The ISFL Vision

Global Context

Forests are at the heart of many of the world's most pressing challenges: producing food for a growing population; regulating greenhouse gas emissions; reducing the impact of extreme climate events like storms and heat waves; protecting infrastructure; providing energy; and housing critical biodiversity. Forests are also where some of the world's most vulnerable people live and it is estimated that 1.3 billion people, or 20 percent of the world's population, are dependent directly on forests for their livelihoods. Actions that improve the governance and sustainable management of forests contribute directly to developing economic opportunities for the poorest.

But forests are under significant threat. Increasing demands for fuel, housing and nourishment drive large-scale land use changes at the cost of forest and tree cover. Today, deforestation, forest degradation and land use change contribute about 12 percent of the world's greenhouse gases, eroding a critical carbon sink.

Meanwhile, agricultural expansion is both the leading driver of deforestation globally and is a key tool for reducing poverty and boosting shared prosperity. Growth in the agriculture sector can be up to four times more effective in raising incomes among the poorest compared to other sectors. This is important for 78 percent of the world's poor who live in rural areas and depend largely on farming to make a living. Agriculture is also the leading source of anthropogenic methane and nitrous oxide emissions, but is more vulnerable to climate change than any other sector: droughts, floods and warmer temperatures reduce crop yields.

Unless these competing land uses are understood and comprehensively managed, we will see more economic challenges and irreversible environmental degradation. Rising temperatures and increasingly unpredictable precipitation patterns pose an additional threat to the stability of forests and the communities that depend on them.

Building on momentum at both the national and international levels, climate smart land use approaches applied across the agricultural, forestry, and other sectors are increasing food production and income while offering opportunities for climate resilience, emissions reduction, more sustainable water use, and carbon sequestration.

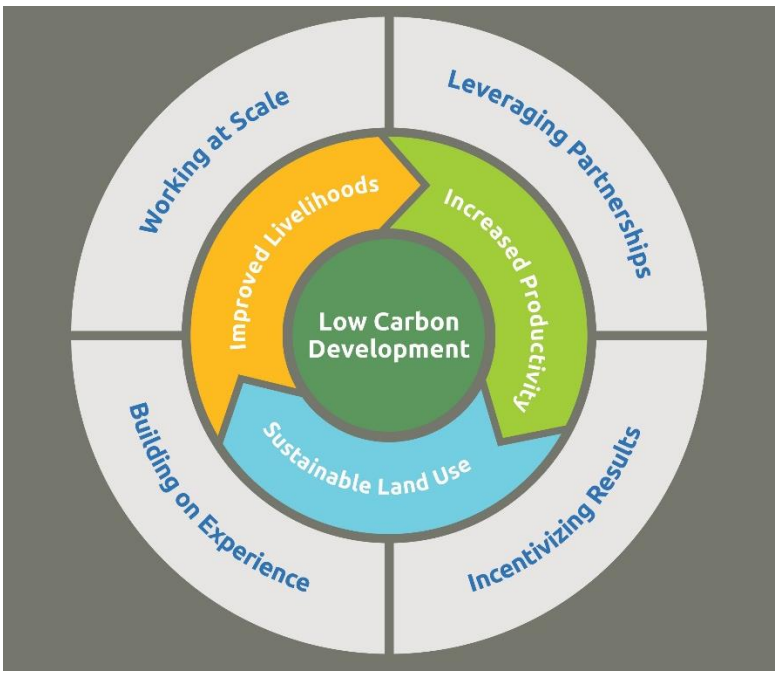
Governments, citizens, farmers, and companies across the world are ever more aware of the impacts of forest loss on their economies, well-being, productivity, and supply chains. Given this, commitments have been made by both the public and private sectors to change practices and tackle these challenges to deliver benefits to people and nature at significant scales.

The ISFL Approach

The BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL) is a multilateral facility that promotes and rewards reduced greenhouse gas emissions and increased sequestration through better land management, including REDD+ (Reduced Emissions from Deforestation and forest Degradation), climate smart agriculture, and smarter land use planning and policies. The ISFL will pilot programs and interventions at a jurisdictional scale in order to test approaches and share lessons learned broadly.

The ISFL aims to catalyze the development of a low-carbon rural economy in each of its program areas that will simultaneously result in livelihood opportunities for communities and an overall reduction in emissions from the land.

The ISFL will achieve its objective of greenhouse gas emission reductions, while also addressing poverty and unsustainable land use, through four key design elements.



Working at Scale

Each ISFL program focuses on an entire jurisdiction (state, province, or region) within a country, which provides programs with the opportunity to engage with multiple sectors affecting land use and increase its impact over a relatively large area. The ISFL utilizes a **landscape approach** in each jurisdiction, which requires stakeholders to consider the trade-offs and synergies between different sectors that may compete in a jurisdiction for land use – such as forests, agriculture, energy, mining, and infrastructure. In doing so, solutions can be identified to serve multiple objectives and influence a variety of sectors.

