## Financial mechanisms and their characteristics (Source - LIFT Primer, page 16, version Dec 2017)





Investment goal	Mechanism	Investor	Time frame	Types of activities financed	Typical applications in landscapes	Risk tolerance
For-profit	Short-term loans	Local bank branches, niche poverty banks, community lenders, companies purchasing ag products or ecosystem services	3-18 months	Funds for working capital to farmers, cash flow management or income smoothing	Improved soil and water management practices, new seed varieties, and increased labor costs during harvest season,	Low
	Medium term-loans	Local bank branches, national banks, international banks	18 months-10 years	Depreciable assets such as machinery, equipment and tree seedlings	Transition to new production systems to minimize conversion of natural areas	Low
	Long-term loans	Local bank branches, national banks, international banks	Up to 30 years	Lending for purchase of land or larger fixed assets	Long-term restoration or conservation	Low
	Impact equity investment	Impact investors in business and supply chains	Medium to long-term	Purchase of a stake in an enterprise. Investor typically takes more active role in management than in a debt investment	Any profit generating activity relating to landscape objectives	High. These investors are willing to take on higher financial risk in return for greater environmental and social returns.
	Direct purchase	Real Asset investors	Medium to long-term	Purchasing a partial of full stake in farmland, forests, wetlands, and other land uses	Long-term restoration or conservation	Variable
	Company self- financing	Locally operating companies	Variable	Expansion of business operations	Working capital, depreciable assets, real assets	Variable
	Variable	Individual/ family self- financing	Variable	Building up a farm enterprise, transitioning to a new production system, community land restoration	High (often when no other financing options are available) Modes of self-financing include personal savings, 'sweat equity' and social mobilization (obligatory or volunteering of labor to investments benefiting the community).	Small
Not-for-profit	Grants	Local/national governments, donor governments, private philanthropy (including from local, national and international NGOs and locally operating companies)	Don't expect repayment, but funders typically want short-term impacts; some long-term or phased	Funds go to organizations/ businesses who commit to use the funds to provide public goods	Any agreed upon landscape enabling investment (eg support the early establishment of more sustainable agricultural systems, technical support to land managers, or for the establishment of landscape-friendly market mechanisms	High
	Public finance instruments (direct investment, taxes and subsidies)	Governments		Input subsidies, tax breaks for landscape-friendly activities	For example: property tax relief and exemptions, rebates to land managers in exchange for agreed upon management actions, direct subsidies for inputs to land managers who implement better management practices. A disincentive might be a tax on land clearing, poor land management, pollution.	High
	Public budget allocations	Governments	Variable	Enabling investments that support landscape goals.	This could include ecosystem restoration, green infrastructure development for the development of markets for sustainably produced products.	High