



The BioCarbon Fund Initiative for Sustainable Forest Landscapes

Annual Report 2018



BioCarbon Fund
Initiative for Sustainable Forest Landscapes



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ACRONYMS

BEIS	Department for Business, Energy & Industrial Strategy	NDC	Nationally Determined Contribution
BMU	Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (Germany)	NICFI	Norway's International Climate and Forest Initiative
CONAFOR	National Forestry Commission (Mexico)	OFPL	Oromia Forested Landscape Program
CRGE	Climate-Resilient Green Economy	ORCU	Oromia REDD+ Coordination Unit
DEFRA	Department for Environment, Food and Rural Affairs (United Kingdom)	OSILP	Orinoquía Sustainable Integrated Landscape Program
DOS	Department of State (United States)	PAD	Project/program appraisal document
ER	Emission Reduction	PF	Process Framework
ERPA	Emission Reductions Purchase Agreement	REDD+	Reducing Emissions from Deforestation and Forest Degradation and the Role of Conservation, Sustainable Management of Forests, and Enhancement of Forest Carbon Stocks in Developing Countries
ERP	Emission Reductions Program Document	SESA	Strategic Environmental and Social Assessment
ESMF	Environmental and Social Management Framework	SMART	Specific, measurable, attainable, relevant, and time-bound
FCPF	Forest Carbon Partnership Facility	SME	Small and medium-sized enterprise
FGRM	Feedback and Grievance Redress Mechanism	T3	Tranche 3
GDP	Gross domestic product	TBC	To be confirmed
GEF	Global Environment Facility	TBD	To be determined
GHG	Greenhouse gas	tCO₂e	(Metric) tons of carbon dioxide equivalent
GTP-2	Second Growth and Transformation Plan	U.N.	United Nations
IBRD	International Bank for Reconstruction and Development (of the World Bank Group)	UNFCCC	United Nations Framework Convention on Climate Change
IDA	International Development Association (of the World Bank Group)	WBG	World Bank Group
IFC	International Finance Corporation (of the World Bank Group)		
ISFL	Initiative for Sustainable Forest Landscapes		
LOI	Letter of intent		
MEL	Monitoring, Evaluation, and Learning		
MRV	Measurement, reporting and verification		

All dollar amounts are U.S. dollars unless otherwise indicated.

Key Progress to Date

4

ISFL grants signed with program countries: Colombia, Ethiopia, Mexico, and Zambia.

2

Countries that have developed a Feedback and Grievance Redress Mechanism

\$56
MILLION

Volume of grants committed under ISFL to create an enabling environment for emission reductions

\$87
MILLION

Finance leveraged from the public sector for ISFL programs

2

Partnerships with the private sector

1

Partnership with not-for-profit organizations

\$4.6
MILLION

Finance leveraged through partnerships with the private sector

6

Engagements with the private sector

6

Engagements with not-for-profit organizations

1,648

People trained on sustainable land use in FY18

INTRODUCTION

This year marks the five-year anniversary of the **World Bank's BioCarbon Fund Initiative for Sustainable Forest Landscapes** (ISFL), and substantial progress has been made in establishing the foundations for delivery and scaling of ISFL programs. Established in 2013 with an initial \$280 million in funding and one pilot program in Ethiopia, the ISFL has since grown to **\$350 million in fund capital** and is now supporting five programs in various stages of implementation across Africa, Asia, and Latin America.

ISFL programs in Colombia, Ethiopia, Mexico, Indonesia, and Zambia are expected to have a significant impact, covering over 120 million hectares in total land area, with thousands of beneficiaries and estimated emission reductions (ERs) totaling 250 million (metric) tons of carbon dioxide equivalent (tCO₂e) to be purchased through the BioCarbon Fund.

Three new programs were established this year – in Colombia, Mexico, and Zambia – through the signing of grant agreements to support the development of ER programs. These three countries join Ethiopia, which signed in 2017. Preparatory work for Indonesia's program is nearing completion, with a preparation grant agreement to be signed by the end of 2018. The four countries' signed grant agreements bring the total amount of ISFL grants to just over \$55 million.

ISFL programs are developed based on a set of common features typical of the unique **ISFL approach** to improving sustainable land use and reducing land use-related greenhouse gas (GHG) emissions. These features include operating at jurisdictional scale to deliver a landscape approach that assesses 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.

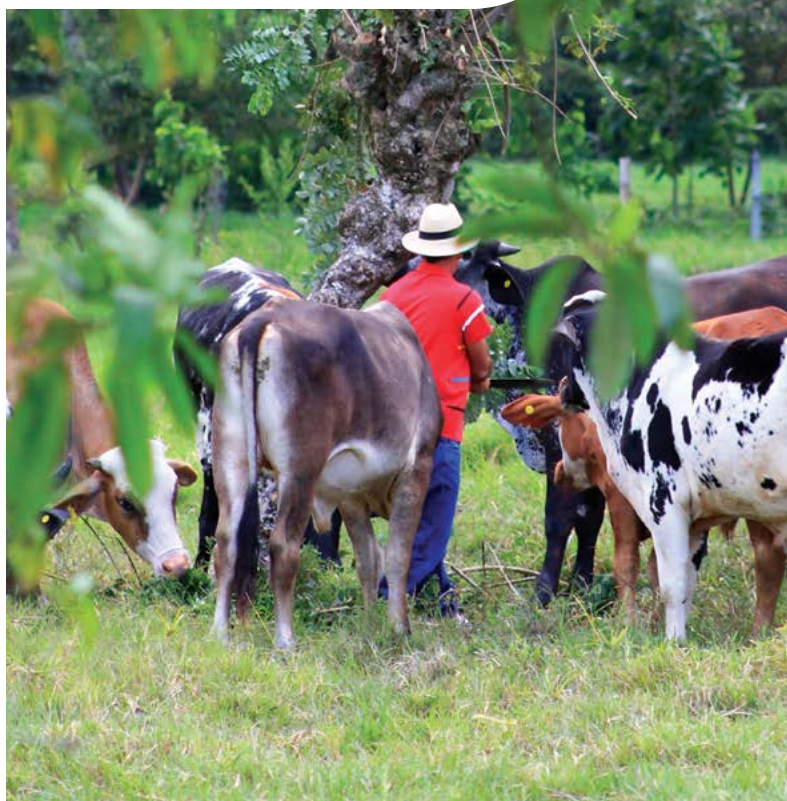


NOVEMBER 2013

BioCarbon Fund Launches \$280 Million Initiative for Sustainable Forest Landscapes

“The fate of the climate, forests, and agriculture are bound together. If agriculture and land-use change continue to produce up to 30 percent of global greenhouse gases, it will mean further disaster and disruption from climate change... That’s why the new BioCarbon Fund Initiative for Sustainable Forest Landscapes is so important. Its grants and results-based financing aim to reduce greenhouse gas emissions from the land sector, through REDD+, climate-smart agriculture practices and land-use planning.”

—Rachel Kyte, former Vice President for Sustainable Development, World Bank



Each ISFL program emphasizes improvements to the enabling environment for better land use management by focusing on regulatory enhancement and integrated land-use planning. Further, ISFL programs ensure that actors near forests are supported in undertaking economic activity that does not damage forest landscapes but still ensures their economic well-being and advancement.

While each project strives to protect forests through integrated land-use planning, **Colombia's** program plays a significant role in supporting private sector agriculture – especially in livestock and dairy industries – in intensification of its activities on degraded land to avoid further deforestation, and in land conversion from native savannas to pastures. This is particularly important in a post-conflict environment where expansion of economic activity could dramatically damage forests and natural ecosystems.

Mexico's program is creating links across forest management and economic opportunities, while promoting conservation. The program emphasizes providing business development support to local communities and other landholders in sustainably managing forest resources.

Zambia's program is leveraging existing resources and is built into the country's \$33 million Integrated Forest Landscape Project to support wildlife management and address land tenure issues, as well as engaging the private sector on several initiatives such as deforestation-free cotton schemes.

Ethiopia's program is partnering with TechnoServe, Nespresso, and the International Finance Corporation (IFC) of the World Bank Group (WBG) on sustainable coffee production, which is a driving force in the delivery of the Oromia Forested Landscape Program (OFLP).

And **Indonesia's** program is focused is on strengthening the policy framework and institutions, sustainable forest and fire management and engagement of the private sector to protect Jambi's forest estate and to promote low-carbon land use.

Four of the five ISFL programs (Colombia, Mexico, Zambia, and Ethiopia) have signed grant agreements and these initiatives have to date a combined leveraged funding of \$90 million from multilaterals including the Global Environment Facility (GEF), the International Bank for Reconstruction and Development (IBRD), IFC, and the International Development Association (IDA). Further, these initiatives make it possible to encourage private sector actors to improve the sustainability of their activities.

In addition to reaching country-level milestones, ISFL also had a busy year supporting the development of global tools, including the initiative's **ER Program Requirements**, released in September 2017. These first-of-their-kind requirements define what countries need to have in place to receive payments for ERs in multiple sectors, including forestry, agriculture, and other land uses. ISFL workshops, seminars, and guidance notes developed over the past year focused on defining approaches to private sector engagement, landscape GHG accounting, and title transfer of ERs and ER program financing, among others.

Over the past five years, the foundations have been laid for the implementation of the ISFL programmatic approach, building the processes and engaging new partners. The next phase of the program will focus on on-the-ground implementation – prioritizing capacity building, private sector development, improvements to measurement, reporting, and verification (MRV) systems, and development of ER programs. As the program progresses, the significant volume of innovative knowledge generated at the program level will be captured and shared with the global community. ISFL will expand its work on engaging with the private sector to support sustainability in jurisdictions by crowding in private investment that improves the livelihoods of communities while protecting the environment by reducing GHG emissions and deforestation.



1 Global Context

Forests are not only the lungs of the planet, but they are also at the heart of many of the world's most pressing challenges. Forests produce food for a growing population; they regulate greenhouse gas (GHG) emissions and reduce the impact of extreme climate events such as storms and heat waves. Their role in protecting critical infrastructure and providing a source of energy often goes unnoticed. And not only are forests the guardians of biodiverse ecosystems, they are also home to some of the world's most vulnerable populations.

And yet, despite their importance to life on earth, forests are under significant threat. Human activities are driving increasing rates of global deforestation. These upward trends are driven by anthropogenic pressures to convert land for agricultural production, energy expansion, mining, infrastructure development, and urban expansion.

The ensuing impact of land use change on climate change is also mutually reinforcing. For example, the agricultural sector (the world's leading source of anthropogenic methane and nitrous oxide emissions) is more vulnerable to climate change than any other sector. Droughts, floods, and higher temperatures reduce crop yields and render production increasingly susceptible to crop failure, which can be disastrous for smallholder farmers around the world. Today, deforestation, forest degradation, and land use change are responsible for nearly a quarter of the world's GHG emissions. This is more than the share of the transport sector, including aviation. The environmental and socioeconomic benefits of sustainable forest management make investments to reduce deforestation paramount to achieving long-term,

sustained economic growth. For example, forests create jobs and provide subsistence resources for the estimated 300–350 million people, about half of whom are indigenous, who live within or close to dense forests. Forest-dependent communities are among the most marginalized in the world, often living below the international poverty threshold of less than \$1.90 per day.



Climate-smart land use is critical for reducing poverty, increasing productivity, building resilience, and helping countries meet their international commitments as set out in the Paris Agreement and Sustainable Development Goals (SDGs).

Despite the many challenges, the development of new tools and approaches to address deforestation, climate change, and sustainable development issues offer hope. Public institutions, citizens, farmers, companies, and investors across the world are increasingly aware of forests' importance to our global economy and the risks that forest loss pose to economic productivity, supply chains, and global well-being. People are showing greater willingness to change the way they do business.

Building on momentum at the international, national, and subnational levels, climate-smart land-use approaches – applied across agriculture, forestry, and other land-use sectors – offer innovative and effective solutions to address the multifaceted challenges of deforestation and land-use change. The **BioCarbon Fund Initiative for Sustainable Forest Landscapes** (ISFL), a World Bank-implemented, donor-supported initiative, managed to transform once small-

scale, pilot land-use projects into an integrated, global program consisting of jurisdictional-level programs to promote sustainable land use at scale. The ISFL program is unique in this regard. Moreover, the ISFL is pioneering change away from the focus on farm-level agricultural practices to the policy making at the international level. More specifically, this work supports sustainable landscapes, climate-smart land use, and green supply chains.

The WBG has been at the center of climate finance and sustainable land-use approaches over the last decade. ISFL's activities therefore support the World Bank's efforts to combat climate change and protect healthy forests. In fact, forests are a key pillar of the World Bank Climate Change Action Plan, which aims to accelerate efforts to tackle climate change over the next five years and help developing countries deliver on national commitments made under the Paris Agreement.

The World Bank's action plan sets out specific targets, including support for REDD+ strategies in more than 50 countries and aims to mobilize financing for sustainable forest management in at least 10 countries by 2020.





