Expanding and Leveraging Private Sector Interest in Securing Community Land Rights

SUMMARY REPORT:

Taking Stock and Identifying Practical Steps Forward –

Technical Follow-up to the Interlaken Conference and Preparation for the Meeting of the Interlaken Group March 19-20, 2014

10-14 February 2014 in Bellagio, Italy
Venue: Bellagio Center

I. Introduction

The meeting in Bellagio in February 2014 can be seen as a bridging or preparatory phase between the planned Interlaken Group meeting in London, March 19-20, and the September 20013 Interlaken meeting.

The main objectives of the meeting were to develop a more concrete vision and roadmap for expanding and leveraging private sector interest in securing community land rights, and develop recommendations for the design and inception phase of the tenure facility, and other priority initiatives as relevant.

The meeting aimed at increasing the understanding of challenges and opportunities related to land-based investment in forest and other natural resources from the perspective of a range of private sector players while paying attention to development of approaches and solutions that would simultaneously serve the interests of local smallholders, communities and indigenous people. A related conceptual framework – Foundations of Sustainable and Equitable Investment in Forest and Other Land Resources – was developed.

In the meeting, the key investor and other private sector actors and their interests and exposures regarding land rights were mapped together with existing or planned action – including the recommendations of the September 2013 Interlaken recommendations – to address their needs and leverage that interest. At the same time, major gaps and preliminary priorities for action were identified and prioritized for action to expand and leverage private sector interest in securing community land rights. It is expected that this framework would be further developed and refined to become a more concrete Roadmap at the subsequent meeting of the Interlaken Group in London with inputs from company and investor representatives who have made commitments to support community land rights.

The main Bellagio Meeting Outcomes and Outputs are summarized in the following.

II. Investor Typology and Land Related Risks

The volume of investments in land-based resources in developing and emerging countries has been increasing rapidly in the last decade. Some of these investments have
been associated with “land grabbing”, with various negative impacts on the livelihoods of local people and communities and even human rights. At the same time, it is understood that more foreign and local investments are needed to introduce better technologies, bring existing resources under more efficient and sustainable use, and increase both production and productivity of various land-resource based production systems including those relying on smallholders and communities. So, in a way, private investors (corporations and financiers) are both a part of the problem and solution. From the perspective of a responsible investor emerging (frontier) markets offer interesting opportunities to expand investments and grow, but the playing field for investors must be levelled and risks, including those related to land, understood better and also mitigated. This would benefit the private sector, communities and national governments due to shared values, interests and risk as is demonstrated in the theory of change “model” in Section III.

To understand better the needs and motivations of the private investors, as regards land tenure related risks, it is important to understand better how different investors vary in terms of their investment motivation, governance system, investment cycle and horizon, and what role land tenure related risks play in their respective investment cycles, how they could manage those risks, and what kind of services/support/tools they may need in managing the risks. Such an initial typology was developed and used to identify “business cases” and mechanisms for engaging the private sector more actively in efforts to respect and invest in systematically addressing local/community land rights’ issues.

The main investor categories involved in investing and financing forestry, agricultural and other land-based resources are:

- **Smallholders, communities**: often micro-entrepreneurs and operating in the informal sector.
- **(National) SMEs**: In many developing and emerging countries the most important investors in terms of employment and income generation in particular in rural areas.
- **(Large-scale) corporate investors**: Industry companies operating in agriculture and integrated food processing, forestry and integrated processing, mining, and bio-energy. There are also other sectors (e.g. private infrastructure and transport) but these four sectors dominate land-based private investments.
- **Financial investors**:
  - Private equity funds (PEF) investing in timberland, agriculture, land, bioenergy
  - Sovereign wealth funds (SWFs)
  - Pension funds (PF), which most often invest into other funds or companies, but also sometimes directly into land assets such as timberland
  - International development finance institutions (DFI, such as IFC) and leading banks
  - Endowments.

