

“Financing Forest Landscape Restoration (FLR) under RECAP4NDC”

(A workshop jointly organized by GIZ India, TERI and Climate Bonds Initiative)

Venue: Lutyens Lounge, Eros Hotel, Nehru Place, New Delhi

Date: Thursday, 6th November 2025; **Time:** 10:00 to 13:15 hrs

Concept Note

Background and Context

India has made significant international commitments under the United Nations Framework Convention on Climate Change (UNFCCC) and the United Nations Convention to Combat Desertification (UNCCD) to combat climate change and land degradation. The national goal is to achieve Land Degradation Neutrality (LDN) by restoring 26 million hectares by 2030, directly contributing to India's NDC target of sequestering 2.5–3 billion tonnes of CO₂ through enhanced forest and tree cover.

In this context, projects such as, 'Restore, Conserve and Protect Forest and Tree Cover for NDC Implementation in India (RECAP4NDC)' can act as catalysts to further strengthen and advance these commitments.

RECAP4NDC is an Indo-German bilateral technical cooperation project commissioned by the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV) and implemented by a consortium led by GIZ, alongside International Union for Conservation of Nature (IUCN), The Energy and Resources Institute (TERI), Forest Survey of India (FSI), Indian Council of Forestry Research and Education (ICFRE) and The International Centre for Integrated Mountain Development (ICIMOD).

The project targets restoration of 0.4 million hectares of degraded forest and non-forest land across Uttarakhand, Maharashtra, Gujarat, and Delhi NCR by 2029.

Financing Forest Landscape Restoration (FLR) under RECAP4NDC aims to be region-specific and align with each state's ecological conditions and priorities. FLR under RECAP4NDC focuses on restoring degraded, aligning, and landscapes to enhance ecosystem health and local livelihoods. By integrating Sustainable Forest Management (SFM) and Trees Outside Forests (TOF), the project promotes balanced ecological and economic outcomes through better monitoring, viable business models, and strengthened public-private collaboration for NDC implementation. The project is being implemented across four ecologically diverse states- Delhi & the National Capital Region (NCR), Gujarat, Maharashtra, and Uttarakhand, each representing unique ecological and management challenges. In NCR, the focus lies on addressing urbanization pressures and restoring urban green spaces. On the other hand, Gujarat's interventions emphasize restoration of grasslands, mangroves, and coastal ecosystems, while Maharashtra provides opportunities for testing varied restoration models across its multiple agro-climatic zones. In

Uttarakhand, the project builds existing community forestry frameworks to strengthen Van Panchayats, manage invasive species, and restore fire-affected sites.

Financing Challenges and Opportunities in FLR

Despite ambitious FLR goals, financing remains a key barrier to large-scale restoration efforts. Increased private finance can accelerate FLR globally; however, mobilizing private finance for FLR has been limited due to high levels of perceived risks, long gestation periods, and uncertain returns in the sector.

The material risks are difficult to quantify; the risk involved in FLR activities can range from low to high. **The more degraded the landscape, the higher the cost of restoration and higher the risk of investment.** Traditional investors like pension funds and commercial banks with low-risk appetite can invest when **the cost of restoration is low**. Private equity impact funds, technical assistance, and grants can be utilized for the moderate cost of restoration. **For the high cost of restoration, financing needs to be mobilized from corporate social responsibility, philanthropic foundations, through crowdfunding, and other means.**

The current financing landscape includes:

- **Climate finance:** Mobilized through voluntary carbon markets (ARR, WRC, REDD+ etc.), small grants, adaptation funds, Green Climate Fund, and National climate funds.
- **Private sector:** Includes Corporate Social Responsibility (CSR), private impact funds, and institutional investors.
- **Development finance:** Support from Development Finance Institutions (DFIs) and technical cooperation agencies.
- **Public finance:** Central and State budgets. and resources which requires integration of FLR in budgeting system and public incentives for FLR like payment for ecosystem services.

However, innovative financial instruments and intermediaries are required to catalyze private capital to finance FLR. These financial instruments require enhanced capital mobilization instruments like -

Private Equity Impact Funds: Like Althelia Climate Fund, Moringa Fund, Terra Bella Fund. The expected returns on the funds are the environmental return and the economic return. Environmental return for these funds is obtaining high-quality carbon credits and economic return is earning revenues from economic valorization of key value chains, and agroforestry value chains.

- **Risk Mitigation and Insurance Products:** - FLR will only attract investors if risks are covered or at least mitigated to an acceptable level. Some private equity impact funds have guarantee mechanisms in place. Public institutions, especially development banks, backed the guaranteed mechanisms. FLR investment can be improved by engaging in the design of innovative risk mitigation mechanisms.
- **Market-Based Instruments:** - Offsets from forestry and land-use carbon projects are sold on voluntary markets. As more compliance-based carbon markets have emerged, this pattern is shifting. Payments from REDD+ programs are from nation or jurisdiction-wide government programs that achieve emission reductions through forestry and land-use activities.
- **Mobilizing Green Bonds:** Currently only 5% of green bonds are allocated to investments in land, as compared to more established asset classes such as renewable energy (35%), sustainable

buildings (30%), and sustainable transport (18%)¹. The investment base of green bonds needs to be expanded for FLR to unlock long term financing. *Example:* Kenya CPF Group, in a partnership with investors, are developing a Green Bond for sustainable forestry initiatives through the investment of Pension Funds.

Objectives of the Roundtable

The session aims to deliberate on the following questions-

- What is the role of public administration in facilitating the work of these funds by investing in the readiness phase, developing the capacity of local stakeholders, improving the enabling environment, supporting the elaboration of project portfolios, mitigating the risks of long-term investments, and addressing the high transaction costs of the initial phase of FLR investments?
- Which policy and institutional interventions can increase mobilization of impact investment funds like Athelia Climate Fund, Moringa Fund, Terra Bella Fund for FLR activities?
- What institutional structures are required for a more innovative design of risk mitigation mechanisms?
- What innovative market-based mechanisms, like financial instruments, can be designed to mobilize capital?
- What policy and institutional interventions can enable leverage of wider investor base such as pension funds, sovereign wealth funds, insurance companies, and international resources?

This roundtable conference, jointly organized by TERI and CBI, brings together a wide spectrum of stakeholders, including policy and regulatory bodies, financial institutions, development partners, industry and private sector platforms, legal and consulting partners, conservation and technical organizations, and project implementers and facilitators. The discussions will consolidate best practices, strengthen investor confidence, and shape the development of financial instruments tailored to forest and landscape restoration in India, ultimately contributing to a robust, scalable financial ecosystem that supports long-term, sustainable FLR implementation.

¹ <https://www.nature.com/articles/s41559-023-02037-5>

Agenda

09:45-10:00 hrs	Registration
Inaugural Session	
10:00-10:10 hrs	Welcome Remarks and Introductions
10:10-10:15 hrs	Project Introduction and Context Setting GIZ India and Climate Bonds Initiative
10:15-11:00 hrs	Presentation on Case Studies for FLR Finance
11:00-11:30 hrs	Tea Break
Round Table Discussion	
11:30-13:00 hrs	Moderated By: Ms Neha Kumar (Head, South Asia, Climate Bonds Initiative)
13:00-13:15 hrs	Closing Remarks and Vote of Thanks
13:15 -14:30 hrs	Networking Lunch