ISFL Approach

The ISFL is a multilateral facility that promotes and rewards reductions in GHG emissions and increased sequestration through better land management, including the adoption of climate-smart agriculture and smarter land-use planning and policies. It aims to catalyze the development of a low-carbon rural economy that promotes livelihood opportunities for communities while reducing GHG emissions. In addition, the key elements of ISFL programs are designed to ensure that poverty, unsustainable land use, and low productivity in the agriculture and forestry sectors are addressed.

ISFL programs also serve as an in-country strategic engagement platform to mobilize, coordinate, and scale up funding from different sources. They are particularly effective at synchronizing multisector, multipartner land-use interventions to maximize the positive results of such initiatives. This approach also benefits ISFL programs by leveraging additional funding from both the public and private sector.

2.1 KEY DESIGN ELEMENTS OF ISFL PROGRAMS

As shown in figure 2-1, the four design features underpinning the ISFL approach are:

- Working at scale to integrate multi-sector considerations across jurisdictions;
- Leveraging partnerships across the public and private sector;
- Incentivizing results through payments for verified emission reductions; and
- Building on experience from BioCarbon Fund's previous work, other REDD+ initiatives and relevant agriculture and forestry programs.

2.1.1 Working at Scale

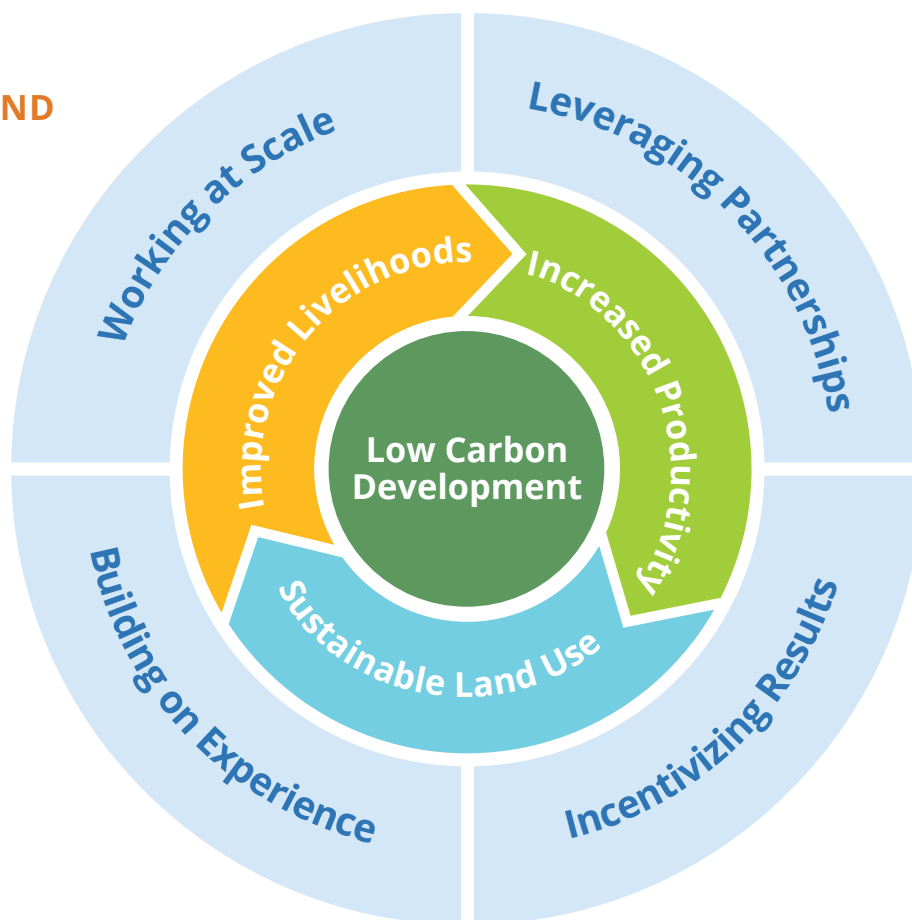
Each ISFL program focuses on an entire jurisdiction (state, province, or region) within a country, which allows programs to engage with multiple sectors influencing land use and to increase their impact on a designated area. The ISFL takes a landscape approach in each jurisdiction, which requires stakeholders 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. Through this approach, ISFL program interventions can effectively address key drivers of GHG emissions and unsustainable land use across a variety of sectors and value chains.

The landscape approach seeks to implement a development strategy for environmental, social, and economic impact at scale. This is done by targeting interventions in a way that improves the enabling environment for sustainable land use. Improvements in the enabling environment, such as land-use planning, can have a significant impact on how land is used and increase the benefits communities derive from investments in sustainable land use across a jurisdiction.

For example, in Colombia the Orinoquía Sustainable Integrated Landscape Program (OSILP) is supporting the regularization of land tenure in selected municipalities, in line with two critical policy tools currently under development: 1) the National Multipurpose Cadastre System, and 2) the Zones of Interest for Economic and Social Development in Rural Areas (ZIDRES). These land-use planning tools will significantly impact the way land is used in Colombia and the OSILP will mainstream environmental considerations in the implementation of these tools.



**FIGURE 2-1.
KEY DESIGN
ELEMENTS AND
OBJECTIVES
OF ISFL
PROGRAMS**



2.1.2 Leveraging Partnerships

The ISFL forms partnerships with other public sector initiatives and private sector actors to mobilize capital and align the objectives of relevant stakeholders across a jurisdiction. The partnerships forged by the ISFL are essential to creating sustainable and scalable models for long-term, improved land use.

Collaboration with existing organizations and institutions is one form of the ISFL's partnership and engagement approach. For example, the ISFL takes into consideration a country's existing initiatives, including the Forest Carbon Partnership Facility (FCPF), the UN-REDD Programme, the United Nations Framework Convention on Climate Change (UNFCCC), and stakeholders' views from the agriculture, energy, infrastructure, and other relevant landscape sectors. In countries where the WBG and its partners support other land use-based

projects, the ISFL is actively engaged with relevant partners, among other things, by building on their engagement structures, as in the case of Mexico (section 3.4).

The ISFL works proactively to engage the private sector to promote the adoption and expansion of sustainable economic activity in project areas – through cooperative engagements, industry commitments, and private sector deals, among others. Grant programs implemented in a country by the World Bank support improvements to the enabling environment to facilitate the large-scale adoption of sustainable practices by the private sector. These environment enhancements are built through context-specific support to private sector actors to encourage sustainable investment in landscape areas. Such interventions can range from sector-wide interventions to direct firm-level support for adoption and implementation of sustainable activities at scale. The ISFL also

recognizes the important partnership role that its contributors play in encouraging smarter land use and reducing deforestation and degradation. The ISFL's contributors are Germany, Norway, the United Kingdom, and the United States of America. Active involvement of ISFL contributors ensures complementarity of programs undertaken by ISFL donor countries and other bilateral efforts.

2.1.3 Incentivizing Results

The ISFL provides significant results-based climate finance up to a 10-year period by purchasing verified emission reductions. This results-based finance is intended to create a positive feedback loop for successful interventions promoting sustainable land use in each program country. If effective, each jurisdiction will continue to generate results, sell verified emission reductions, and reinvest in successful interventions.

2.1.4 Building on Experience

To work at scale effectively, the ISFL builds on the experiences and lessons learned through the BioCarbon Fund's initial work piloting land-use projects, REDD+ initiatives, and other sustainable forest and land-use programs. This streamlined approach allows the ISFL to concentrate its efforts and activities on the jurisdictional level, adding value to existing platforms rather than duplicating existing processes.

2.2 COUNTRY SELECTION

The ISFL's five country programs (in Colombia, Ethiopia, Indonesia, Mexico, and Zambia) were selected based on an assessment of the opportunity to implement a successful ISFL program that maximizes the impact of ISFL investments on a country's systematic shift to sustainable land use and a low-carbon economy. This assessment includes reviewing the ability of a country to develop, deliver, and monitor complex land-

use programs. Particularly the following three considerations serve as the basis for ISFL country selection:

- REDD+ readiness: engagement and capacity for large-scale programs;
- Enabling environment and governance for sustainable land use;
- Agricultural drivers of land-use change.

2.2.1 REDD+ Readiness

As the ISFL emphasizes building on the experience of earlier initiatives, the adequacy of the institutional infrastructure created during a REDD+ readiness process for low-carbon rural development is a key consideration in country selection. Each country's REDD+ readiness is assessed through a range of indicators that provide a preliminary view of its engagement and capacity in REDD+ and its potential to reduce GHG emissions through a program similar to the ISFL. Not only the links between national REDD+ efforts and other land uses are considered during the selection process, but also the degree to which institutional arrangements are already in place. The latter include the capacity of local stakeholders to implement a future ISFL program.

2.2.2 Enabling Environment and Governance

A core ISFL outcome area is to improve the enabling environment for sustainable land use. In considering initial target countries, the ISFL assesses the current state of a jurisdiction's enabling environment and its potential to be strengthened, given existing governance arrangements, private sector engagement opportunities, and green growth initiatives in the country.

2.2.3 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 analyzes agricultural drivers of land-use change to understand which commodities are key



drivers and whether pressure on forests has been historically high or is likely to increase significantly. This analysis allows the ISFL to understand and assess the potential impact of interventions in the agricultural sectors to be delivered through the ISFL, including climate-smart agriculture practices and other sustainable land-use interventions to reduce GHG emissions.

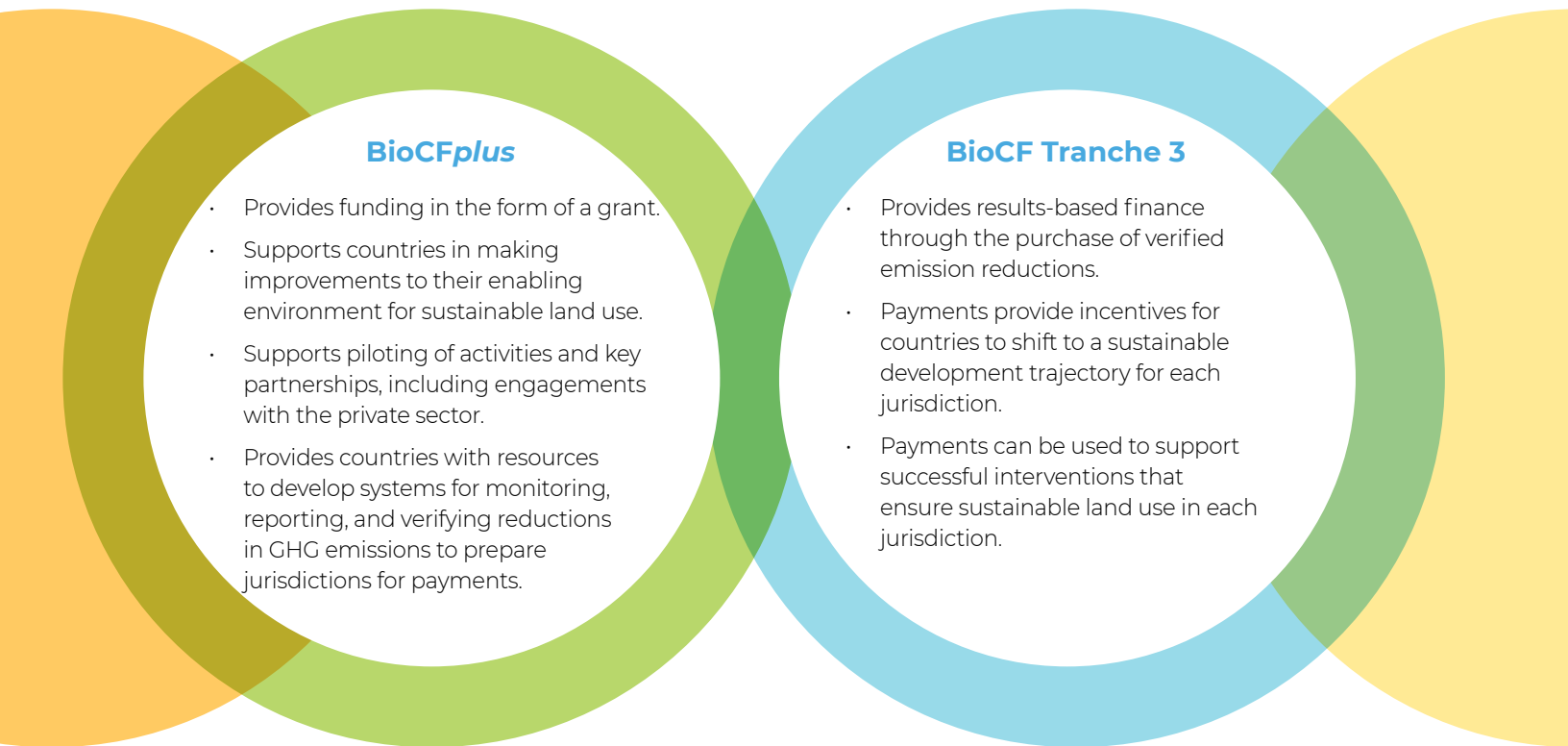
2.3 FUNDING INSTRUMENTS

The ISFL has two key funding instruments, the **BioCFplus** and **BioCF Tranche 3 (T3)**, which have been designed specifically to operationalize the vision of the ISFL. **BioCFplus** supports grant-based technical assistance activities and capacity-building efforts in each jurisdiction. It provides critical investment finance needed to establish an enabling

environment for sustainable land use and develop systems for monitoring, reporting, and verifying GHG emission reductions. In addition, **BioCFplus** directly finances advisory service projects aimed at attracting private sector interest in ISFL jurisdictions, which can benefit farmers and other private sector actors.