The goal of the landscape approach is to implement a development strategy that strives for environmental, social, and economic impact at scale. This is done by targeting interventions to improve the **enabling environment** for sustainable land use. Improvements in the enabling environment such as participatory forest management or land use planning can have significant impact on how land is used and can benefit communities across a jurisdiction.

The enabling environment refers to a set of interrelated conditions that include legal, organizational, fiscal, informational, political, and cultural factors that impact the capacity of stakeholders to engage in development processes that are sustainable and effective.

Leveraging Partnerships

In order to reduce GHG emissions from land use across an entire jurisdiction while simultaneously creating livelihood opportunities, the ISFL will create partnerships with other public sector initiatives and private sector actors. **Public-private partnerships (PPPs)** are essential to mobilize capital and align objectives in order to create sustainable and scalable models for long-term improved land use.

Private actors – from subsistence farmers to global multi-national firms – have significant influence on the way land is used. The ISFL intends to engage these actors through its programs and, more broadly, work alongside global forums of companies that have pledged to reduce their impact on tropical forests to help identify pathways to enact these commitments. The ISFL will explore opportunities to engage the private sector in the agriculture, energy, and finance sectors, amongst others, where that sector has a significant impact on landscapes within a jurisdiction.

Engagements with the private sector can take several forms, from collaborating on sustainability approaches, to blending finance in-country, to convening stakeholders to work toward complementary goals. Through these partnerships, the ISFL can impact the private sector's contribution to sustainable land use and increased productivity, ultimately reducing GHG emissions and generating livelihood opportunities.

The public sector has an essential role to play in shaping private sector behavior through appropriate policy setting, regulation and promoting sustainability in a variety of sectors. By addressing these issues, countries can ultimately reduce risk and drive private sector investments in a green economy that benefits people and the environment.

Incentivizing Results

By taking on the immense challenges of convening public and private actors and creating an enabling environment for sustainable development, countries can expect to generate results – including a reduction in GHG emissions. To incentivize countries to do so, the ISFL will provide significant **results-based climate finance** over a 10-15 year period by purchasing verified emission reductions.

This results-based finance is intended to create a positive feedback loop for successful interventions for sustainable land use in each program country. If effective, each jurisdiction can continue to generate

results, sell verified emission reductions, and reinvest in successful interventions. Eventually, this model for sustainable development could be scaled up beyond each jurisdiction.

Building on Experience

The ISFL reflects the demand for progression from relatively small-scale pilot projects to a program aimed at incentivizing sustainable land use at scale. To work at scale effectively, the ISFL builds on the experiences and lessons learned by the BioCarbon Fund's initial work piloting land use projects, REDD+ initiatives, and other sustainable forest and land use programs.

More specifically, the ISFL relies on the national REDD+ readiness work of the Forest Carbon Partnership Facility (FCPF) and the United Nations REDD Programme (UN-REDD), which have created essential institutional infrastructure for large-scale land use programs, including:

- An emphasis on accountable and transparent program management arrangements
- Clear operating mandates
- Multi-sector coordination mechanisms and cross-sector collaboration
- Technical supervision capacity
- Funds management capacity
- Mechanisms for feedback and grievance redress

This **streamlined approach** allows the ISFL to concentrate its efforts and activities at the jurisdictional level, adding value to existing platforms, while not duplicating existing processes. By building on this experience, the ISFL can, to some extent, limit the administrative burden of implementing jurisdictional programs and focus implementation efforts at the program-level by tapping into functional coordination platforms.

The ISFL will seek to engage relevant stakeholders in program countries, taking into consideration the existing mechanisms in the country, including the FCPF, UN-REDD, the United Nations Framework Convention on Climate Change (UNFCCC), as well as agriculture, energy, infrastructure, and other relevant stakeholder groups working in each landscape. Priority will be given to already organized groups of stakeholders and other initiatives such as broader national climate change platforms. In cases where other land-use based projects supported by the World Bank Group and other partners are established, the ISFL program will identify them for effective engagement including building on their structures of engagement, as appropriate.

Landscape Carbon Accounting Approach

The ISFL aims to pioneer a comprehensive landscape carbon accounting approach as the basis for purchasing verified emission reductions. This approach is intended to account for emissions across the entire jurisdiction and will potentially consider emission reductions from forests, agriculture, and other relevant sectors that impact land use within the jurisdiction. This approach represents an innovation in accounting for emissions that mirrors the evolution of the comprehensive reporting under the United Nations Intergovernmental Panel on Climate Change (UN IPCC).]

Funding

ISFL Funding Instruments

In order to achieve success in each ISFL program, countries will require several tools and approaches at their disposal, and the flexibility to combine them to suit the country's context. The design of the BioCF*plus*, a true pioneer for the World Bank Group and carbon and land use funds - in combination with the results-based finance from BioCF T3 - can provide this flexibility.

BioCF*plus*	**BioCF T3**
Provides funding in the form of a **grant**.	Provides **results-based finance** through the purchase of verified emission reductions.
Supports countries to make improvements to its enabling environment for sustainable land use.	Payments provide incentives for countries to shift to a sustainable development trajectory for each jurisdiction.
Supports piloting of activities and key partnerships, including engagements with private sector.	
Provides resources to countries to develop systems for monitoring, reporting, and verifying reductions in GHG emissions to prepare jurisdictions for payments.	Payments can be used to sustain successful interventions to sustainable land use in each jurisdiction.

