

Questions & Answers

Q1: What is the BioCarbon Fund Initiative for Sustainable Forest Landscapes?

The BioCarbon Fund Initiative for Sustainable Forest Landscapes (BioCF ISFL or ISFL) is a new multilateral facility, supported by donor governments and managed by the World Bank that promotes and rewards reduced greenhouse gas emissions from the land sector, including REDD+ (Reducing Emissions from Deforestation and forest Degradation), more sustainable agriculture, as well as smarter land use planning and policies.

Q2: Who are the contributors to the BioCarbon Fund ISFL? Is the initiative seeking additional contributions?

The Kingdom of Norway (up to \$135 million), the United Kingdom (£75 million, about \$120 million) are pledging and the United States plans to contribute (\$25 million) resources for the BioCarbon Fund ISFL. Additional donors are reviewing their participation and could make a future pledge. Should additional funds be pledged to the ISFL these resources would be expected to expand the number of geographical areas (i.e., jurisdictions) that the ISFL will work in.

Q3: Why is the BioCarbon Fund ISFL approach important?

The loss of forests, particularly in the tropics, remains a fundamental global challenge. Global greenhouse gas emissions from land use account for nearly one-third of the global total, with most of these emissions coming from the loss of tropical forests and carbon-rich peatlands. The expansion of agriculture along with other activities across landscapes are the leading drivers of deforestation globally. Yet agriculture is also a major force for economic growth in developing countries. Over a billion people worldwide work in agriculture and their products provide a major source of income for farmers, communities, and national governments. The ISFL will work to incentivize pathways of development, including through climate smart agriculture, so that alternative models of economically-sustainable development emerge to replace existing practices and policies that drive deforestation.

Q4: At which scale will the new BioCF ISFL operate?

The BioCF ISFL will operate at the jurisdictional level, or nationally in a smaller country, meaning it will most often operate wholly within a single geographic or political sub-national unit (e.g., state, province, etc.). Thus, on the ground interventions would be at a significant scale and policy interventions would impact the whole jurisdiction or even national scale. The preliminary average size of each ISFL jurisdictional program is US\$30-\$50 million. It should be clear that the Initiative for Sustainable Forest Landscapes will target scale within a jurisdictional boundary, and will not be a collection of isolated project-like interventions.

Q5: Where will BioCF ISFL operate?

With its current amount of funding the ISFL will create a portfolio that could include 4-6 jurisdictional programs with country and regional diversity. An indicative example of how this might work is Ethiopia's Oromia state, the first jurisdiction of the BioCF ISFL. To identify jurisdictions in which ISFL can have the greatest impact, a scoping study has been commissioned based on a list of

criteria jointly defined between the World Bank and the ISFL's donors. The criteria are mainly related to REDD+ progress, trends in national agriculture production, trends for global commodities but also including an assessment of existing operations and interventions by the World Bank and others. One of the most important strategic criteria is the political will of a jurisdictional administrative leadership to engage with ISFL and to take the lead in setting common strategic goals and milestones.

Q6: What approach will the ISFL apply?

The ISFL will deploy results based finance (see below) to incentivize changes at the "landscape level". The landscape approach looks at the trade-offs and synergies between different land-uses that may compete in a jurisdiction - such as agriculture, energy, and forest protection and identifies integrated solutions that serve multiple objectives. Adopting a landscape approach means implementing a development strategy that is climate smart, productive and profitable at scale and strives for positive environmental, social, and economic impact. The Initiative will support national and jurisdictional governments in their efforts to break down the current narrow sectoral silos that exist in land-use climate mitigation, to include various land management practices and energy activities that have an impact on the land, such as natural forest conservation, forestry, export and local food crop production, pastoral and livestock systems, as well as biomass energy production.

Q7: What is the methodological approach for ISFL?

To the extent possible, the ISFL will align with the methodological approaches being developed for REDD+ in order to accelerate mobilization of finance.

However, ISFL will maintain some flexibility to deviate for the larger interest of piloting. For example, some degree of flexibility will be likely be needed because ISFL will test carbon accounting in a more comprehensive landscape approach, including agriculture and possibly energy.

Q8: What type of funding can the BioCF ISFL provide?