BioCF T3 provides results-based payments for verified reductions in GHG emissions through an Emission Reductions Purchase Agreement (ERPA). The **BioCFplus** in combination with results-based finance from **BioCF T3** allows ISFL programs to use tools and approaches tailored to a country's specific context (figure 2-1).

BIOCFPLUS AND BIOCF T3 CHARACTERISTICS





ISFL THEORY OF CHANGE

Impact beyond the ISFL



Impact on ISFL Countries

Low Carbon Development:

GHG emission reductions

Benefits to communities

Achievement of ISFL's Overall Objectives

Improved livelihoods

Increased agricultural productivity

Sustainable land use

Achievement of Intermediate Objectives

The enabling environment leverages additional resources that benefit communities and produce intermediate land use improvements

Benefits to communities (ER payments, trainings, increased productivity, improved environment, investments)

Partnerships established with and between the public and private sectors to contribute to economic growth and sustainable land use

Improved land management and land use

Forest cover increased

Enabling Environment

Host countries make improvements to the enabling environment for sustainable land use through capacity building, training, engagement, and reforms

Capacity building

Effective stakeholder engagement

Policy reforms

Training for land users

Support for Effective Delivery

Host countries and WB have high quality tools and approaches for designing and implementing ER programs

Governance

Monitoring, reporting, and verification of ERs

Financial/procurement management

Monitoring, evaluation, and learning dissemination

Due diligence process

2.4 MONITORING, EVALUATION, AND LEARNING FRAMEWORK

The **ISFL's Monitoring, Evaluation, and Learning (MEL) Framework** was launched last year in consultation with ISFL program teams, ISFL contributors, and World Bank staff working on MEL. It incorporates the **ISFL Theory of Change** and **Logframe**, as well as details on planned approaches to MEL from the ISFL portfolio.

2.4.1 Theory of Change

The ISFL Theory of Change presents the logic behind ISFL interventions and sets out how they will lead to targeted objectives. The interventions are derived directly from the four ISFL design elements (figure 2.1 and section 2.1) and their multilevel objectives are further broken down into different operational and strategic elements to allow for monitoring and evaluation.

In terms of impacts, the ISFL aims to contribute beyond the direct reach of its programs to broad global goals including the SDGs and the Paris Agreement targets related to improved livelihoods, increased agricultural productivity, and sustainable land use.

Replication of ISFL Approach

Communicate and share lessons

2.4.2 Logframe

The **ISFL Logframe** is derived from the Theory of Change and its purpose is to serve as a mechanism for operational planning, monitoring of the initiative's progress against its objectives, and evaluation of its overall performance and impacts (appendix A). The Logframe demonstrates the relationship between inputs, outputs, outcomes, and impacts to be achieved through the ISFL. Each tier of the Logframe has specific measurable, attainable, relevant, and time-bound (so-called "SMART") indicators (disaggregated by gender,

where possible) as well as a set of assumptions that underpin indicators and targets.

The logframe is a flexible tool that can be used to set strategic priorities and make choices that are aligned with the ISFL's main objectives. This is especially important for a fund that depends on contributions from various development partners to develop a set of commonly agreed expected results. In this context, the logframe can provide guidance or serve as a benchmark for setting priorities.

2.4.3 Monitoring Approach

The **ISFL Monitoring Approach** helps the ISFL and its programs track progress against targets through the annual collection and reporting of information to facilitate timely decision making, ensure accountability, and provide the basis for evaluation and learning.

The monitoring of ISFL program results is complemented by **independent evaluations** that allow the programs to be enhanced – by increasing the relevance of the program, achieving better results, optimizing resource use, and addressing issues of target group satisfaction. These evaluations also provide a basis for accountability to ISFL contributors, stakeholders, and the general public. Third-party evaluations of ISFL are planned for 2018, 2023, and 2028.¹

Learning activities ensure that results stemming from monitoring and evaluation activities are captured, fed back into program implementation, and shared broadly among ISFL stakeholders, the land-use climate community, and the general public. The **ISFL Learning Agenda** encapsulates wide-ranging, ongoing activities that will complement the independent evaluations already scheduled. As part of this learning agenda, the ISFL conducts targeted thematic reviews of selected topics. This ensures that ISFL management benefits from continuous learning, which will improve its effectiveness, without the need to wait for the outcomes of the formal, external evaluations.

¹ The objective and scope of each evaluation will be tailored to the status of the Initiative at the time of evaluation

3 Progress Made Through Country Programs

Initiative Progress

This year, the ISFL expanded its country reach while initiating on-the-ground implementation of key activities. The signing of ISFL grants marked major milestones in Colombia, Mexico, and Zambia – countries that have now joined Ethiopia in implementing on-the-ground activities. Indonesia,

which formally entered the ISFL pipeline this year, has made progress in designing grant-based activities, scheduled to begin implementation in 2019. All programs are now working toward preparation for ER programs. This chapter provides an overview of progress made this year across each of the five ISFL country programs.

KEY PROGRESS FROM 2017 TO 2018

Country coverage:

The ISFL added two additional countries to its pipeline – Indonesia and Mexico, which joined Colombia, Ethiopia, and Zambia as ISFL program countries.

Project implementation:

Implementation of grant financing and preparation of emission reduction (ER) programs began in Colombia, Mexico, and Zambia, as was the case in Ethiopia in 2017.



Investment financing:

ISFL programs leveraged more than \$90 million in public and private financing to support investments in forestry, agriculture, land use, wildlife management, land tenure, and agribusiness—complementing ISFL funding and filling gaps for critical investment needs.

Private sector engagement:

ISFL continued engaging directly with the private sector to address drivers of emissions and deforestation, among others, through a deal with the Alquería dairy company to support sustainable dairy production in Colombia's Orinoquía region.

3.1 COLOMBIA

In March 2018, President of Colombia Juan Manuel Santos signed a \$20 million grant with the ISFL for the **Orinoquía Sustainable Integrated Landscape Program** (OSILP). The OSILP aims to help farmers and agribusiness firms in Colombia's Orinoquía region sustainably manage their current land, increase agricultural production and realize the potential of the region to become a food basket for the country and the world.

Orinoquía is a 25-million-hectare forest, savanna and wetland area located in the east of the country that is considered one of the last "virgin regions" or agricultural frontiers on the planet. It is home to almost 1.5 million people and in recent years, large-scale land conversion has occurred throughout the region to increase the production of livestock, palm oil, cacao, rubber, and rice. Developing the potential of the region is vital for the livelihood of farmers and it is also a crucial part of the country's growth and development agenda.

Clearing forests to create pasture land is a leading driver of deforestation in Orinoquía (particularly the Piedemonte and the transition zone to the Amazon forest). Not only are these forests vital to mitigating the effects of climate change, they are also home to hundreds of species of mammals and birds. Other threats include the draining and conversion of thousands of hectares of highly biodiverse native savannas, including flooded savannas, which are associated with high levels of methane emissions.

In response to these challenges, the OSILP provides technical assistance to address the drivers of land use change in Orinoquía and to catalyze sustainable development across the region. By promoting better land use planning, integration of sustainable land use in policies, enforcement of pertinent laws and regulations, and capacity building, the program is also supporting the preparation of an ER program to access results-based finance for up to 10 million tCO₂e of ERs.

Last year the program was working to set out the institutional and legal framework for low-carbon development in Colombia along with mapping of institutional structures for land

administration. Through integrated approaches to rural and agricultural development, the OSILP is simultaneously supporting strategies for addressing the structural causes of conflict, which are key aspects of the peace-building agenda in Colombia.

Besides supporting the enabling environment for policy implementation and planning, the OSILP is involved in activities to reduce deforestation and emissions caused by key commodities, like livestock (cattle and dairy production), cacao, rubber, and rice. This is achieved through the program's emphasis on private sector engagement and efforts to partner with companies and stakeholders across commodity supply chains to promote zero deforestation and sustainable production approaches.

Some legal issues emerged after the signing of the grant agreement, having to do with the inconformity to register the grant funds into the Ministry of Agriculture and Rural Development's (MADR's) budget, in accordance with Colombian budget law, as the grant also supports activities to be led by other agencies. This situation is slowing down the pace at which project effectiveness is achieved. Fortunately, it is in the process of being resolved by adding a fiduciary organization to manage the grant funds, as part of the grant's institutional agreements. The new administration, under the leadership of Minister Valencia, has shown great commitment to getting these issues resolved so that the program can begin disbursing by the end of the calendar year.

3.1.1 Private Sector Engagement

Toward the end of June 2018, OSILP carried out preparatory work to deliver a series of private sector dialogues in July 2018. The dialogues aimed to secure the participation of many companies and producer associations representing the most important supply chains, including palm oil, forestry, agroforestry, milk, and meat. These dialogues are to take place in the Meta and Vichada departments (in the capital cities of Villavicencio and Yopal) and in Bogotá. The goal is to identify opportunities, challenges, and strategies for sustainable production and expansion of productive activities in the Orinoquía region. In addition, through these dialogues and in cooperation with The Nature Conservancy, the dialogues aim to

promote the “Orinoquía Green Growth Compact,” a multistakeholder platform to support the alignment of conservation, production, and socioeconomic agendas.

The OSILP has established a close partnership with the Tropical Forest Alliance (TFA2020). In this context, the program supported the Ministry of Environment and Sustainable Development (MADS), the TFA Focal Point in Colombia, in designing, and negotiating zero deforestation agreements for key commodities, including milk, meat, palm and forestry. These deforestation free supply chain agreements, developed at the national level, have an important impact on key forest and ecosystem regions, such as the Amazon and Orinoquia. Still in collaboration with the TFA2020, the OSILP program is preparing “jurisdictional supply chain implementation dialogues” that focus on the identification and presentation of public-private partnerships that promote sustainable production efforts to potential investors and financiers.

The program has identified opportunities to expand partnerships with the Sustainable Cattle Ranching Project (implemented through the WB, funded by the U.K. Department for Business, Energy & Industrial Strategy (BEIS), with FEDEGAN (the Colombia Federation of Cattle Ranchers) as the recipient and executing agency, in partnership with TNC, CIPAV, and Fondo Acción (Action Fund). The Project currently works with 539 cattle ranchers in the Meta Department and by now has close to 4,800 hectares of land under sustainable management. There is great potential to expand the success of this project through the OSILP program.

A key milestone this year has been the establishment of a partnership involving ISFL, Alquería – one of the main dairy processors in Colombia – and the IFC to promote sustainable dairy production. In regions such as Orinoquía, dairy farming has grown rapidly over the past 20 years and is considered a critical sector for sustainable land-use management and peace-building objectives.

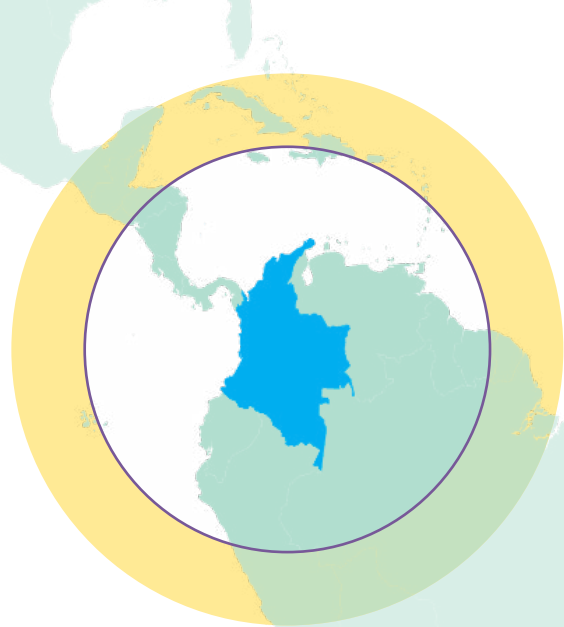
Over the period 2018 to 2021, the ISFL, through IFC, will provide \$1.5 million in financing to Alquería to develop climate-smart dairy production in Orinoquía which will reduce GHG emissions by 25 percent and ensure Alquería’s milk is produced in verifiable deforestation-free environments. IFC

will support Alquería in expanding its training program to additional farmers to improve dairy production and also address the impact of livestock on deforestation in the Orinoquía region. This partnership will work with industry-established initiatives, such as the TFA2020, to promote lessons learned in Alquería and the dairy sector.

Aside from IFC’s support, Alquería has contributed \$1.5 million of its own capital to test zero-deforestation approaches to dairy production, which will provide several valuable lessons for the private sector on ways to manage cattle as a driver of deforestation.

