

The International Land and Forest Tenure Facility

Leveraging Greater Public and Private Commitment and Finance to Secure Land Rights in the Forest and Rural Areas of the Developing World¹

December 8, 2013

Problem | It is now widely recognized that insecure forest and land tenure, and the limited recognition of customary land rights, are severe constraints to achieving global development, climate, and conservation goals. The “land grabbing” phenomenon has generated an unprecedented level of international attention, and illustrates the direct connections between global market demands for resource commodities, the rights and livelihoods of local people, and the maintenance of the ecosystem goods and services upon which all humanity relies. Forests and drylands are home to over 3 billion of the world’s poorest people, constitute over 40% of the earth’s surface, and store 70% of terrestrial carbon. The tenure over much of this land is contested, with both local people and governments claiming ownership.

The climate and conservation communities have learned that secure forest tenure is essential to reduce deforestation and encourage restoration. 90% of the national REDD+ plans address insecure tenure as part of their strategy, either identifying it as a driver of deforestation, or as an obstacle to implementing REDD+ programs. Food security and rural development initiatives understand that they cannot succeed at scale unless tenure issues are resolved, but also recognize that they do not have the direct mandate or capacity to address these issues.

Some funding for forest tenure reform is currently available through existing aid instruments, such as bilateral aid and the World Bank’s Forest Investment Program. However, the fact that land conflicts are pervasive and growing demonstrates that existing instruments are inadequate, and insufficiently leveraged to successfully address the rural tenure crisis. Without a large-scale and more coherent response the issue will not be addressed at either the scale or speed required. In short, the world faces three major problems in dealing with the tenure crisis: 1) inadequate public and private commitment of support and capital for reforms; 2) inadequate coordination and leveraging of existing public commitments and instruments; and 3) inadequate participation of both rights holders and positive private players in driving global-level solutions.

Opportunity | Today, there is a large, unmet and growing demand from Indigenous peoples, governments, communities, international organizations and private investors for clarifying and securing tenure rights – for a variety of objectives and with differing motivations. Many countries have passed laws and policies to promote better local tenure security, and some have major reform programs underway, but few have the financial resources or international support to ensure the technical and political process is implemented effectively.

Private investors in the rural areas of the developing world, however, increasingly recognize the financial and reputational costs associated with operating in areas with insecure tenure. Some companies are simply unaware of tenure complexities and risks. Such companies can implement best practice social and environmental standards in their operations, but they cannot, on their own, resolve tenure and other widespread governance issues that make developing countries high-risk investment environments. They have increasing incentives to help resolve tenure insecurity.

Growing evidence shows the relatively small financial cost to clarify and secure local forest tenure rights. There is also increasing experience and expertise from countries and practitioners that are undertaking reforms. Yet today,

¹ Rights and Resources Initiative is catalyzing this global response to growing demand for land and forest tenure reform.



national leaders and investors do not have an international counterpart that can mobilize the expertise and funding required for meeting demands and taking advantage of strategic opportunities.

Proposal | The Tenure Facility would attempt to address the above three problems by: 1) Providing funding and technical support for selected tenure reform projects proposed by civil society, Indigenous Peoples and governments, in developing countries; 2) Serving as a leading international platform through which governments, Indigenous Peoples, community organizations, and public and private sector institutions can raise and coordinate commitments and develop shared strategies to recognize and strengthen collective land and territorial rights in rural, forest and dryland areas; and 3) becoming an instrument for advancing the land and natural resource-related goals and targets emerging in the post-2015, Sustainable Development Goals.

The preliminary design includes an independent, international Facility, with a multi-stakeholder governing body and separate, linked facilities in particular countries, where private investors have more direct interests in tenure reform. The Tenure Facility would require upfront public and charitable financing to establish operations, begin pilot projects, and link with existing institutions. It would generate the majority of funding from public sources to maintain independence from private interests, though it would seek to leverage core funding for management from progressive private organizations who commit to the mission and principles of the Facility. The Facility would address project funding needs in the range of US\$.2 to 5 million per year, between what is currently available through RRI, FAO, and other organizations, and the conventional windows of the multilateral agencies. Annual funding requirements of the Facility are estimated to be in the range of US\$20 to 50 million. Establishment of the Facility is proposed to follow three phases:

Phase 1 – Scoping (January 2012 to December 2013): Focused on a series of analyses and consultations conducted in two steps: 1) preliminary design and testing of concept - financial analyses identifying the costs and risks to private sector investors posed by insecure forest tenure; review and support by key stakeholders; and 2) design and appraisal - analysis of the institutional options to establish the Facility globally and in key countries; deeper analysis of the costs of securing forest tenure and financial risks faced by different investors; complete the preliminary design and assessment of options and secure commitments for second phase. Step 1 was completed in July 2012. Step 2 is underway.

Phase 2 – Inception (January 2014 to June 2015): A series of analyses and consultations will be undertaken to scale-up the design of the Facility. These will include national assessments and co-financing options; updated analysis on the costs and best practices of securing land rights, and experiences from other projects and initiatives; consultation process with Indigenous Peoples, community groups, governments and private investors to receive inputs, adjust design and reach agreement; detailed organizational design of Facility, including governance, staffing, safeguards, accountability mechanisms, setting up the Trust Fund, and links with existing institutions (e.g. World Bank, FAO, Governments); design of preliminary pipeline of tenure reform projects; and launch and testing of 1 to 3 pilot projects.

Phase 3 – Implementation (July 2015 to December 2020): Beginning with upfront public financing, the Facility will initiate private-public co-financing models in different operational contexts, establish formal administrative and governance structures and links with national/international institutions. The operational Facility will support implementation and scaling-up of land and forest tenure reform projects and processes; provide financial support for the creation of enabling conditions for more fair tenure policies and legislation, and the modalities for their implementation; and consolidate and disseminate lessons and best practices from Facility supported activities.

The core costs of the Facility would be minimized to reduce financial vulnerability and enable the majority of costs to be covered by the committed private and public investors. One scenario is that public finance would dominate in the first five-year cycle, and then be replaced by private investments as impact and credibility grew over time. Once this credibility and leveraging capacity is established, the Facility may be able to continue to perform its role even without a fully funded trust fund, and investments from the private sector may cover core management costs.