The BioCF ISFL will provide both (i) technical assistance and grant funding to support countries with the implementation of their REDD+ strategies and the creation of enabling environments through the BioCarbon Fund's associated technical assistance facility, the *BioCFplus*, (ii) results-based financing (a.k.a., payment for performance) based on emission reductions achieved (including some upfront milestone payments) through the BioCF's so-called "third tranche". The main metric for results will be carbon emission reductions, but other environmental and social indicators will be monitored. Accompanying grants from *BioCFplus* for technical assistance and enabling environments will be disbursed based on results-based performance milestones.

Q9: If tons of carbon dioxide equivalent (CO₂e) are to be used as the main metric of results-based finance, what price will the ISFL pay per ton of CO₂e?

The price paid per ton of CO₂e in emission reductions achieved is yet to be determined. A case-by-case discussion on price may be needed when the price makes a significant difference to the viability of a program. Other indicators will also be referred to, such as prices in the voluntary carbon market or in other carbon funds.

Q10: How is the ISFL structured within the BioCarbon Fund and how does the Initiative relate to the BioCarbon Fund’s existing portfolio?

The BioCF ISFL is capitalized via a new tranche of funding from the BioCarbon Fund (the BioCF’s third), as well as from funding from the BioCarbon Fund’s dedicated technical assistance facility, the BioCF*plus*. The BioCarbon Fund first two tranches has previously committed US\$90 million to support and purchase the carbon credits from 20 land-use change, REDD+ and agriculture projects. The ISFL will scale-up its approach building on documented lessons and existing stakeholder groups/networks where possible.

Q11: How is the BioCF ISFL different from existing REDD+ and land-use funds? And how will it complement these existing programs?

In complement to other climate and forest multinational initiatives, the ISFL’s integrated jurisdictional landscape approach will serve as a bridge between interventions at project scale and REDD+ programs at national scale. Within the World Bank there is complementarity between the climate and forest initiatives, such as the Forest Carbon Partnership Facility (FCPF), the Forest Investment Program (FIP), and the BioCarbon Fund (BioCF). Yet they each have a specific focus. The BioCF ISFL will integrate public and private sectors to focus on reducing deforestation driven by agriculture while supporting sustainable agriculture.

Since 2005, the BioCF has tested pilot activities for REDD+ projects and other land-use carbon projects serving as the precursor and ‘fast start’ action mechanism to the FCPF. The FCPF focuses on national and sub-national REDD+ activities and is, in the first instance, working with countries to build up their capacities for making significant changes to their overall deforestation rates. Thirty-six countries are part of the FCPF’s REDD+ readiness program; about five countries are expected to be selected into to the Carbon Fund to receive performance-based payments for verified emission reductions. The Forest Investment Program (FIP) is one of four programs of the Climate Investment Funds jointly implemented through a partnership of five MDBs: AfDB, ADB, EBRD, IDB and the WB Group. The FIP does not have a specific carbon fund, but provides upfront investment funding in eight selected pilot countries in the forest and forest-relevant sectors that lead to reduced deforestation and degradation; and promotes sustainable forest management that in turn lead to emission reductions or the enhancement of forest carbon stocks.

Q12: What role will the private sector play in the BioCF ISFL?

The BioCF ISFL recognizes the important role that the private sector plays in deforestation – and that the private sector can have a pivotal role in scaling-up sustainable practices in emerging markets. Companies – large and small, local and international – are key agents in driving deforestation through agricultural expansion, land development and harvesting forest products. Importantly, however, the private sector also recognizes the value of adopting sustainable land use practices to secure long term supply chains and reduce investment risk – evidenced by public commitments to zero-deforestation supply chains.

The ISFL is being designed to maximize private sector engagement and financial leverage. Its objective is to partner with private firms to accelerate the greening and securing of their supply chains. Carbon payments will not, however, subsidize private sector activity – but reduce additional cost burden of incorporating sustainable land use practices, and thereby access additional capital, operational resources, technical expertise and innovative strategies.

This will help “forest-proof” the sourcing of commodities and redirect market forces towards more sustainable land management practices. With a focus on improving enabling environments for the

private sector, results-based finance for emission reductions will reduce initial barriers for private sector investment, and attract further capital and expertise from the private sector, in a highly targeted approach. The initiative will seek to incentivize the wide range of private actors in the landscape, from multi-national corporates, to large national actors, to emerging SMEs and smallholders.