Working with responsible companies such as Alquería can provide a strong demonstration effect on how dairy production methods can minimize the impact of development on new areas (including potential deforestation of highly biodiverse areas). Testing sustainable production technological practices through this partnership, among others, for cattle, can be promoted and incorporated in ISFL grant activities under the OSILP. Although Alquería will only purchase dairy, the practices implemented by this project are bound to also affect the beef sector because all cattle ranchers targeted for this project produce both dairy and beef.

This partnership also affords an opportunity to scale-up interventions across Colombia and beyond. Alquería will be identifying new producers in the Orinoquía region to add to its supply chain and aims to have them all adopt sustainable cattle ranching practices tested in this program. Within the Orinoquía region, these efforts can be scaled up by successfully reaching out to other dairy and beef producers.



PROGRAM PROFILE

Jurisdiction	Orinoquía region, Colombia
Size of jurisdiction	25 million hectares
Population in jurisdiction	1.37 million
Accounting area	TBD
Implementing agency	Ministry of Agriculture and Rural Development
ISFL funding	\$20 million in grant financing \$1.55 million IFC project with Alquería on sustainable dairy production \$735,000 allocated during the year (amount approved September 2018) to support sustainability by private sector enterprises in the livestock sector of Orinoquía region. Potential payments of up to 10 million tCO₂e of ERs
Co-financing	\$5.9 million GEF financing \$1.5 million from Alquería to support the IFC project Up to \$30 million in financing (credit line) available for sustainable dairy throughout the lifetime of the program, with a portion of the \$30 million (estimated \$10 million) available for ranchers under the ISFL/Alquería project

PROGRAM TIMELINE

2015

Entry into ISFL pipeline

2017

Program design completed

2018

Grant Agreement signed with government

Letter of Intent (LOI) signed with government

2019

ERPD finalized

ERPA signed with government



HIGH-LEVEL CONTEXT

Drivers of land use change	Land use change from agricultural cultivation is the main driver of deforestation and ecosystem degradation, and has largely occurred over the past three decades. The main causes of deforestation in the Orinoquía region are the expansion of areas for cattle grazing, and the lack of land-use planning and incentives for sustainable practices, as well as illicit activities, including the clearing of forests for the planting of coca. The plantation area of palm oil has increased the most (total area of 360,000 ha as of 2010 compared to 18,000 ha in the 1980s) Other land-use changes related to forest plantations and agricultural commodities (such as maize, soybean, forage grasses, and rice) have also taken place. Much of Orinoquía constitutes undeveloped “frontier” territory, due in part to lack of adequate infrastructure and land-tenure insecurity.
Key commodities and sectors	As above, palm oil, cacao, rubber, maize, soybean, forage grasses, and rice Livestock (cattle and dairy production)
Policy interactions and Green Growth strategies	The Government of Colombia is developing a long-term policy on green growth to reach peace and sustainable development. Under the framework of the policy, the National Planning Department is developing the Green Growth Mission to prepare and discuss technical inputs to formulate a long-term Green Growth policy. Under the Mission, diagnostic and prospective studies will be carried out to identify policy options that incorporate a green growth approach into the country’s development planning, promoting economic competitiveness, conservation and efficient use of natural resources, climate-friendly growth and greater social inclusion. The OSILP, launched in May 2017, contributes to the implementation of the Regional Climate Change Plan for Orinoquía (PRICCO) in Meta, Casanare, Vichada, and Arauca. In the context of its Nationally Determined Contribution (NDC), the government has formulated its climate change policy and set an institutional framework to address climate change adaptation and mitigation, the National Climate Change System (SISCLIMA).
NDC commitments	The government of Colombia has committed to reducing GHG emissions by 20 percent against the business-as-usual (BAU) level and (if supported with international finance) to reduce emissions by 30 percent by 2030.

RESULTS

# of partnerships established with the private sector	1: Alquería
# of engagements established with the private sector	2: Engagements with the beef sector for potential partnerships
# of engagements established with not-for-profit organizations	1: Engagement with The Nature Conservancy (TNC) and TFA 2020 on green growth
# coordination platforms supported	1: Orinoquía Climate Change Platform
Environmental and Social Management Framework (ESMF) completed	✓

3.2 ETHIOPIA

Oromia National Regional State holds Ethiopia's largest forested landscapes, which are home to 41 percent of the country's forests (9 million hectares of land) and over 30 million people. Deforestation in this region is the result of increasing pressures on Ethiopia's land and natural resource base, driven primarily by small-scale conversions for agricultural expansion. The largest source of degradation is wood extraction for firewood – the primary source of energy for Ethiopians.

Reducing deforestation and GHG emissions in Oromia is central to meeting Ethiopia's national and international targets. It also supports the 83 percent of rural livelihoods dependent on land, forest, and water resources across the country. The ISFL Program in Ethiopia, the **Oromia Forested Landscape Program** (OFLP), seeks to reduce deforestation by improving sustainable forest management throughout the region and lowering net GHG emissions from the livestock sector, through better management of the herd.

The OFLP is a 5-year \$18 million grant, followed by up to 10 years of results-based payments for verified emission reductions that are closely linked to the grant-supported systems. At the local level, grant activities invest in participatory forest management and reforestation in targeted sites in 49 districts (woredas) that are deforestation hotspots. These on-the-ground activities will help reduce deforestation and land use-based emissions, and enhance forest carbon stocks, especially when used as models for scaling up throughout the state.

At the same time, the program is investing in state-wide and local enhancements to strengthen systems related to safeguards, forest monitoring, and cross-sector coordination. Ways to engage the private sector strategically are also being sought. This is critical to coordinating and leveraging the impact of multiple low carbon emissions interventions in Oromia.

The OFLP is working to mobilize, coordinate, and scale up funding from several different public sources – including partnerships with existing projects and other donor- and publicly funded initiatives.

It is one of four envisaged jurisdictional landscape pilot projects, and important lessons have been learned from past initiatives in Ethiopia. For instance, the World Bank-funded Humbo Assisted Natural Regeneration Project rehabilitated 4,000 hectares of degraded areas and helped demonstrate proof of concept of carbon financing for improved land use in a specific degraded landscape.

Since the signing of the ISFL grant in Ethiopia, in 2017, the OFLP has been making progress in on-the-ground implementation and preparation for an ER program. The country continues making progress with preparations for its ER program, and is expected to submit both an Emissions Reductions Program Document (ERPD) and the associated Benefit Sharing Mechanism this calendar year.

3.2.1 Private Sector Engagement

In March 2018, BioCF funded a feasibility study on climate-smart livelihoods through improved livestock systems in Oromia, Ethiopia. This analysis proposed a low-carbon dairy supply chain, in support of the government of Ethiopia (GoE) strategy to become self-sufficient in milk production and to transition from being a net importer of dairy to a net exporter by 2020.

While Oromia is the largest dairy producer in Ethiopia, productivity is subpar, and milk is low-quality. Moreover, there is only limited access to good-quality cattle feed and other necessary inputs, as well as a lack of incentives for farmers to sell to the formal market. The low productivity per cow and the waste in the supply chain have led to a high GHG footprint for milk produced by smallholders, which has resulted in high GHG emissions for Oromia overall. Given that land area is limited, intensifying milk production is the most viable solution. The study argues that 20 percent of the present herd should be replaced with more productive animals, and that climate-smart feeding systems should be introduced. ISFL is coordinating with the WBG

team that is providing finance to the government of Ethiopia to support sustainable livestock across Ethiopia, including Oromia.

3.2.2 Promoting Gender Inclusion in Ethiopia

Strengthening the role of women farmers is central to increasing economic growth, improving social well-being, ensuring sustainable development, and reducing poverty among millions of people. In Ethiopia, men own most of the land and have better access to training, support services, and credit. However, the World Bank's capacity-building work in Ethiopia, through the Sustainable Landscape Management Program II, has led to significant progress over the past four years – reforming land registration and certification for women across the country so they can participate in farming and landscape management.

Building upon this work and the partnership with Nespresso and TechnoServe, the landscape program will be testing approaches and measures to increase opportunities for women in coffee farming. To further this goal, the World Bank's BioCF has been working in the Oromia region to help coffee farmers boost productivity by using better farming

practices. This work involves a training initiative with Nespresso, and women are now taking an active part in sustainable landscape management by learning about farming practices.

A recent report by Nespresso has examined the barriers to and opportunities for strengthening the role of women in coffee farming – representing huge potential benefits for communities across coffee-growing regions. Nespresso's recent report also establishes a tool for measuring and analyzing the gender gap. The gender analysis tool has been field-tested by Nespresso in Ethiopia and Indonesia, likewise an ISFL country.

PROGRAM PROFILE

Jurisdiction	Oromia Regional State, Ethiopia
Size of jurisdiction	32 million hectares, of which 9 million are forests
Population in jurisdiction	More than 30 million
Accounting area	All forests in Oromia
Implementing agency	Oromia Environment, Forest, and Climate Change Authority and regional bureaus
ISFL funding	\$18 million in grant financing Potential payments of up to 10 million tons of ERs
Co-financing	\$3 million loan from IFC for investment services in the coffee sector

HIGH-LEVEL CONTEXT

Drivers of deforestation	Small-scale conversions for agricultural expansion, as subsistence agriculture is the main economic activity throughout Oromia. Inefficient livestock production, resulting from limited access to livestock feed and fodder. Extraction of fuelwood for charcoal – firewood is the primary source of energy for 94 percent of Ethiopia's population and the most important forest product consumed in Ethiopia, its total consumption exceeding 116 million m³ in 2013. Most firewood is produced from natural forests, including woodlands and shrub lands, and current firewood demand is estimated to significantly exceed the sustainable yield potential of the remaining forest areas. Indirect drivers include inadequate development and implementation of land-use plans, weak cross-sectoral policy and investment coordination, population growth in and migration to forested areas, and road expansion.
Key commodities and sectors	Coffee Livestock and dairy Subsistence agriculture, based on cultivation of diverse crops such as barley, wheat, beans, potatoes, and cabbage in highlands and bananas, maize, and teff in lowlands.
Policy interactions and Green Growth strategies	Ethiopia's development agenda is governed by two key strategies: the Second Growth and Transformation Plan (GTP-2) and the Climate Resilient Green Economy (CRGE). Both strategies prioritize attainment of middle-income status by 2025 and, through the CRGE Strategy, achieving this by taking steps in support of low-carbon, resilient, green growth. The CRGE Strategy reports that agriculture and forestry would “contribute around 45 and 25 percent, respectively, to projected greenhouse gas (GHG) emission levels by 2030 under business-as-usual assumptions, and together account for around 80 percent of the total abatement potential.”
NDC commitments	Ethiopia intends to reduce its net GHG emissions from 225 million tCO₂e to 145 million tCO₂e or less by 2030. This would constitute a 64 percent reduction from the business-as-usual 2030 scenario.

PROGRAM TIMELINE

2014

Entry into ISFL pipeline

2015

Program design complete

Letter of Intent signed with government

2017

Grant Agreement signed with government

2019

ERPD finalized

ERPA signed with government

RESULTS

# of land users who have received training	1,650 (in addition to 18,744 trained through Nespresso)
# of partnerships established with the private sector	1: Nespresso
# of partnerships established with not-for-profit organizations	2: TechnoServe and Solidaridad
# of engagements established with the private sector	1: Pilot program for forest-based businesses in Oromia
# of engagements established with not-for-profit organizations	4: Farm Africa, SOS Sahel, Ethiopia Wetlands and Natural Resource Association, and Japan International Cooperation Agency
# coordination platforms supported	3: Oromia REDD+ Coordination Unit (ORCU), Oromia REDD+ Steering, and Regional REDD+ Technical Working Group
Environmental and Social Management Framework (ESMF) completed	✓
Strategic Environmental and Social Assessment (SESA) completed	✓
Feedback and Grievance Redress Mechanism (FGRM) completed	✓



3.3 INDONESIA

Jambi province in central Sumatra (1,000 km north of Indonesia's capital Jakarta) is a five-million-hectare area that has experienced significant land-use and forest cover change in recent years, largely due to the development of palm oil, pulpwood, rubber, coffee, and other commodities by large concessions and smallholder producers.

Jambi's natural resources are also critical for the province's economy. Agriculture accounts for 26.5 percent of Jambi's GDP (half of which come from palm oil and rubber) and 58 percent of jobs are in the agriculture and forestry sector. As a result, Indonesia has significant potential to simultaneously address drivers of deforestation and promote sustainable livelihoods for Jambi's farmers through the ISFL Program.

This year Indonesia formally entered the ISFL country program pipeline and has since made significant progress in the development, planning, and prioritization of program activities. The ISFL Indonesia Program will pilot a jurisdictional landscape approach with \$15 million in ISFL funding to improve landscape management and reduce emissions from the forest and land-use sector, enabling results-based financing for ERs.

About 13 percent of Jambi, or 621,089 hectares, is classified as peatland and peat fires play a major role in the province's GHG emissions. As peat has a higher carbon density of than forests, sustainable management of Jambi's peatlands is an important component of the program's ability to reduce emissions.