There is no systematic data available that would allow identifying the relative shares of various types of investors in large-scale land-based investments in developing countries. In media, corporate investors, especially foreign direct investment (FDI), and SWFs (e.g. from Asia Middle East) dominate the discussion. SWFs and pensions funds (PF) control a major share of global investment funds, and hence are important also for investments in land-based resources. They invest into land resources mainly indirectly but the role of SWFs is becoming increasingly important, and they dominate foreign investments in
land resources in some Central African or Eastern African countries. Investments by timberland funds and funds specialized in agriculture are also increasing, as is the number of such funds. However, it is important to note that e.g. in the Sub-Saharan Africa domestic farmers, SMEs and in some cases large domestic companies are the most important investors; the same applies e.g. to Brazil. South-to South investments are also increasing. Also, it is important to recognize the increasing linkages between international and national companies.

The key investors are mapped and categorized in Annex 1 in terms of their investment objectives/motivation, nature of operation and investment, and governance system. The resulting “ecosystem” of stakeholders influencing investments in forest and other land resources is presented graphically in Figure 1.

The developed typology was used to structure answers to the following four important questions:

- What are the main land tenure related risks and opportunities for creating shared value, increased yields and growth?
- Which are the key investors/companies/financiers, and the key sectors to be targeted? (Based on size, leverage, accessibility)
- Who are the related strategic (individual) players to be engaged?
- What kind of tools/ initiatives/business models are needed to influence the behavior of the strategic players and get them engaged? (Initiatives were divided into following categories: existing, under development, and gaps (need to undertake new action))

Annex 2 summarizes the discussion on these questions. However, it was found necessary to further prioritize the key problems, opportunities and needed action in order to move towards an initial roadmap facilitating implementation of priority action and identification of key roles for different actors. Three working groups representing (1) communities and national SMEs, (2) Corporations dealing with land resources, and (3) Financial sector were formed to prioritize action. Their recommendations/priorities are presented in Annex 3. All of these outputs were used to develop an initial framework for expanding and leveraging private sector interest in securing community land rights to the mutual interest (see Section III). Based on this analysis it was apparent that there is a need in the ecosystem for a facility/forum/mechanisms that would be supporting and helping to coordinate activities at the national level. In Annex 4 the same ecosystem is presented but together with the “facility” showing the coordination and support linkages.
Figure 1 Ecosystem" of Stakeholders Influencing Investment in Forest and Other Land Resources
III. The Foundations for Sustainable and Equitable Investment in Forest and other Land Resources and Related Framework for Action

The foundations – or three cornerstones – on which the change towards sustainable and equitable investments in forest and other land resource development can be built are presented in Figure 2. All three corners need to be in place to create the enabling conditions for responsible investment, and simultaneously close the door for irresponsible actors looking to maximize short-term profits regardless of social and environmental impacts and long-term sustainability. In addition, an integrating and coordinating platform is required to facilitate coordinated and cost effective action.

Most of the recommendations made by the Bellagio participants concerning priority action can be structured around the three separate corners with their own key actors. However, in order to structure the proposed action it was necessary to recognize interconnections (and current disconnects) between different main groups of actors within a conceptual model. The analysis suggests that there is a need for a mechanism/facility that would help linking the different actors at different levels; hence in the middle of the Figure 2 one can find a “Multistakeholder” Coordinating Platform”. Figure 2 does not display the key actors, which can be found in Figure 1. To demonstrate the linkages between the key actors (see the figure on the ecosystem) and their links to action within the three key elements, same colours have been used in Figure 1 and Figure 2.

Figure 2 Foundations of Profitable, Sustainable and Equitable Investments in Forest and Other Land Resource Development

This conceptual model represents the key elements of the theory of change (TOC) towards sustainable and stable investments, and more equitable benefits-sharing based
on recognized communal, smallholder and indigenous peoples’ land tenure rights. A more detailed TOC is displayed in Figure 3.

