



# BioCarbon Fund

Initiative for Sustainable Forest Landscapes

What

The BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL) is a new multilateral facility, supported by donor governments and managed by the World Bank. It seeks to promote 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.

Who

The BioCF ISFL is being launched on November 20<sup>th</sup>, 2013 at the UNFCCC COP19 in Warsaw with significant funding pledges from the Kingdom of Norway (up to \$135 million), the United Kingdom (£75 million, about \$120 million) and an anticipated pledge from the United States (\$25 million). Additional donors are reviewing their participation to make a future pledge.

Why

The loss of forests, particularly in the tropics, remains a fundamental global challenge. Deforestation and other land-use changes account for nearly 1/3 of global greenhouse gas emissions. Agriculture is estimated to be the proximate driver for around 80% of deforestation worldwide. Commercial agriculture is the most important driver of deforestation in Latin America (around 2/3 of total deforested area). In Africa and (sub)tropical Asia, commercial and subsistence agriculture together are responsible for 2/3 of deforestation, both of similar importance. At the same time, agricultural expansion is also key to poverty reduction and shared prosperity.

How

Agricultural expansion and land-use change can be managed to minimize forest loss, as well as greenhouse gas emission. ISFL will help countries identify and promote climate-smart agricultural and low-carbon land-use practices in selected geographical areas where agriculture is a major cause of deforestation. The initiative will build a portfolio of jurisdictional programs spread across diverse geographies that have significant impact and transform rural areas by protecting forests, restoring degraded lands, enhancing agricultural productivity, and by improving livelihoods and local environments.

Operating at the scale of the jurisdictional landscape is considered one of the key design features of the ISFL. It is a prerequisite to allow national or jurisdictional governments to consider the trade-offs and synergies between different land-uses that may compete in a jurisdiction - such as agriculture, energy, and forest protection and successfully identify integrated solutions that serve multiple objectives. Adopting a landscape approach means implementing a development strategy that is climate smart, equitable, productive and profitable at scale and strives for environmental, social, and economic impact.

Private sector role

Another key design feature that sets ISFL apart from previous climate and forest initiatives is the recognition of the important role that the private sector plays to spur innovation, leverage cutting-edge expertise and knowledge, and mobilize capital necessary to scale up successful land-use practices and accelerate the greening of supply chains. Global and local companies in the agricultural and food sectors increasingly recognize the value of prioritizing sustainability within their operations to secure long-term supply chains and reduced investment risks – evidenced by public commitments to zero-deforestation supply chains.

The initiative is designed to work alongside a wide range of private actors, from multi-national corporations to large national actors and emerging SMEs and smallholders, incentivizing them to accelerate the “forest-proof” the sourcing of commodities and redirecting market forces towards more sustainable and equitable land management practices.

Engaging deeply with the private sector since its inception, ISFL has earned statements of support from a number of multinational companies that source commodities in tropical forested countries, including Unilever, Mondelēz International, and Bunge Environmental Markets.

The BioCF ISFL has been designed building on the lessons learned from the BioCarbon Fund’s successful track record of pioneering carbon finance projects in the land-use sector as well as on the experience from partnerships for REDD+, such as the Forest Carbon Partnership Facility, the Forest Investment Programme, as well as past and ongoing World Bank investment in sustainable land management and climate-smart agriculture initiatives.

The BioCF ISFL will provide the following types of financing to countries:

- (i) Technical assistance and grant funding to support countries with the implementation of their REDD+ strategies and the creation of enabling environments that change the way land-use decisions are made. Grants will be disbursed through the BioCarbon Fund’s associated technical assistance facility, the *BioCFplus*, based on performance milestones.
- (ii) Results-based financing (a.k.a., payment for performance) based on achieved emission reductions. The main metric for results-based payments will be carbon emission reductions, but other economic, environmental and social indicators will be monitored. Carbon payments (including some upfront milestone payments) will be made through the BioCarbon Fund.

The ISFL will work with companies to influence their demand-side commitments (e.g., encourage companies to pledge to purchase additional goods produced in the jurisdiction) as well as work alongside companies that have pledged to reduce their impact on tropical forests. This will create sustainable, longer-term economic incentives to maintain better land use.

With the current level of funding, the BioCF ISFL will create a portfolio of about 4-6 jurisdictional programs with country and regional diversity. An indicative example of how this approach might work is the Regional State of Oromia in Ethiopia, the first jurisdiction of the BioCF ISFL. Additional jurisdictions will be identified based on a set of criteria that help to identify areas where ISFL can have the greatest impact. 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.