Addressing emissions from the land-use sector is paramount for Indonesia to meet its commitments under the Paris Agreement. An estimated 60 percent of Indonesia's ER target as part of its NDC focus on the land-use sector, and half this target could be reached by avoiding forest and land fires across the country, particularly on peatlands.

The ISFL Indonesia Program will benefit from the government of Indonesia's longstanding commitment to reduce emissions from deforestation and forest degradation. The program will also complement and benefit from several other World Bank initiatives in Indonesia² that have already committed over \$77 million to finance landscape-level shifts toward forest and climate-smart land use. For example, the government is committed to developing a program through the FCPF in East Kalimantan. The ISFL Program in Jambi represents an important strategic opportunity for Indonesia to demonstrate an alternative and complementary model of implementation that (i) focuses on commodities; (ii) demonstrates the role of the private sector in driving long-term change; and (iii) takes a holistic approach to landscape management, beyond forests.

The government of Indonesia has focused on advancing cross-cutting institutional arrangements (both at the national and provincial level) for the implementation of the ISFL Indonesia Program, among others, with the Department of Agriculture. For example, it is setting up a national Steering Committee tasked with overall policy guidance, comprising representatives of the Ministry of Environment and Forestry (MoEF), the Ministry of Home Affairs (MoHA), the Ministry of Agriculture (MoAG), and other key agencies and their respective governors' offices. A Provincial Task Force for Jambi will be responsible for guidance and decision making on provincial policies and for program issues, supported by a project preparation team responsible for overseeing project design and implementation.

3.3.1 Private Sector Engagement

A key feature of the ISFL Program delivery model will be to work with private sector organizations on commodities linked to land-use change in Jambi aimed at fostering investments in low-carbon management practices for these commodities.

² These initiatives include the Forest Investment Program (\$22.42 million), the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (£6.5million), Wealth Accounting and the Valuation of Ecosystem Services (\$1.5 million), Innovation and Action for Forests (PROFOR) (\$300,000), an FCPF Readiness Grant (\$3.6 million + \$5 million additional funding), the Natural Resources for Development (NR4D) and the Indonesia Infrastructure Support Trust Fund (\$2.1 million), the REDD+ Support Facility (\$3.3 million), and the Sustainable Landscape Multi-Donor Trust Fund (\$32.5 million).

Jambi's historical emissions are closely linked to the commodity production and plantation development, among others, of palm oil and rubber (figure 3-1). The program will seek to engage more effectively with the private sector (both companies and smallholders) to enhance productivity and develop financially viable, low-carbon land-use practices.

To inform private sector engagement in Jambi, the IFC and ISFL undertook a rigorous private sector analysis to identify entry points for engagement. More specifically, the analysis sought to identify and assess the commodities that are critical for deforestation and private sector engagement as part of the landscape approach. The analysis reviewed commodity supply chains and explored how supply chains can be integrated into a broader landscape approach to deforestation and how small farmers, especially female farmers, and communities can improve their livelihoods under the landscape approach.

Through this analysis, the ISFL and IFC are also identifying tools and approaches available for engaging in the sustainable production for these commodities, including voluntary certification, and 'No Deforestation, No Peat, No Exploitation' policies. The importance of this work underpins the ISFL approach to private sector engagement and ways in which the ISFL is bridging the gap between private sector finance and low carbon land-use practices.



FIGURE 3-1. PRIVATE SECTOR ENGAGEMENT IN JAMBI

BY COMMODITY

	RUBBER	PALM	PULP	COFFEE	CINNAMON
 Processing Unit	12	45	1	1	3
 Corporate Plantation	3	185	3	0	0
 Smallholders	256,256	206,787	0	26,500	17,000

Source: Prospective development pathways: Private sector engagement in landscape approaches to reduce emissions, from land use activities in Jambi province, March 2018

PROGRAM PROFILE

Jurisdiction	Jambi Province, Sumatra, Indonesia
Size of jurisdiction	5 million hectares
Population in jurisdiction	3.5 million people
Accounting area	TBD
Implementing agency	Ministry of Environment and Forestry
ISFL funding	\$1.5 million technical assistance grant \$13.5 million implementation grant (TBC) Up to \$4 million for potential IFC deals Potential payments for ERs to be determined
Co-financing	TBC

PROGRAM TIMELINE

2017

Entry into ISFL pipeline

Program concept developed

2018

Preparation Grant Agreement signed with government

2019

Program design complete

Implementation Grant Agreement signed with government

Letter of Intent signed with government

2020

ERPD finalized

2021

ERPA signed with government



HIGH-LEVEL CONTEXT

Drivers of deforestation	The main drivers of deforestation in Jambi are the expansion of palm oil plantations, mining, logging, encroachment, and clearing of natural forests for timber plantations. Population pressure and encroachment are also likely to exacerbate the drivers of deforestation in Jambi. Fire has historically been used for land clearing and preparation for plantation crops, and 'slash and burn' for cash crops and subsistence agriculture. Draining and conversion of peatland contributes to the intensity of haze from fire. Detailed work on deforestation drivers, and wider opportunities to reduce emissions is being undertaken as part of the ongoing ISFL program.
Key commodities and sectors	Fisheries Livestock Palm oil Pulpwood (plantation grown acacia and eucalyptus, planted in the natural forest areas after being harvested for pulpwood) Rubber Robusta coffee (a smallholder crop). Demand for coffee is continuing to grow domestically and internationally Other important commodities: rice, vegetables, fruit, coconut, cinnamon, soybean, arena nut, and cacao
Policy interactions and Green Growth strategies	National REDD+ Strategy (2012) that aims to ensure forests will be a net carbon sink by 2030. National Action Plan to Reduce GHG Emissions (2011), an umbrella plan to reduce emissions in accordance with Indonesia's NDC. One Map Initiative, an effort to establish a public, consistently geo-referenced national inventory of all land parcels. It aims to clarify forest boundaries across the country, thereby allowing ER programs to be successfully designed and implemented. Establishment of the Peatland Restoration Agency in 2016, tasked with the restoration of 2.1 million hectares of peatland. Further, a Peatland Moratorium and Palm Oil Moratorium enacted in 2016. Provincial-level REDD+ programs and decentralization efforts in alignment with Indonesia's REDD+ readiness process. Provincial governments are responsible for managing most of the forest estate (law no. 23 of 2014 on local government).
NDC commitments	The government of Indonesia has pledged to reduce GHG emissions by 41 percent by 2030 with international assistance (26 percent using its own resources). To reach this reduction against a BAU scenario by 2030, Indonesia will need to decrease emissions by 1,082 million tons of GHGs, with the forestry sector expected to account for 60 percent of this target.

3.4 MEXICO

Mexico is one of the world's most ecologically and socio-economically diverse countries, marked by an abundance of natural resources. Comprising over 88 million hectares of forests, Mexico's forested area covers almost 45 percent of its national territory and is home to about 10 percent of all known species. A significant share of this biological diversity is found in forest ecosystems. Further, forests are a vital source of goods and services for the millions of poor people living in rural areas; this relationship is particularly salient in indigenous communities, where almost 50 percent of indigenous people are forest-dependent.

Despite the strategic, social, and environmental contribution of forests to Mexico's economy and local livelihoods, forests continue to be under pressure from agricultural expansion and livestock production. While deforestation and forest degradation levels have fallen in recent years, their contribution to global GHG emissions is still significant. In addition, official figures showing this decline mask the heterogeneous nature of deforestation patterns, as the deforestation rate is significantly higher in tropical dry forests and tropical rain forests. In addition, the loss of other types of vegetation cover (such as shrubs and mesquites) has increased.

The ISFL Program in Mexico, which includes the IBRD and ISFL-financed Mexico Strengthening Entrepreneurship in Productive Forest Landscapes Project, seeks to address these challenges and strengthen forest management and conservation, as well as support entrepreneurship in four northern states of the country: Nuevo León, Coahuila, Chihuahua, and Durango.

Following the signing of the \$10 million ISFL grant agreement, Mexico's National Forestry Commission (CONAFOR) celebrated the ISFL Program's launch at an event held in June 2018, in Guadalajara, hosted by its General Director, Salvador Arturo Beltrán Retis. Since entering the ISFL program pipeline in 2017, Mexico has quickly progressed to implementation of activities.

This ISFL grant will foster the productivity of Mexico's forest sector, recognizing the role of landscapes in biodiversity conservation and forest production, and supporting the creation of sustainable income opportunities for rural populations. Through this support, the project aims to increase the business capacity of forest-dependent people and enterprises, promote collaboration between public and private actors in rural areas, and strengthen the role of women in governance and production.

The grant will also support the preparation of necessary tools, assessments, and systems to allow the government of Mexico to access results-based financing of up to \$50 million in ER payments. In this way, the program is also contributing to the long-term sustainability of CONAFOR's National Measurement, Reporting and Verification (MRV) Management Unit, which emphasizes GHG inventory accounting of forest landscapes with extensive livestock and silvopastoral systems. This support is important because accounting for ERs from agriculture, forestry, and other land use (AFOLU) for results-based payments on a *jurisdictional* scale has not yet been tested in Mexico.

Mexico's ISFL program may well serve as a model landscape ER intervention approach, which CONAFOR could scale up to the national level. By promoting the integration of productive forest management activities with forest conservation and restoration activities in the same territory, the ISFL program will play a key role in pioneering new directions in forest landscape investments in the country. It will also seek to ensure Mexico's current forest incentive program supports a wide variety of potential beneficiaries, such as communities and ejidos, small landowners, and forest enterprises to have a greater impact at landscape level.

ISFL funding will also play a unique role in developing green financial instruments to increase private sector investments in sustainable land-use activities while reducing pressure on natural capital. This is key in middle-income countries like Mexico that attract foreign and domestic investments in the agricultural and tourism sectors, especially in the context of Mexico's efforts to diversify away from reliance on the hydrocarbon sector as a significant source of economic revenue.



The ISFL program underpins Mexico's existing policy commitments to reducing deforestation and GHG emissions associated with land use. Mexico is at the forefront internationally in preparing and implementing a REDD+ mechanism under its National REDD+ Strategy (ENAREDD+). Mexico's ambitious NDC recognizes the essential role of forests in mitigation actions and set a target of zero percent net deforestation by 2030.

3.4.1 Private Sector Engagement

The ISFL program represents an innovative approach to implementation design led almost entirely by private sector players. Mexico has a unique land tenure situation in which most of the land is owned by communities and private landholders (the primary beneficiaries of the ISFL program investments). By supporting these beneficiaries in establishing and/or strengthening forest enterprises, the ISFL will be supporting entrepreneurship, increasing business capacities, fostering collaboration between public and private actors in rural areas, and strengthening the role of women in governance and production.

This type of support is important given that community forest enterprises and landowners in Mexico face several challenges in accessing financing for improving forest management practices. Although 65 percent of community forests have commercial potential, less than a quarter have developed forest management plans and less than 9 percent have evolved into community forest enterprises. The ISFL will partner with private sector enterprises to address these challenges.

The ISFL grant in Mexico leveraged a \$56 million loan from the IBRD; both contributions are being disbursed under the ISFL-implemented program. The loan complements ISFL grant financing aimed at providing investment opportunities for forest entrepreneurship and sustainable forest management. The ISFL grant and the IBRD loan together are investing in three priority areas: (i)

forest entrepreneurship and social capital, including support to regional forest promoters and social organizations; (ii) sustainable management of forest landscapes, which include silviculture and conservation and restoration practices; and (iii) transformation and access to markets, which supports all phases of the production chain, as well as the formation and strengthening of community forest enterprises. Implementation of these investments is now underway. In addition to the program's direct cofinancing, the government of Mexico has committed to contributing \$119 million to the program to further support the IBRD loan activities, bringing the total combined financing for the Mexico program to \$185 million.

In addition, the ISFL program will be supporting the government of Mexico's existing forest program initiatives where CONAFOR has already established strategic alliances with some of the largest private sector players in the country (Bimbo and Coca Cola). These initiatives aim to pilot a zero net deforestation value chain agreement in deforestation hot spots. For example, CONAFOR, in coordination with Pro Natura, has partnered with Coca-Cola and AZTECA TV to enhance forest conservation through reforestation campaigns.