**Figure 3 Theory of Change in Promoting Profitable, Sustainable and Equitable Investments in Forest and Other Land Resources**

In the Bellagio meeting, concrete action to make better use of opportunities to invest in land-based resources and reduce related land tenure risks were identified and prioritized to feed into the development of a Roadmap (to be developed later on). Table 1 summarizes the recommended action, consistent with many of the key recommendations from the September 2013 Interlaken meeting.

**Table 1 Proposed Priority Action to Expand and Leverage Private Sector Action to Secure Community Land Rights**

<table>
<thead>
<tr>
<th>Action</th>
<th>Existing initiatives/gaps</th>
<th>Responsibility</th>
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<tbody>
<tr>
<td>Companies and Financiers Stable and Risk Adjusted Investment</td>
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<tr>
<td>Identification and quantification of land tenure risks (also) financial implications/ - Building up tenure risk assessment system integrated with other risk assessment - Improving DD tools and risk management tools for investors</td>
<td>TMP (Lou Munden Project) WB/PROFOR looking at a Business Climate Assessment for forest sector</td>
<td>RRI Lou Munden Project</td>
</tr>
<tr>
<td>Clarification of the investor universe (size of the pie, relative importance)</td>
<td>No reliable information readily available</td>
<td>RRI</td>
</tr>
<tr>
<td>Articulation of the secure supply story/business case</td>
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<td>RRI Facility</td>
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<tr>
<td>Standard setting</td>
<td>Organizations/Roundtables/NGOs/Service Providers</td>
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<tr>
<td>Compliance with Best Practices</td>
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<tr>
<td>Influencing investment (ESG/CSR) policies of the financiers and leading corporations (brands)</td>
<td>Behind the Brands (Oxfam) Others</td>
<td></td>
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<tr>
<td></td>
<td>Oxfam Facility</td>
<td></td>
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<tr>
<td>Strengthening advocacy and external monitoring to build transparency and promote &quot;good&quot; behavior in land investments and supply chain management</td>
<td>Behind the Brands Leading companies</td>
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<td></td>
<td>Oxfam/Others INGOs/NGOs Third party auditors</td>
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<tr>
<td>Incorporating land tenure issues and related risks into safeguards, ESG policies/checklist of the key financial sector players</td>
<td>RRI</td>
<td></td>
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<td></td>
<td>RRI Oxfam, other INGOs</td>
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<tr>
<td>Levelling the playing field between good investors and bad investors</td>
<td>Governments Audit companies INGOs/NGOs</td>
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<tr>
<th>Communities/Indigenous peoples/NGOs/National Service Providers</th>
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</thead>
<tbody>
<tr>
<td>Enabling Local Social, Incentive and Governance Infrastructure</td>
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<tr>
<td>Recognition of land rights</td>
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<tr>
<td>- Advocacy, enhancing awareness and capacity building</td>
</tr>
<tr>
<td>- Mapping (provision of new technology)</td>
</tr>
<tr>
<td>- Legal support</td>
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<tr>
<td>- Improved transparency and access to information concerning land tenure rights, concessions and land deals in countries</td>
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<tr>
<td>(New) business-models, including benefit-sharing</td>
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<tr>
<td>Building local capacity (communities, NGOs, service providers such as surveyors) in mapping, land-use planning, marketing, monitoring etc.</td>
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<tr>
<td>Improved standard setting</td>
</tr>
<tr>
<td>- standards that help with assessing land tenure risks, monitoring performance, auditing, reporting</td>
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<tr>
<td>- IFC as benchmark</td>
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</tbody>
</table>

| Other recommendations | |
|-----------------------| |
| Mechanisms to engage with Chinese and other South-to-South investors | |
| - Developing ways to motivate Chinese and other similar countries to adopt investment and supply chain management policies that pay attention to land tenure | |
| Multistakeholder platform (needed to deal with and coordinate some of the action described above) | Interlaken Group |
|                      | RRI (catalyzing) Interlaken Group Other |
ANNEXES
# Annex 1

