

The project 'Forest Landscape Investments in Latin America (FLILA)' aims at increasing private investments in Forest Landscape Restoration (FLR) by identifying and/or supporting the development of commercially viable business models and projects. FLILA contributes to the origination of deals by engaging with project developers, investors and other relevant stakeholders, and is building a pipeline of bankable projects.

## FLILA Info-brief: Forest Landscape Restoration (FLR) pipeline development

### About the project:

The project "Forest Landscape Investments in Latin America (FLILA)" aims at increasing private sector and development capital flows into Forest Landscape Restoration (FLR) projects. The project is financed by the International Climate Initiative (IKI) of Germany's Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).

FLILA understands **Forest Landscape Restoration (FLR)** as actions/activities undertaken under planned (and commonly agreed) processes that aim at restoring the ecological functions of – degraded and/or deforested – forest landscapes (e.g. soil fertility, water availability) that also enhance human wellbeing through the improved productivity of land-based productive activities. It is expected that FLR investments will strengthen the resilience of landscapes (e.g. to climate change) and increase the likelihood of further adjustment capacity of productive activities, and benefit society at large.

Forest landscape restoration (FLR) can support land-based productive activities adapt to climate change. Nonetheless, the investment necessary to significantly support FLR exceeds the budgets of national governments, international donors and multilateral development banks. Private financing of FLR initiatives will play an important role if the issue is to be addressed at sufficient scale.

Therefore, one of the core objectives of the FLILA project is to support the development of commercially viable (bankable) FLR projects and business models as a means to attract private capital into the sector.

### Scope:

FLILA focuses its activities on three target countries: El Salvador, Peru and Paraguay.

The FLILA project is looking for projects and business models related to (i) direct FLR investments and (ii) FLR supporting investments. The former refers to investments which tackle the consequences of forest degradation and deforestation by actively conserving, restoring or improving forest ecosystems, while the latter refers to investments which address the causes of degradation and deforestation by investing in measures that reduce the use pressure on ecosystems and especially on forests. Examples include:

- (i) Direct FLR investments
  - Afforestation/reforestation, assisted regeneration
  - Establishment, renovation and maintenance of agroforestry and silvo-pastoral systems



(ii) FLR supporting investments

- Reduction in forest degradation and deforestation pressures via sustainable intensification. For instance, live fences that contribute to soil conservation and provide fodder, reducing the need to expand pastures into forested areas or farm input reduction measures (e.g. through soil conservation and improved water availability)
- Complementary investments along the value chains that qualify as 'Direct FLR investments' that boost and strengthen local – environmentally friendly – economic activities.

### Investment Criteria:

The FLILA project seeks investments that comply with a core set of eligibility criteria such as:

1. Investment type: Ideally brownfield investments with steady cash flows whereas strong greenfield investments might be considered. Ideally, investments will seek to improve bankability of existing projects.
2. Financial model showing financial sustainability of the project. The analysis should consider:
  - a. Cash flows: The profitability assessment will look into cash flows obtained from FLR investments in the short and long term encompassing main and by-products. For instance, tourism arising from investments in shade coffee plantations.
  - b. Market conditions: these are also important factors to assess the robustness of FLR investments. These may include existing markets for FLR-related products, e.g. competing actors, existing – and potential – buyers (e.g. off-taker contracts signed with intermediaries, supermarkets, exporting agencies, etc.).
3. Loan duration: usually up to 10 years.
4. Type of financing: Debt
5. Investment Size: ideally above USD 500,000

Additional factors such as the sector embeddedness of the projects (e.g. aligned to sector initiatives, national or regional policies etc.), other economic linkages of the project/businesses and its monitoring and evaluation capacities are considered in the selection process.

### FLILA's value proposition:

Potential projects/businesses engaging with the project FLILA will benefit from a number of services and products the project can offer such as:

- Bankability analysis for qualifying projects.
- Matchmaking with potential investors such as local financial institutions, international impact investors and/or development finance institutions.
- (Optional) Technical assistance for the implementation of bankable FLR projects (funded by FLILA project partner: Unique Forestry and Land Use).

## Contact

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