PROGRAM PROFILE

Jurisdiction	Nuevo León, Coahuila, Chihuahua, Durango
Size of jurisdiction	58 million hectares
Population in jurisdiction	13.4 million people
Accounting area	TBD
Implementing agency	National Forestry Commission (CONAFOR)
ISFL funding	\$10 million in grant financing available
	\$4 million in funding for private sector engagement available
	Potential payments of up to 10 million tons of ERs
Co-financing	\$56 million IBRD loan for the Mexico Strengthening Entrepreneurship in Productive Forest Landscapes Project
	\$119 million in government financing (CONAFOR)

HIGH-LEVEL CONTEXT

Drivers of deforestation	Drivers of deforestation and forest degradation vary widely across the country. Land use changes in Mexico are a response to regional, national or international market pressures for the extraction of timber products, mining, converting forests to agricultural production areas, tourist, urban and industrial developments, and infrastructure projects (e.g., dams, roads and highways). Particularly in the ISFL Program area, key drivers are agricultural expansion and livestock production (cattle farming) Underlying institutional factors include low management capacity of communities and <i>ejidos</i> to conduct forest operations.
Key commodities and sectors	Agriculture and livestock production (cattle)
Policy interactions and Green Growth strategies	The National Climate Change Strategy the Environment and National Resources Sector Program 2013–18 (PROMANART), the Special Program on Climate Change (PECC) and the National Forestry Program 2014–2018 (PRONAFOR) set reducing emissions from deforestation and forest degradation as a priority through the National REDD+ Strategy (ENAREDD+). The General Law on Sustainable Forestry Development (LGDFS) establishes the legal framework for financial payments for changes in land use in forests. This will serve as an important basis to inform benefit sharing arrangements and legal transfer of credits from emissions reductions payments. General Law on Climate Change (LGCC) which sets out a framework for the development of Mexico's Forest Registry. Mexico has instituted a series of forest incentive programs, for example the Payment for Environmental Services Program (supported by the World Bank), which, since 2003, has spearheaded the application of economic instruments for forest conservation and the promotion of sustainable forest management practices.
NDC commitments	Commitment to reduce GHG emissions by 25 percent compared with BAU levels by 2030. Establishes goal of 0% net deforestation by 2030

PROGRAM TIMELINE

2017

Entry into ISFL pipeline

Program design
completed

2018

Grant agreement signed
with government

2019

Letter of Intent signed
with government

ERPD finalized

2020

ERPA signed with
government



3.5 ZAMBIA

Clearing forests for agriculture, charcoal, and fuelwood production are among the primary drivers of deforestation in Zambia, particularly in the country's Eastern Province. With an area of more than 5 million hectares, Eastern Province is home to miombo forests and grasslands that contain large, globally significant biodiversity areas, including the Luangwa Valley. Most of the province's 1.7 million people live in rural areas and depend on agriculture, forests, and wildlife for their livelihoods. However, rural development in Eastern Province has been challenged by unsustainable human activity that is driving deforestation, land degradation, and wildlife depletion.

The **Zambia Integrated Forest Landscape Program** (ZIFL-P) addresses these challenges by improving landscape management and increasing the environmental and economic benefits for targeted rural communities in Eastern Province. By curbing unsustainable agricultural expansion and enhancing the benefits derived from forestry, agriculture, and wildlife, the project seeks to achieve ERs of approximately 35 million tons and reduce communities' vulnerability to the impacts of climate change.

The ZIFL-P reached an important milestone in April 2018 with the signing of an \$8 million grant from the ISFL. Moving into program delivery, the ZIFL-P grant focuses on strengthening the enabling environment for improved landscape management and undertaking activities and investments to improve rural livelihoods, conserve ecosystems, and reduce GHG emissions.

In addition to the ISFL grant, the program has leveraged an additional \$17 million from the International Development Association (IDA) and just over \$8 million from the GEF, totaling more than \$33 million in direct finance to support ZIFL-P.

The ZIFL-P takes an integrated approach to improving forest and wildlife management, agricultural productivity, and land tenure. Targeted activities focus on integrating sustainability

requirements in the region's policies, enforcement efforts, and future investments, while creating the enabling environment and directly addressing the main barriers to private sector investment in Eastern Province. Specifically, the ZIFL-P is working with local institutions to improve tenure security and land-use planning at different spatial scales.

For example, the program is using participatory approaches to support local planning to determine the optimal mix and spatial configuration of land-use options at the local level. Well-designed local land-use plans together with established land tenure rights could incentivize land management and have positive impacts on agriculture, energy, forests and woodlands, wildlife conservation, and livelihoods in selected deforestation and forest degradation hot spots across Eastern Province.

On-the-ground activities are scaling up climate-smart agriculture in the province, enhancing agro-ecosystem resilience, and improving community forestry management. These activities involve working with farmers to improve soil fertility management and engaging agribusiness to enhance market access for smallholder farmers.

The ZIFL-P is also establishing the institutional arrangements required for purchases of up to 6 million tons of ERs, through the development of an ER framework. This includes supporting the development of key instruments, such as MRV systems, to establish the enabling environment for ER payments. An ERPA to release results-based payments for ERs is expected to be in place by 2020.

The ZIFL-P has been designed in the context of the country's broader development agenda, known as *Vision 2030*, which aims to make Zambia a "prosperous middle-income country by 2030." *Vision 2030* sets goals for reduced deforestation and improved agricultural practice, particularly for farmers in Eastern Province. The ZIFL-P is also helping to inform Zambia's national REDD+ strategy, serving as a pilot for jurisdictional REDD+ adaptation, replication, and expansion throughout the country. The program is also working closely with other programs targeting improved agricultural practices.³

3 These include the World Bank Zambia Agribusiness and Trade project; the Community Markets for Conservation (COMACO) Landscape Management project; the Conservation Agriculture Scaling-Up Project; the Regional Agricultural Productivity Program for Southern Africa; the HarvestPlus Program; and the Conservation Farming Unit – Climate-Smart Agriculture Zambia Program.

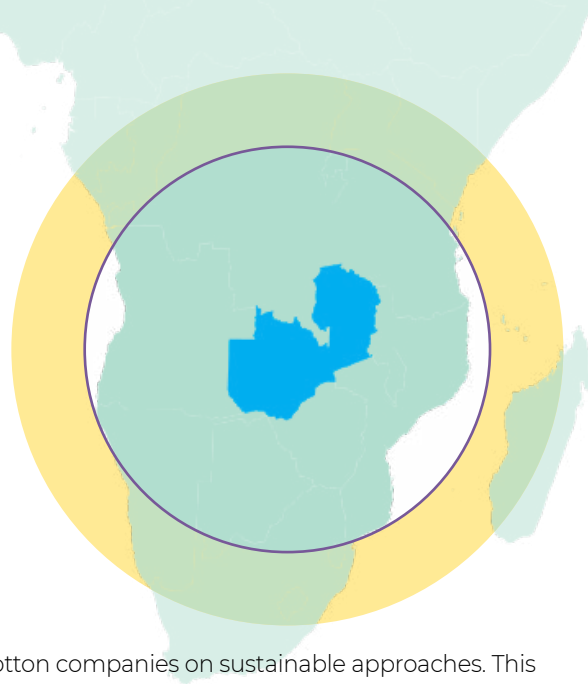
3.5.1 Private Sector Engagement

To address agricultural expansion as a direct cause of deforestation, the ZIFL-P is helping to foster partnerships with the private sector, including agribusiness companies, for community-based natural resource management and private sector investments to improve land management practices in Eastern Province. Through a Chipata Roundtable – a forum to bring together relevant program stakeholders – the ZIFL-P has been scoping opportunities for private sector partnerships by closely engaging with cotton producers, sustainable agricultural producers, agro-dealers, community enterprise development organizations, forestry companies, and tobacco companies.

One focus area for ZIFL-P engagement has been the cotton sector – one of the main cash crops in Eastern Province – to understand what is needed to operationalize sustainable, zero-deforestation practices. An ISFL-funded analysis of zero-deforestation approaches for cotton production has been well received by cotton companies in Eastern Province, and opportunities are being identified to test the implementation of these approaches by various means, including support to

cotton companies on sustainable approaches. This analysis includes zero-deforestation approaches for all agricultural commodities produced by cotton company smallholders and could therefore affect the sustainability of many commodities.

Besides remaining focused on the agriculture sector, the ZIFL-P aims to increasingly engage with Eastern Province private sector actors in other areas such as charcoal and fuelwood, eco-tourism, and game hunting.



PROGRAM PROFILE

Jurisdiction	Eastern Province
Size of jurisdiction	5.1 million hectares
Population in jurisdiction	1.6 million
Accounting area	5.1 million hectares
Implementing agency	Interim Climate Change Secretariat
ISFL funding	\$250,000 preparation grant \$7.75 million implementation grant \$4 million available for private sector engagement Potential payments of up to 6 million tons of ERs
Co-financing	\$8.1 million in GEF financing \$17 million IDA loan

HIGH-LEVEL CONTEXT

Drivers of deforestation	The main drivers of deforestation in Eastern Province are agricultural expansion, with maize and cotton as important production crops, and fuelwood harvesting for charcoal or firewood. The clearing of forests for agriculture in the province is driven by the need for new land for cultivation due to: (i) declining soil fertility on existing agricultural land due to poor farming practices; and (ii) expanding scale of production to improve incomes and food security. The unregulated collection of fuelwood is often a precursor to agricultural expansion.
Key commodities and sectors	Cotton, maize, fuelwood for charcoal or firewood
Policy interactions and Green Growth strategies	The Wildlife Act 2015 calls on communities to form enterprises to advance the conservation of parks. This legislation seeks to address the complicated legal process for establishing a community enterprise in Zambia. National REDD+ Strategy. The government of Zambia, through support from the Forest Investment Program administered by the World Bank and U.N. agencies, is embarked on a National REDD+ Readiness process, which includes the development of a National REDD+ strategy. Zambia intends to reduce its GHG emissions, in line with its commitments under the Paris Agreement by implementing three programs driven by the country's Climate Response Strategy and supported by national development policies related to energy, forestry, agriculture, water, town and country planning, sanitation, and transport. The three programs focus on: (i) sustainable forest management; (ii) sustainable agriculture; and (iii) renewable energy and energy efficiency.
NDC commitments	Zambia has committed to a reduction in GHG emissions of 25 percent by 2030, or by 47 percent if substantial international financial support (roughly defined as \$35 billion) is forthcoming. For both scenarios, the government plans to achieve most of its ERs through investments in sustainable land use and forestry management.

PROGRAM TIMELINE

2015

Entry into ISFL pipeline

2017

Program design completed

LOI with government signed

Grant Agreement signed with government

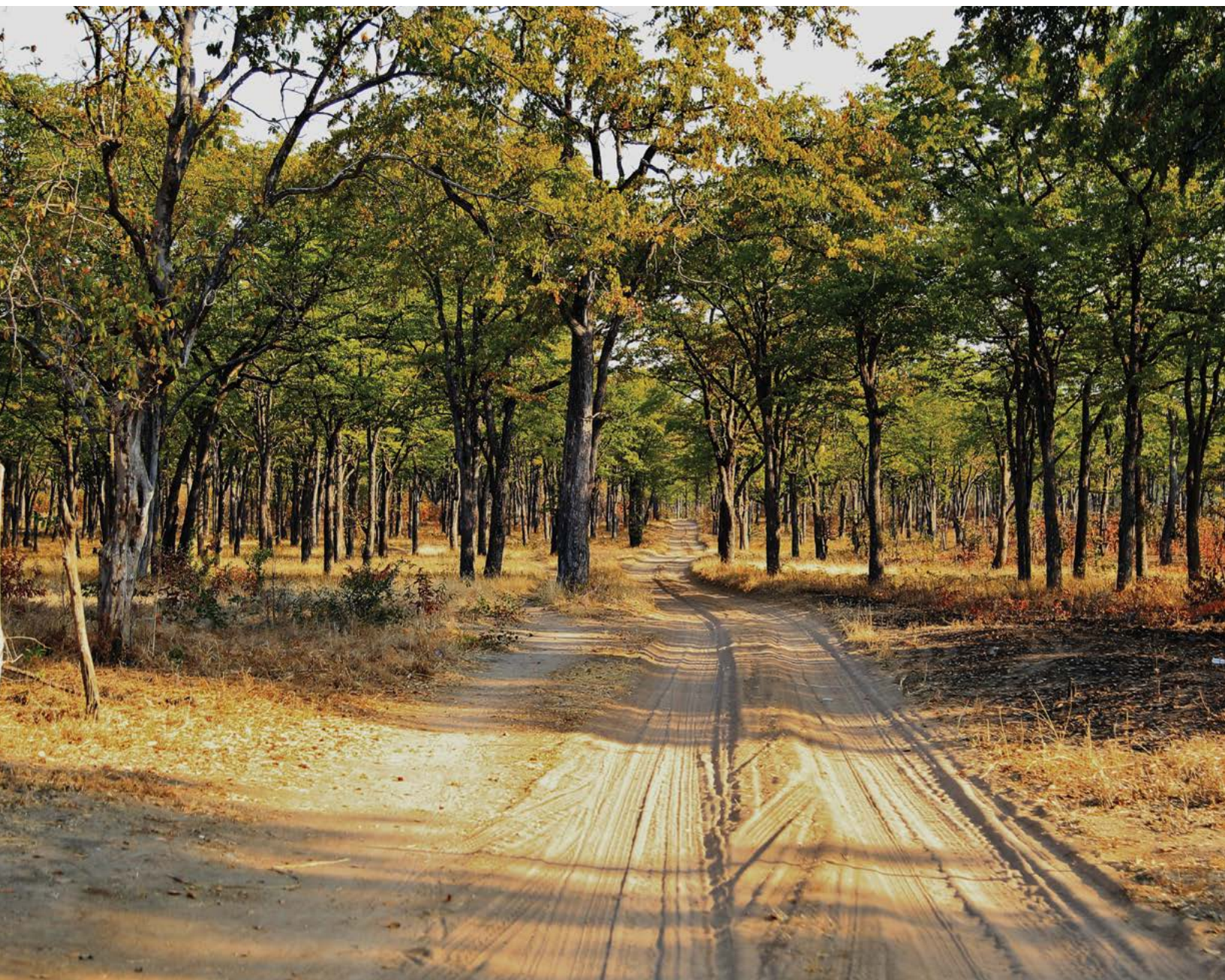
2020

ERPD finalized

ERPA signed with government

RESULTS

# of engagements established with the private sector	2: Cargill, pilots on community ecotourism and game management area revenue-sharing business models
# of engagements established with not-for-profit organizations	1: COMPACI on zero-deforestation approaches for cotton
# coordination platforms supported	3: Chipata Roundtable, Eastern Province Development Coordinating Committee, District Development Coordinating Committee
Environmental and Social Management Framework (ESMF) completed	✓
Feedback and Grievance Redress Mechanism (FGRM) completed	✓



Leveraging Resources at the Jurisdictional Level

The jurisdictional approach of ISFL is premised on effecting change across large areas. To effect sufficient change it is therefore critical that the project use its activities so as to leverage additional resources to contribute to the initiative objectives.