<table>
<thead>
<tr>
<th>Nature of operators/Objectives</th>
<th>Strategic/Corporate investors</th>
<th>Financial Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SMEs, organized communities and large farmers</strong></td>
<td>Forestry &amp; forest industry companies</td>
<td>(Note: Development finance institutions and public banks are also part of this; addressed in the Annex 2 that focuses on risks/gaps and opportunities as well as related tools)</td>
</tr>
<tr>
<td>Often family entrepreneurs, not public In some cases these companies have international links. Profit-oriented</td>
<td>Raw material sourcing for industrial production. Mainly large-scale but also medium-scale operators. Both international and local Profit oriented Minimizing costs Access to growth markets, scaling up. Integrated operations interested primarily in securing wood fibre supply</td>
<td>Normal private equity funds Mainly private companies but sometimes state-owned enterprises (SOEs). Usually public. Including large-scale and also medium-scale operators. Both international and local Profit oriented. Minimizing production costs. Raw material sourcing for industrial production. Many new operators, energy companies looking at feedstock: Mineral and energy security</td>
</tr>
<tr>
<td><strong>Type of land investment</strong></td>
<td>Agriculture (including non-food commodities)</td>
<td>Private Equity Funds</td>
</tr>
<tr>
<td>Smallholders and communities invest usually in locally controlled land resources, small plots purchased or leased. SMEs and large commercial farmers acquire land (even outside their own countries) Forest concessions and timberland purchases or leases. Can be independent or integrated Agricultural land, both purchases and leases. For cash crops (domestic and export) but also for integrated processing Land concessions (especially for energy production). Exploration and extraction rights</td>
<td>Mainly private companies but sometimes state-owned enterprises (SOEs). Usually public. Including large-scale and also medium-scale operators. Both international and local. Profit oriented. Minimizing production costs</td>
<td>Financial profit, yield Portfolio diversification Some funds of funds, but mainly invest directly in the land assets (forestry, agriculture)</td>
</tr>
<tr>
<td><strong>Governance system</strong></td>
<td>Energy/mining</td>
<td>Underwriting</td>
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<tr>
<td>Often no formal governance. SME owners decide. Progressive firms have CSR/ESG policies. Laws</td>
<td></td>
<td>Underwriting</td>
</tr>
<tr>
<td>Board CSR/ESG (policies influenced by financiers and NGOs) Shareholders can raise concerns</td>
<td>Board CSR/ESG (policies influenced by financiers and NGOs) Shareholders can raise concerns</td>
<td>Fund investment policy CSR/ESG requirements. Policies strongly influenced by pension funds Laws</td>
</tr>
</tbody>
</table>

1. **Profit-oriented**
2. **Minimizing costs**
3. **Access to growth markets, scaling up**
4. **Integrated operations**
5. **SMEs and large commercial farmers**
6. **Forest concessions and timberland purchases or leases**
7. **Agricultural land, both purchases and leases**
8. **Land concessions**
9. **Board CSR/ESG (policies influenced by financiers and NGOs) Shareholders can raise concerns**
10. **Fund investment policy CSR/ESG requirements. Policies strongly influenced by pension funds Laws**
### Annex 2

<table>
<thead>
<tr>
<th></th>
<th>Strategic/Corporate Investors</th>
<th>Financial Investors</th>
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<td>Private Equity Funds</td>
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<td>Sovereign Wealth Funds</td>
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<td>Pension funds</td>
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<td>Public DFIs (IFC, EIB other DFIs) and banks</td>
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<td>Service providers</td>
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1. **What are the main land tenure related risks and opportunities for creating shared value, increased yields and growth**

   **Opportunities:**
   - New technology and lower costs provide more opportunity for mapping, tested models and shared agreement on protocols on mapping
   - Improved knowledge about rights will result in increasing conflicts but also on more transparency which would benefit investors
   - Need for independent brokers between communities and companies