Q13: Are there concrete examples of private sector firms the BioCF ISFL is expecting to partner with?

The BioCF ISFL has been engaging deeply with the private sector since its inception. We can share the following statements of support from a number of multinational companies that source commodities in tropical forested countries, including Unilever, Mondelēz International, and Bunge Environmental Markets.

Paul Polman, CEO of Unilever, comments that *"this is exactly the type of initiative that we are delighted to support. We need to find new forms of public private partnership to address global challenges such as deforestation. Multilaterals like the World Bank play a critical role in catalysing these new business models and Unilever is interested to learn how we can participate and partner with the Bio Carbon Fund."*

Christine McGrath, Vice President of External Affairs, Mondelēz International, comments that *"we are looking forward to working with the World Bank to determine how the BioCF Initiative for Sustainable Forest Landscapes can help contribute to our strategy for sourcing key commodities such as coffee and palm oil from regions where tropical forests are protected."*

Alfred Evans, head of Bunge Environmental Markets and CEO of Climate Change Capital: *"Bunge is pleased to join the World Bank in discussing the formation of the BioCarbon Fund Initiative for Sustainable Forest Landscapes, a groundbreaking initiative. The BioCF is a fresh way to address the issues surrounding land use and climate change in an integrated manner. A challenge of this complexity and scale cannot be addressed by any single actor or sector. This new form of engagement between the public and private sector would be of benefit to all stakeholders. In particular, BioCF will help the commodity industry respond to the growing attention consumers and producers place on sustainability in food supply chains. "*

Q14: What contributions are private sector firms expected to make to the BioCF ISFL?

There are several possible roles the private sector can play within a particular jurisdiction, or (more likely) in a particular activity within a jurisdiction under the BioCF Initiative for Sustainable Forest Landscapes. In addition, a single private sector organization may have a single or multiple roles in a particular jurisdiction. Private firms are expected to be:

- 1) Off-takers making advanced commitments to purchase declared volumes or values of sustainably sourced products from ISFL jurisdictions. These could be multi-national companies putting pressure on local intermediaries, as appropriate or could be off-takers by local retailers.
- 2) Partners by collaborating on existing investments or by providing support for sustainable value chains through inputs or otherwise be operating across the jurisdiction.
- 3) Operators/Proponents by aligning their own current activities or intentions with land management schemes of a jurisdiction and thus link their activities to incentive payments from local government pool of capital. These could be small holder farmers or SME agribusinesses.

- 4) Financiers by providing capital to operators/proponents for upfront project costs. The ISFL's payments for tons of CO₂e could cover roll-out of new financial products and or reduce the investment risk of a particular investment.

Q15: What is the benefit for private sector firms to engage with the BioCF ISFL?

Corporates – global and local in the agricultural and food sectors – are now prioritizing sustainability within their operations. The investment resulting from this prioritization has shifted from largely green branding campaigns to more fundamental characteristics of how companies do business, especially for companies that source inputs or operate directly in emerging markets. There are two core drivers of the growing private sector attention on issues around sustainability: 1) Sustainable and secure supply chains: the different stakeholders and pathways by which products get to market. Thus companies are focusing on improving and securing their supply chains for a variety of reasons and 2) To bolster firms' dialogue with regional and national governments. As such, the ISFL will act as a conduit for clear communication on sustainability and investment between companies operating in the landscape and jurisdictional governments.

Q16: How will the BioCF ISFL distribute benefits to stakeholders?

The BioCF Initiative for Sustainable Forest Landscapes will design its approach to benefit-sharing with all eligible beneficiaries based on the body of experience from almost 10 years of implementation under BioCF Tranches 1 and 2. At minimum, the BioCF will ensure that the benefit sharing arrangements under the new initiative are: i) based on a consultative, transparent and participatory process throughout the program design and implementation; ii) pragmatic and simple, i.e., they need to be easy to understand for all involved and allow for a pragmatic way of implementation; iii) designed taking into account effective incentive structures, i.e., that there is a reward mechanism to the key actors that generate and deliver ERs in the landscape; and iv) built to ensure sustainability, i.e., by encouraging reinvestments for further landscape improvements and supporting economic development. The BioCF's aim for the longer-term is to support a smooth shift away from any reliance on ER payments upon the end of program terms. Good models for this exist at the project level under the BioCF Tranche 1 and 2.