4.1 LEVERAGING FUNDING FOR ISFL PROGRAMS

The ISFL is committed to working with private and public sector partners to leverage investment finance for sustainable land use. Combined with roughly \$40 million in direct financing, the ISFL has leveraged

over \$90 million in investments from the private sector and public sources (including IDA, IBRD, and GEF). This leveraged finance maximizes the impact of ISFL programs by enabling critical investments needed to scale up sustainable land-use efforts.

Following the example set in Ethiopia last year (box 4-1), the ISFL has leveraged an estimated \$91.5 million through grant and loan financing as well as private sector partnerships in Zambia, Mexico, and Colombia (table 4-1). This past year has shown that crowding in investment and participation offers many benefits – by creating synergies and making investments in sustainable land-use activities more effective.



TABLE 4-1. OVERVIEW OF ISFL LEVERAGED FINANCE

ISFL Funding	Leverage
\$3 million to the Nespresso Sustainability Innovation Fund to increase sustainable coffee production in Oromia, Ethiopia	\$3 million IFC loan to Nespresso for investments to support sustainable coffee production in Oromia
\$8 million in grant financing to Zambia for the ZIFL-P	\$25 million from GEF and IDA for the ZIFL-P, focused on forestry, agriculture, wildlife management, and land tenure
\$10 million in grant financing for the ISFL Mexico program	\$56 million IDA loan for the ISFL Mexico program, focused on forest entrepreneurship and forest management
\$1.5 million in technical assistance for Alquería to improve sustainable dairy production in Orinoquía, Colombia	\$1.5 million from Alquería for investments to support sustainable dairy production in Orinoquía
\$20 million in grant financing to Colombia for the OSILP	\$5.9 million in GEF financing to generate enabling conditions for sustainable land-use management in areas of high biodiversity and ecosystem value in the Orinoquía region

Note: GEF = Global Environment Facility; IDA = International Development Association (of the World Bank Group); ISFL = Initiative for Sustainable Forest Landscapes; OSILP = Orinoquía Sustainable Integrated Landscape Program; ZIFL-P = Zambia Integrated Forest Landscape Program.



BOX 4-1. LEVERAGE EFFECT IN ETHIOPIA

Last year, the ISFL established a first-of-its-kind partnership with Nespresso and TechnoServe through the IFC in Ethiopia. This partnership provides \$3 million to support farmers in increasing the uptake of sustainable coffee production practices and has been combined with a \$3 million loan funded by the IFC to support smallholder coffee farmers and producer wet mill businesses in Ethiopia and Kenya. This landmark deal has served as an important demonstrator of the potential for the ISFL to leverage finance and program activities needed to galvanize and scale implementation of sustainable land-use practices.

4.2 DEVELOPING PRIVATE SECTOR PARTNERSHIPS

The ISFL uses private sector partnerships not only to leverage finance for additional program activities but also to collaborate on sustainability approaches, convening stakeholders, and working toward complementary goals across program landscapes (box 4-2). This year, the ISFL established a successful partnership in Colombia with IFC and Alquería, one of Colombia's largest dairy processors. In Zambia, Mexico, and Indonesia, the ISFL is working closely with the private sector to identify private sector entry points and opportunities for future partnerships.

In Ethiopia, the existing partnership between Nespresso, TechnoServe, and IFC continues to support farmers in improving sustainable coffee production across the state of Oromia. The ISFL program has to date trained over 18,744 farmers, 30 percent of whom are women, on sustainable coffee production practices through its partnership with Nespresso, TechnoServe, and IFC. In addition, 35 additional wet mills for processing coffee beans have been registered with Nespresso's AAA Sustainable Quality Program™ this year and Nespresso has been able to leverage co-funding from IDH to support improvements to the mills.



BOX 4-2. ISFL PRIVATE SECTOR ENGAGEMENT APPROACH

The ISFL grant funding creates entry points for engaging with and leveraging finance from the private sector—through regulations, capacity for enforcement, land-use planning, extension services, and other activities. Dialogues with the private sector and other key stakeholders on these opportunities begin early in the design phase of ISFL programs to help build trust between the government and the private sector, raise ambition to go beyond already adopted practices, and overcome some inherent mismatches in timelines and expectations between these two groups.

The ISFL has defined how it will interact with the private sector and prioritize interventions in its Private Sector Engagement Approach. It has identified three ways of working together with the private sector to take advantage of the initiative's added value:

- **Cooperative engagements:** The ISFL is pursuing cooperative action to direct global private sector efforts and investments to ISFL jurisdictions. Rather than starting from scratch, the ISFL is finding ways to support and expand existing work by champions of sustainable land use and build on existing capacity and knowledge.
- **Industry commitments:** ISFL programs support private sector commitments and actions (by companies or industries), including the creation and implementation of sustainability and zero-deforestation policies and sourcing standards. To bridge the gap between high-level corporate pledges and operations on the ground, the World Bank Group (WBG) is reaching out to companies, encouraging sustainability units to collaborate with ISFL programs.
- **Private sector deals:** The WBG is partnering directly with global and local companies, among others, through IFC, to leverage private sector investments in ISFL jurisdictions.

ISFL will continue to build upon and expand these initial initiatives in collaboration with the private sector across all five countries of operation. ISFL intends to continue working at multiple levels to maximize impact and leverage and draw as much private sector investment as possible. While the collaboration with individual firms to date has been positive, in the future ISFL will attempt to maximize its leverage by targeting the sector level to promote sustainable practices and encourage take-up and adoption by multiple firms and actors within the jurisdictions. Using a range of mechanisms including investment promotion, business advisory services, and linkages between small and medium-sized enterprises (SMEs) and large firms, the goal will be to reach a much larger scale to maximize the impact within each region.

The following is a summary of results achieved and lessons drawn through private sector engagement across ISFL programs this year:

In **Colombia**, the IFC and Alquería partnership demonstrates how partnerships can result in joint investments to develop climate-smart dairy production. Specifically, the partnership seeks to reduce GHG emissions by 25 percent and ensures Alquería's milk is produced in verifiable, deforestation-free environments. Working with responsible companies like Alquería in regions such as Orinoquía, can provide a strong and scalable demonstration effect on how to develop dairying that minimizes development and deforestation in new, highly biodiverse areas.

In **Ethiopia**, the ISFL program has trained more than 18,744 farmers (30% of whom are women) on sustainable coffee production practices in partnership with Nespresso, TechnoServe, and IFC. The program has reached over half its target of total farmers in just six months. Also, 35 additional wet mills for processing coffee beans have been registered with Nespresso's AAA Sustainable Quality Program™. Nespresso has been able to leverage co-funding from IDH (The Sustainable Trade Initiative) to support improvements to the mills.

In **Zambia**, the ZIFL-P is supporting the Competitive African Cotton Initiative, which is a group of cotton companies operating in Eastern Province that has collectively committed to zero deforestation. Based on ISFL's analysis, the group is working with the ZIFL-P to explore ways to adopt the proposed actions in their operations. This engagement could result in valuable lessons on the challenges and opportunities for companies seeking to operationalize zero-deforestation commitments and may not require additional financial support from the ISFL.

In **Indonesia**, the ISFL and IFC have jointly conducted a diagnostic study on private sector engagement and development pathways in landscape approaches to reduce emissions from land use activities in Jambi province. The diagnostic identified: (i) the key commodities in Jambi leading to deforestation and GHG emissions; (ii) important and viable alternative crops for livelihoods; (iii) major supply chain actor involved in the key crops; and (iv) case studies of on-going activities in Jambi or similar Indonesian provinces that could be funded and/or scaled up. This study serves as an important input to the design and development of the ISFL Indonesia program in Jambi.

In **Mexico**, the ISFL program has linked forest management to economic opportunities, while in tandem promoting conservation. It focuses on providing business development support to local communities and other landholders in sustainably managing forest resources. Moreover, the private sector is at the heart of the program's delivery model. By supporting landholding beneficiaries in establishing and strengthening forest enterprises, the ISFL grant along with the IBRD loan are supporting entrepreneurship and public/private collaboration to address land-use challenges. Further, the ISFL program will be supporting the government's existing initiatives to promote zero-deforestation approaches by some of the largest private sector organizations in the country, such as Bimbo and Coca Cola.

Priorities for Next Year

As outlined in this Annual Report, country programs have laid critical foundations necessary for ISFL program implementation, through program design, grant mobilization and partnership development. The next phase of the program will focus on moving into on-the-ground implementation to build institutional capacity and scale efforts to establish effective partnerships and leverage private investment which improves the livelihoods of communities while protecting the environment by reducing GHG emissions and reducing deforestation.

As programs move rapidly into implementation, the ISFL will continue to align its strategic priorities with international goals and national policy commitments (box 5-1), as well as with the World Bank's Forest Action Plan and Climate Change Action Plan. These areas of policy focus provide an important foundation for the ISFL in its continued pursuit of improving livelihoods and natural resource management around the world.

KEY PRIORITIES OVER THE COMING YEAR INCLUDE:



Initiating progress toward ERPDs and ERPAs;

Building MRV systems in preparation for ER payments;

Expanding private sector participation and crowding in private investment.



BOX 5-1. DELIVERING IN LINE WITH INTERNATIONAL GOALS AND NATIONAL PRIORITIES

The Paris Agreement

As part of the 2015 Paris Agreement, countries prepared Nationally Determined Contributions (NDCs), which spell out how they commit to reducing their emissions. More than 100 countries included forests and land use in their NDCs, with over half of these countries presenting one or more targets for reducing GHG emissions from these sectors. 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

Since 2013, several actors, including the private sector, have made important public statements to signify their commitment to forests, land use, and climate stabilization. For example, the New York Declaration on Forests committed governments, private sector companies, and civil society organizations to halt deforestation globally. A total of 14 developing countries that signed the New York Declaration on Forests further committed to achieving greater reductions of GHG emissions through international collaboration as part of the Lima Challenge. Moreover, the Bonn Challenge builds on international commitments to ultimately restore 350 million hectares of deforested and degraded land globally. These declarations and challenges, among others, further demonstrate a country's commitment and 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, in 2016 committed to action plans for both forests and climate change. These plans provide guideposts for the World Bank Group's strategic engagement on these issues in-country. Furthermore, they provide a strategic foundation for the ISFL and validate the relevance of the ISFL's vision.

APPENDICES

APPENDIX A – ISFL LOGFRAME

The ISFL Logframe⁴ is derived from the theory of change and its purpose is to serve as a reference for operational planning; monitoring of progress of the initiative toward its objectives; and evaluating its overall performance and impacts. As with all Logframes, it is not a static blueprint for implementation but rather a flexible tool that can be adjusted as progress is made and lessons are learned.

Figures for targets are based on the best estimates of the ISFL at the time the Logframe is published. Target values will be updated based on information from each ISFL program's results framework once it is finalized in the corresponding program's design document (program/project appraisal document or PAD) and as future programs are added to the ISFL portfolio.

The ISFL fund management team is responsible for maintaining the Logframe and will consider re-baselining targets if and when it receives the following inputs:

- New or adjusted ISFL program results frameworks (typically at the development of a PAD, midterm review of the program, or at the time of program restructuring, if any);
- ISFL evaluations;
- Extraordinary events occurring in ISFL program areas that significantly alter Logframe targets.

Impact and outcome indicators are mandatory, that is, all ISFL programs need to make every effort to include these in their respective results frameworks if they are relevant to their specific program. Output indicators, on the other hand, are optional. ISFL program teams are strongly encouraged to include these output indicators in their respective results frameworks to allow maximum aggregation of results for the initiative. Given the wide variance in program designs, it is understood that the adoption rate of output indicators will be lower than of the impact and outcome indicators.

All targets are cumulative. This report covers progress made cumulatively through the World Bank's 2018 fiscal year (ending June 30, 2018).