   **Risks/Challenges:**
   - Limited investment universe constrains opportunities for sustained growth
   - Same risks as agriculture – disruption, delay, damage to reputation, reduced access to capital, higher cost of capital, loss of social license
   - Opportunities: More secure supply, better social relations, reputation, broadening the potential investment universe

2. **Which are the key investors/companies/financiers, and the key sectors to be targeted? (Based on size, leverage, accessibility)**

   **National associations/unions**
   - Monitor (entry point to national SMEs), ANDE, World Farmers Organization

   **Foreign and national investors**
   - Stora Enso, Fibria, APP
   - Green Resources, Brookfield Asset Management

   **Foreign investors**
   - ICMM (International Council on Mining and Metals)
   - ENI, Anadarko, Neste, GMR, Jingal, Vedant, Vale, Rio Tinto, Shimerger (Oilfield servicer)

   **Macquarie Funds Group**
   - Black River

   **Targeting Norway (unique case, can influence also funds) and other progressive SWFs**
   - TEMA:SEK, CIC (position in Brookfield & New Zealand), Alberta Investment

   **CALPERS, APG, ATP, TIAA-CREF, CPPIB, PSP for Canada**

   **IFC important (can influence others)**
   - Weyerhaeuser Solutions, NewForest, ERM
<table>
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<tr>
<th>3. Who are the related strategic (individual) players to be engaged?</th>
<th>StoraEnso APP Greenresources (Mads Asprem)</th>
<th>Nestle, Coca Cola, Unilever</th>
<th>Rio Tinto</th>
<th>UN PRI, Equator Principles, Ruggie Principles GRI</th>
<th>UN PRI, Ruggie Principles Equator Principles GRI</th>
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<th>Ruggie Principles</th>
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<tbody>
<tr>
<td>4. What kind of tools/initiatives/business models are needed to influence the behavior of the strategic players and get them engaged?</td>
<td>Global standards on land, Global Principles on Business and Human Rights, UN Global Compact, FABS, FAO Voluntary Guidelines on the Responsible Governance of tenure, RAL SDGs, GRI, ISO 26100, Behind the Brands, FPIC (Coca-Cola, Kellogs, General Mills), RFN Norway on Palm Oil, other supply chain work, Investor engagement, industry peer mobilization</td>
<td>GRI, ISO 26100</td>
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</table>
Gaps/Challenges: Lack of trained land officials / surveyors
Confusing array of standards and processes-
Lack of coherence in standards and processes, safe venue for technical discussions between companies, communities, NGOs
Opportunities: Investments in processing can take place if land tenure issues are solved and access to biomass is secured
Large companies may not know how and to what extent they can influence government policy-making
If tenure can be secured (long-term) using different tenure models, more sustainable investment opportunities will emerge

Gaps/Challenges: Lack of trained land officials / surveyors
Sustainable supply chains, need to ensure legality of supply similar to what had been done with forest products
How to ensure sustainability and scaling up behind the Brands type approach
Companies need support with FPIC (service providers)
How to monitor implementation of FPIC and sustainable supply chain principles
Large companies may not know how and to what extent they can influence government policy-making

Gaps/Challenges: Lack of trained land officials / surveyors
Investments in utilities may not take place if land tenure issues are solved and access to biomass is secured
Need to separate the products /energy yield) from the need to own land—new business models needed
Lack of value-added production of commodities from communities defines their position on value/supply chain
Large companies may not know how and to what extent they can influence government policy-making
Opportunities: Opportunity to expand the Behind the Brands type approach to extractive

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Lack of value-added production of commodities from communities defines their position on value/supply chain
Large companies may not know how and to what extent they can influence government policy-making
Opportunities: Opportunity to expand the Behind the Brands type approach to extractive
More, and more detailed GPS information becoming available

Opportunity to expand the Behind the Brands type approach to forestry

There are still opportunities to enhance transparency

Behind the Brands - Little available institutional capacity/expertise to implement company commitments

