risks for investors which makes for more attractive LRPs. Second, the various activities within the LRP contribute to both financial returns and social and/or environmental impact. Next, by aggregating smallholder farmers, project developers are able to design a project with a certain scale that is appealing to certain types of investors. By reaching many smallholder farmers, project developers can design a project with a scale to corresponds to the preferred investment sizes of certain investors. The combination of a certain scale, reduced risk and enhanced social and environmental returns makes for more 'attractive' LRPs. Last, by coordinating and distributing investments, project developers can support increased efficiency of funding, reduced competition between actors applying for same types of funding and positive spillover effects of activities that happen in the landscape.

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