Some things to note:

- Colombia, Ethiopia, Mexico, and Zambia have developed results frameworks as of July 2018 and have been aggregated in this version of the Logframe. This is reflected in the column 'Countries currently reporting on indicator' with C, E, M or Z.
- The addition of Mexico to the ISFL pipeline is reflected in cross-cutting outputs and Tier 3 indicators.
- Targets for Zambia and Mexico for Tier 1, outcomes 1 and 2, and outputs 1 and 2 are discounted on account of formal cofinancing arrangements; 24 percent of total results are anticipated for the Zambia program and 15 percent of total results are anticipated for the Mexico program.

4 The Logical Framework, or Logframe, is one of the principal tools used by the international development community to help design projects to achieve measurable results. It has been in use at the World Bank since 1997 and is the core reference document throughout the project management cycle.

	Baseline (2014)	Targets			EOP Target (2031)	Countries Reporting on Indicator	2018 Results
		Target 1 (2019)	Target 2 (2021)	Target 3 (2026)			
Tier 1 (Impact): Contribute to low carbon development by delivering benefits to communities and reducing GHG emissions in ISFL program areas and catalyzing programs beyond the ISFL.							
1. Number of people reached with benefits (assets and/or services) from ISFL programs (% women)	0	16,053 (Average 15%)	84,355 (Average 28%)	147,762 (Average 28%)	147,762 (Average 28%)	C, E, M ⁶ , Z	1,648 ⁷ (8%)
2. GHG emission reductions in ISFL program areas	[Indicator targets to be developed once included in an ISFL program's results framework]						N/A
3. Non-ISFL programs replicate or incorporate ISFL approaches in their program design	No	No	Yes	Yes	Yes		
Tier 2 (outcome)							
Tier 2 Outcome 1: Improve land management and land use, including forest cover.							
1.1 Total natural forest area in ISFL program areas	[Indicator targets to be developed once included in an ISFL program's results framework]						
1.2 Reduction in deforestation as compared to a reference level in ISFL program areas	0	0	2,977	5,849	5,849	Z	N/A
1.3 Emission reductions from forest degradation as compared to a reference level in ISFL program areas (tCO ₂ e)	[Indicator targets to be developed once included in an ISFL program's results framework]						
1.4 Land area reforested or afforested in ISFL program areas (ha)	0	5,047	24,210	37,939	37,939	E	N/A
1.5 Land users who have adopted sustainable land management practices (% women) as a result of ISFL support, including in the following sectors where relevant: – Forestry – Agriculture – Other	0	9,803 (Average 20%)	53,799 (Average 23%)	88,366 (Average 30%)	88,366 (Average 30%)	E, M ⁹ , Z	N/A ⁸
Tier 2 Outcome 1 – Outputs							
1.1 Total land area brought under sustainable management plans as a result of ISFL support, including where relevant (ha): – Forest plans – Biodiversity plans – Land use plans – Other	0	38,977	1,845,339	4,829,630	4,829,630	C, E, M, Z	N/A
1.2 Total land area under sustainable landscape management practices as a result of ISFL support, including where relevant (ha): – Forestry – Agriculture – Other	0	1,447	29,492	59,189	59,189	M, Z	N/A
1.3 Land users who have received training for improving land management (% women)	0	13,250 (Average 15%)	27,500 (Average 28%)	30,000 (Average 28%)	30,000 (Average 28%)	C, E	1,648 (8%)

6 No disaggregation was given by Mexico when setting targets.

7 Only Ethiopia reported for 2018

8 No disaggregation was reported by Mexico

9 No countries reported in 2018 on this indicator

	Baseline (2014)	Targets			EOP Target (2031)	Countries Reporting on Indicator	2018 Results
		Target 1 (2019)	Target 2 (2021)	Target 3 (2026)			
1.4 Land users who have received training for agricultural productivity (% women)	0	17,000 (No % Target)	17,000 (No % Target)	17,000 (No % Target)	17,000 (No % Target)	E	18,744 (30%)
1.6 Government officials who have received technical training on ISFL interventions	[Indicator targets to be developed once included in an ISFL program's results framework]						
1.7 Number of government institutions provided with capacity building to improve land use management	[Indicator targets to be developed once included in an ISFL program's results framework]						
Tier 2 Outcome 2: Deliver benefits to land users							
2.1 Number of communities or organizations that have received benefits (assets and/or services) from emission reduction payments	[Indicator targets to be developed once included in an ISFL program's results framework]						
2.2 Number of people involved in income generation activities due to ISFL support (% women)	[Indicator targets to be developed once included in an ISFL program's results framework]						
Tier 2 Outcome 2 – Outputs							
2.1 Number of approved benefit-sharing plans established for emission reductions payments	0	3	5	5	5	C, E, I, M, Z	0
2.2 Volume of emission reductions purchases from ISFL programs	[Indicator targets to be developed once included in an ISFL program's results framework]						
Tier 2 Outcome 3: Leverage partnerships with and between the public and private sectors to advance the ISFL vision and approach							
3.1 Volume of for-profit private sector finance leveraged to contribute to ISFL objectives	0	[Indicator will be reported on each year. Targets will not be included.]				C, E	\$4.55 million
3.2 Volume of not-for-profit finance (public or private) leveraged to contribute to ISFL objectives	0	[Indicator will be reported on each year. Targets will not be included.]				C, M, Z	\$86.95 million
3.3 Number of people in private sector schemes adopting sustainable practices	[Indicator targets to be developed once included in an ISFL Program's results framework]						
Tier 2 Outcome 3 – Outputs							
3.1 Number of partnerships established with for-profit private sector organizations due to ISFL support	0	3	4	4	4	C, E, I, M, Z	2
3.2 Number of partnerships established with not-for-profit organizations/initiatives (public or private) due to ISFL support	0	3	4	4	4	C, E, I, M, Z	2
3.3 Number of engagements established with for-profit private sector organizations due to ISFL support	0	4	8	12	12	C, E, I, M, Z	6
3.4 Number of engagements established with not-for-profit organizations/ initiatives (public or private) due to ISFL support	0	2	4	8	8	C, E, I, M, Z	6
3.5 Number of coordination platforms supported	0	[Indicator will be reported on each year. Targets will not be included.]				C, E, I, M, Z	6

	Baseline (2014)	Targets					EOP Target (2031)	2018 Results
		Target 1 (2017)	Target 2 (2018)	Target 3 (2020)	Target 4 (2022)	Target 5 (2026)		
Tier 3: High-quality tools and approaches are in place to ensure that ISFL goals and objectives are achieved in a timely manner								
1. Volume of grants committed under ISFL to create an enabling environment for emission reductions	0	18.75	39.5	71.0	71.0	71.0	71.0	56
2. Volume of grants disbursed to ISFL programs	0	3.25	19.25	30.5	38.5	69.5	69.5	3.26
3. Volume of emission reductions purchase agreements committed to ISFL programs	[Indicator targets to be developed indicatively by end of December 2018]							N/A
4. Number of emission reductions purchase agreements signed	0	0	1	3	5	5	5	0
5. Number of ISFL target countries that are officially included in the ISFL pipeline	0	3	4	5	5	5	5	5
6. Number of countries with programs under implementation	0	1	3	5	5	5	5	4
7. Number of ISFL programs that develop a Strategic Environmental and Social Assessment (SESA) and Environmental and Social Management Framework (ESMF)	0	1	1	3	5	5	5	1
8. Number of documents made public in order to share ISFL approaches and lessons learned	0	10	15	20	25	30	37	15
9. Number of ISFL knowledge dissemination events carried out	0	2	3	5	6	10	15	9
10. Percentage of participants who rate ISFL knowledge dissemination events as ‘overall satisfactory (useful)’	0	≥75%	≥75%	≥75%	≥75%	≥75%	≥75%	N/A ¹⁰
11. Percentage increase of unique and returning visitors to the ISFL website	0	0.50%	1%	3%	5%	10%	15%	43%
12. An ISFL Monitoring, Evaluation, and Learning Framework is developed and updated, as necessary	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
13. Number of external evaluations/ assessments carried out at initiative and program levels	0	0	0	3	4	6	8	0
14. ISFL ER Program Requirements (GHG accounting approach, etc.) finalized	No	No	Yes	Yes	Yes	Yes	Yes	Yes
15. An ISFL Private Sector Engagement Approach is developed and updated, as necessary	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
16. An ISFL long-term financial plan is developed and updated annually	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
17. An approach for managing pipeline risk is agreed and adjusted, as necessary	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes

10 No information was reported this year.

	Baseline (2014)	Targets					EOP Target (2031)	2018 Results
		Target 1 (2017)	Target 2 (2018)	Target 3 (2020)	Target 4 (2022)	Target 5 (2026)		
Cross-cutting outputs for ISFL program design and preparation.								
CC1 Number of funded technical studies completed	0	18	21	23	25	29	32	20
CC2 Number of stakeholders consulted on ISFL programs following WB safeguard policies (% women)	0	N/A	N/A	[Indicator will be reported on each year. Targets will not be included.]				350,926 ¹¹
CC3 Number of countries that develop a grievance redress mechanism	0	0	3	3	5	5	5	2
CC4 Number of workshops held to prepare an ISFL program	0	14	16	30	30	30	30	28
CC5 Number of project concept notes approved for ISFL programs	0	3	3	5	5	5	5	5
CC6 Number of project appraisal documents (project design documents) approved for ISFL programs	0	2	3	5	5	5	5	4
CC7 Number of project manuals or other administrative documents completed	0	1	1	5	6	6	6	3
CC8 Number of Emission Reductions Program Documents completed	0	0	0	4	5	5	5	0

11 No disaggregation was reported this year.



APPENDICES

APPENDIX B — FINANCIAL REPORTS FOR FISCAL YEAR 2018

The World Bank Group's fiscal year 2018 covers the period from July 1, 2017, through June 30, 2018, inclusively.

BIOCFPLUS

Fund Sources

Table A-1 reflects the realignment of pledged contributions in which the United Kingdom, through its agencies Department for Business, Energy & Industrial Strategy (BEIS) and Department for Environment, Food and Rural Affairs (DEFRA), agreed to transfer part of its contributions from BioCF T3 to BioCFplus to address critical gaps for ISFL programs. The BioCFplus total pledged contributions have therefore increased, with a corresponding decrease in the BioCF T3 totals, subject to fluctuations due to foreign exchange rate changes.

TABLE A-1. TOTAL BIOCFPLUS CONTRIBUTIONS BY DONOR

AS OF JUNE 30, 2018 (\$, MILLIONS)

Donor	Ministry Department	Total Pledged Contributions	Received Cumulative to FY18	Outstanding
Germany	BMU	43.60	43.60	-
Norway	NICR	19.22	7.98	11.23
United Kingdom	BEIS	12.74	-	12.74
	DEFRA	18.26	-	18.26
United States of America	DOS	35.00	35.00	-
Total		128.82	86.57	42.24

Note: Foreign exchange rates have been applied to outstanding contributions and may fluctuate. BMU = Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (Germany); NICR = Norway's International Climate and Forest Initiative; BEIS = Basic Education Information System; DEFRA = Department for Environment, Food and Rural Affairs (United Kingdom); DOS = Department of State (United States).

Fund Uses

Most expenses to date for the ISFL have been accrued by BioCFplus. ISFL Initiative Activities are expenses that are not attributable to one specific ISFL program but contribute to the ISFL's *global* work programs. These expenses, cumulative through FY18, have been paid by BioCFplus. ISFL Initiative Activity expenses are to be split between BioCFplus (65 percent) and BioCF T3 (35 percent). Once the proposed BioCF T3 Multiple-Donor Trust Fund is created, Initiative Activity expenses will be charged exclusively to this trust fund to catch up on the proportional 65/35 percent split.

TABLE A-2. BIOCFPLUS EXPENSES CUMULATIVE

THROUGH END OF FY18 (\$, MILLIONS)

Use of Funds	Total Cumulative to FY18
Initiative Activities	5.30
Country Activities	9.24
Colombia	1.80
Ethiopia	4.78
Indonesia	0.22
Mexico	0.03
Zambia	2.41
Fees	3.00
Financial Management	-1.19
Total Use of Funds	16.34

BIOCF T3

Fund Sources

TABLE A-3. TOTAL BIOCF T3 CONTRIBUTIONS BY DONOR

AS OF JUNE 30, 2018 (\$, MILLIONS)

Donor	Ministry Department	Total Pledged Contributions	Received Cumulative to FY18	Outstanding
Norway	NICFI	95.71	95.71	-
United Kingdom	BEIS	53.09	0.64	52.45
	DEFRA	67.37	0.76	66.62
United States of America	DOS	6.95	6.95	-
Total		223.12	104.06	119.06

Note: Foreign exchange rates have been applied to outstanding contributions and may fluctuate.

As stated in the preceding section, the BioCF T3 multiple-donor trust fund has yet to be created. Therefore, no expenses and uses of funds are reported here.







BioCarbon Fund
Initiative for Sustainable Forest Landscapes