Behind the Brands - communities not well informed about company commitments; not empowered to influence at the ground level

Behind the Brands - lack of accredited standard for tracking of commitments/sustainability over time

Opportunities: If tenure can be secured (long-term) using different tenure models, more sustainable investment opportunities will emerge

Opportunities to engage smallholders to increase supply but also to provide a more level playing field between small and large producers

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<td>stainability over time</td>
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Annex 3  Summary of Group Work on Priority Action

(Includes comments presented during the discussion)

WG1: Communities/SMEs

1. There is a need to recognize and support community-based enterprises through involving them in business with private sector; private sector should provide support (as part of their business costs); e.g. in building their business skills, supporting farmer’s production (e.g. through technical support, inputs): in order to share benefits from business more equally without communities giving up their land. More equitable business models.

2. Support to recognition of legal rights of the communities: awareness about rights, mapping, policy and legal support.

3. Mapping as first step (a kind of pre-requisite).

4. Support to capacity building, marketing support, community organizing, negotiation skills, and execution, monitoring, and networking. One of the challenges is who would be doing this capacity building since capacity is in the short supply.

5. Need for aggregation: community organizations, co-operatives, associations (e.g. farmers).

6. Facility could provide support: Legal support, support with negotiations with companies; large range of needs that need to be served.

7. One should test the Facility concept in the pilot phase in selected countries. After the pilot phase, state should take over some of the support over and create a supporting regulatory framework.

8. NGOs have an important role/potential in making people aware of their rights, new technologies and also acting in general as facilitators or intermediators between communities and private sector.

9. Initiatives such as Behind the Brands can be also important for communities.

10. An environment that provides incentives for communities be in place.

WG 2: Corporations

1. Push for standardized reporting on land.

2. Gaps in service provision regarding auditing.

3. Solving the problem of many standards.

4. Collective space for lobbying (e.g. Interlaken Group in London can play a role)
   - Safe place for the companies to get together with their critics and involving ongoing other multistakeholder initiatives
   - Creating a multistakeholder initiative linking forestry, mining and agriculture to deal with the above gaps/issues (points 1-3)

It would be important to have also players like ICMM, WBCSD, Global Compact, Consumer Goods Forum, RSPO and other roundtables, service providers (such as WRI, Landesa, FSC and others), Extractive Industries Transparency Initiative, and FAO VGGLT involved in the multistakeholder initiative and some of them even in London, in addition to corporate and financial sector actors.

WG 3: Finance Group

Gaps:
1. Lack of information on tenure risks.
2. Lack of information on impacts (of tenure respects) on returns and what is the size of the pie?
3. It is not yet articulated that investors do not need to own the land.
4. Articulation of the supply story (important for strategic investors). Clarity on how we aggregate supply from households and communities to ensure regularity and scale of supply, and lower transaction costs.
5. IFC needs to strengthen their position on land: ensuring that they follow their own safeguards, strengthening their standards; more proactive forestry portfolio.

Priorities:

1. Analysis and advocacy on the way regarding the points above; pension funds would be a priority (softest) target.
2. Building up tenure risk assessment system and taking it up to the market; targeting selected SWFs, Norway maybe first and possibly selected progressive pension funds (Lou Munden project is working on this with RRI).
3. Prioritize engagement with pension funds; develop both risk and reward story; prioritize progressive pension funds dealing with agriculture and forestry (TIAA-CREF).
4. Establishing and maintaining a multistakeholder platform; a place to these actors to convene and discuss about needed actions, share experiences and lessons learned (e.g. aggregating smallholders (production); engaging and possibly institutionalizing somehow the Interlaken Group (to provide continuity). Possibly a secretariat is needed, maybe supported by companies through membership fees (maybe to be discussed in London).
5. There’s a need to find a better way to deal with Chinese investments in Africa, and other similar big investors concerned mainly with securing access to supply.
Annex 4 Potential Role for the “Facility” at the National Level