The BioCF*plus* has been designed specifically to operationalize the vision of the ISFL, which requires several innovative elements in order to meet the demand on the ground in ISFL countries. The fund supports technical assistance and capacity building efforts in each jurisdiction and can provide some critical investment finance to test sustainable land use approaches. This combination of finance from one source gives flexibility to countries to design their programs in an integrated way and identify the most effective approaches for land management.

In addition, the BioCF*plus* can directly finance advisory service projects through the International Finance Corporation (IFC). This direct funding link with the IFC is groundbreaking for the World Bank Group and aligns goals and visions more closely. IFC advisory service projects can attract private sector interest in ISFL jurisdictions and can benefit farmers and other private sector actors directly.

Meanwhile, the BioCF T3 provides payments for verified emission reductions generated across the landscape, which are expected to yield significant revenue over a 10-15 year period. These payments are envisioned to sustain and build on interventions successfully implemented in the jurisdiction and beyond. It is the ambition of the ISFL to generate a feedback loop of funding for sustainable land use.

Mobilizing Additional Funding In-Country

Each ISFL program serves as a strategic engagement platform in-country to mobilize, coordinate, and scale up funding from several different sources. In particular, each program focuses on synchronizing multi-sector, multi-partner land use interventions to ultimately enhance the success of each initiative. This also serves to benefit ISFL programs by strategically mobilizing and scaling up funding from both the public

and private sectors and ultimately harnessing efforts to reduce GHG emissions. In addition, ISFL programs make efforts to take a programmatic approach to funding land use, forestry, and climate interventions through co-financing arrangements with complementary initiatives housed at the World Bank.

ISFL Country Selection

ISFL countries are selected based on criteria that provide the best foundation for ISFL programs to achieve the greatest possible impact. These criteria ensure that countries are prepared to undertake a complex land use program and that programs will be governed and monitored effectively. They also assess the global community's commitment to working collectively towards solutions in-country so that countries have support to achieve results.

Initial Country Selection

The ISFL currently aims to develop programs in four initial target countries: Colombia, Ethiopia, Indonesia, and Zambia. Programs in Colombia, Ethiopia, and Zambia are formally being designed or implemented, while Indonesia remains a target country at present. These four countries were selected based on the following criteria.

Engagement and Capacity for Large-scale Programs: REDD+ Readiness

Given the ISFL's streamlined approach of building on the experience of other initiatives, each program relies on institutional infrastructure for low carbon rural development that was fostered during the REDD+ Readiness process. An assessment of readiness was done through a range of indicators that provide a preliminary view of countries' engagement and capacity in REDD+ and potential to reduce GHG emissions through a similar program, such as the ISFL. In particular, linkages between national REDD+ efforts and other land uses were considered, as well as the institutional arrangements in place and the capacity of local stakeholders to implement the program.

Enabling Environment and Governance

The ISFL intends to focus its impact on improving the enabling environment for sustainable land use. In considering initial target countries, the ISFL assessed the initial quality of the enabling environment and its potential to improve considering the strength of governance, private sector engagement, and green growth initiatives in-country.

Agricultural Drivers of Land Use Change

The agricultural sector has a significant impact on land use change, particularly in terms of deforestation and forest degradation. Therefore, the ISFL undertook an analysis of agricultural drivers of land use change to understand which, if any, commodities were key drivers and whether pressure on forests was historically high or likely to increase significantly. This analysis allowed the ISFL to understand the potential of climate-smart agriculture practices to reduce GHG emissions in each country.

Looking to the Future

The ISFL has the potential to consider expanding its number of programs beyond its four initial target countries. Since the original selection was done in 2013, many significant agreements and declarations have been made which highlight commitments to action on forests and land use for climate change mitigation. Given this, the ISFL may also consider the following elements if it pursues potential additional programs.

The Paris Climate Agreement

As part of the 2015 Paris Climate Agreement, countries prepared intended Nationally Determined Contributions (iNDCs), committing them to reducing their emissions, including through forests and land use.[1] Specific targets provide opportunities for concrete dialogue on goals and can be a sign of a country's commitment to work in these sectors.

Public Commitments and Declarations

Several important public commitments have been made since 2013 to signify commitment to forests, land use, and climate, including from the private sector, including the New York Declaration on Forests, the Lima Challenge, and the Bonn Challenge.

These declarations and challenges, among others, further demonstrate a country's commitment and the potential for engagement to tackle large-scale land use issues.

The World Bank's Forest Action Plan and Climate Change Action Plan

The World Bank, as the implementing agency for the ISFL, has committed to action plans for both forests and climate change in 2016. These plans provide guideposts of the World Bank Group's strategic engagement on these issues in-country and a strategic foundation for the ISFL and its vision.

[1] http://www.worldbank.org/en/topic/climatechange/brief/the-ndc-platform-a-comprehensive-resource-on-national-climate-targets-and-action