BioCarbon Fund
Initiative for Sustainable Forest Landscapes

THE WORLD BANK
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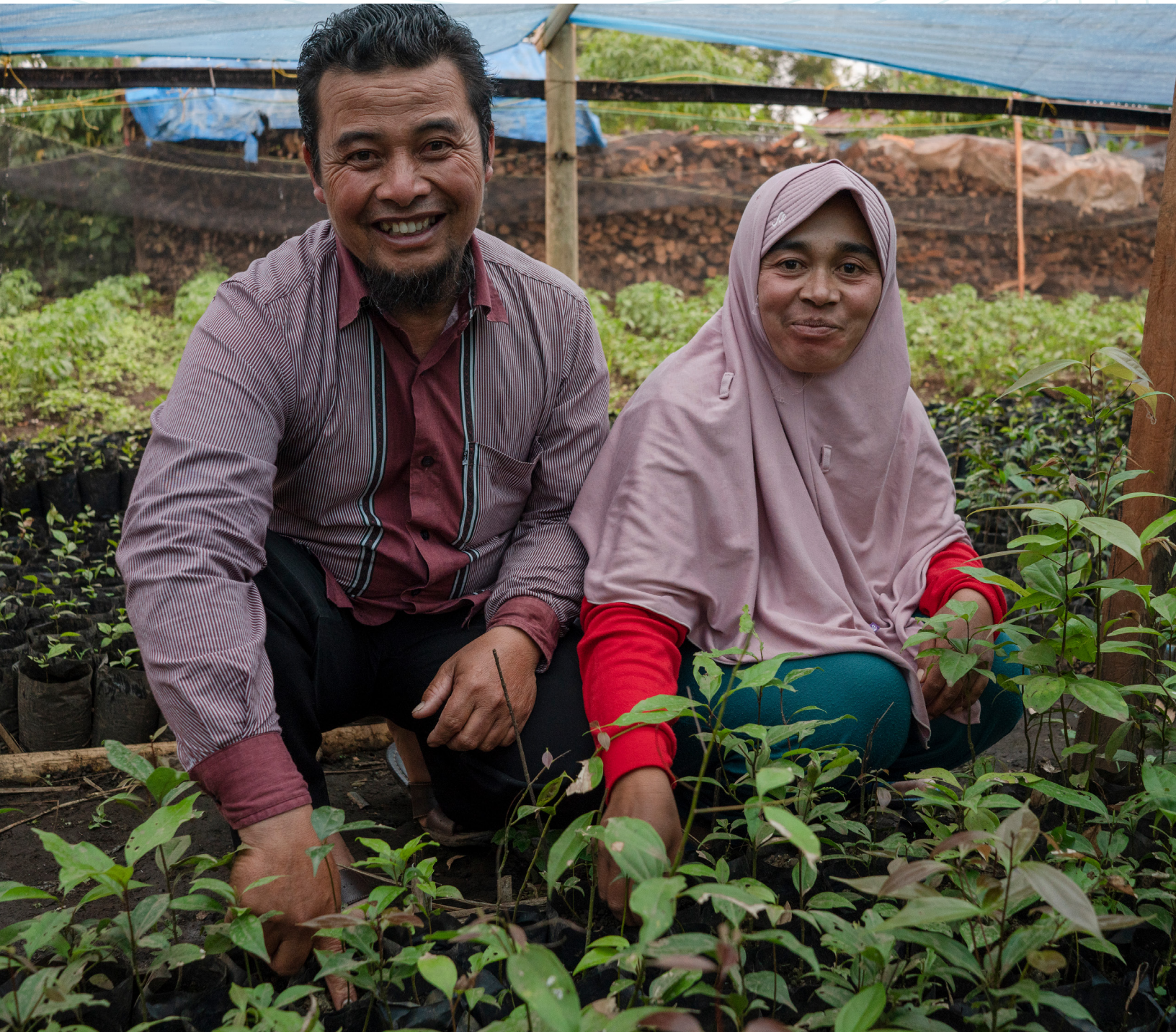
BioCarbon Fund Initiative for Sustainable Forest Landscapes:

Mid-Term Evaluation Summary

June 2024



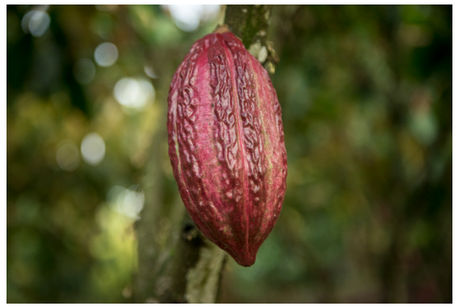
1. Context

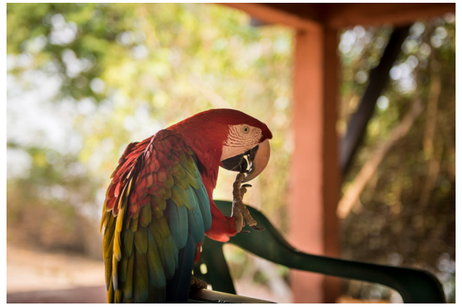
Launched in 2013, the BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL) is a multilateral fund supported by donor governments and managed by the World Bank. It represents a pioneering and ambitious effort to promote the reduction of greenhouse gas emissions through the use of jurisdictional Agriculture, Forestry, and Other Land Use (AFOLU) approaches across five countries: Colombia, Ethiopia, Indonesia, Mexico, and Zambia. The initiative facilitates results-based climate finance and enhances livelihoods through integrated landscape management (ILM) and private-sector engagement. Five contributor countries — Germany, Norway, Switzerland, the United Kingdom, and the United States — have provided approximately USD350 million to support integrated land-use planning programs. Specifically, results-based climate finance is utilized as a key mechanism to advance an integrated land-use model for forest protection and to build capacity for carbon market engagement in order to generate additional financing toward these goals.

In 2023, ISFL commissioned an independent evaluation by Aide à la Décision Économique (ADE) to take stock of the program's achievements and challenges to date and identify lessons for new programs and other climate finance facilities. This evaluation is particularly relevant in the current context of a worsening climate and nature crisis, which is heightening the urgent need to scale up innovative financing and landscape management solutions. This includes efforts to increasingly mobilize results-based climate finance and carbon markets to their full potential.

Overall, the evaluation finds that ISFL stands out in its unique and comprehensive approach, with its focus on jurisdictional, cross-sectoral, and integrated landscape management, along with results-based climate and carbon financing in the AFOLU sector. The evaluation recognizes the critical importance and impact of providing up-front investments for carbon market readiness and of assisting communities and the private sector in adopting more sustainable land use practices. This is done through the use of results-based climate finance to provide extra funding and incentives to adopt more sustainable behaviors. ISFL has also proven to be important in helping countries prepare for pilot transactions in the emerging carbon market ecosystem by establishing the necessary technical and regulatory infrastructure. Thus, they are able to participate more deeply and profitably in evolving carbon markets in the future, in compliance with Articles 6 and 9 of the Paris Agreement.

The lessons generated by this evaluation will be utilized to guide the rollout of integrated land use programs within Pillar 1 of the Scaling Climate Action by Lowering Emissions (SCALE) multi-donor trust fund. In addition, a number of these lessons, which remain pertinent to the current state of the ISFL programs, will be actioned through the ongoing work of ISFL.





2. Key findings

Unique role and value addition

1. **ISFL plays a crucial role in global climate finance with its focus on (a) jurisdictional land use; (b) greenhouse gas (GHG) accounting; (c) monitoring, reporting, and verification (MRV) capacities; and (d) innovative use of results-based climate finance.** It enhances the emissions reduction rigor of AFOLU and aligns with the processes of the United Nations Framework Convention on Climate Change (UNFCCC) and national REDD+[1] while staying adaptable to evolving priorities. Its innovative carbon accounting and crediting frameworks — established through the Emission Reduction Program Document (ERPD) and the Emission Reduction Purchase Agreements (ERPA) — have contributed to significant progress in the carbon market readiness of the five countries. With features such as a carbon floor price and the ability to sell contracted carbon credits to third parties, these frameworks offer flexibility for maximizing revenues through engagement in various international carbon markets.

2. **ISFL is aligned with, national climate goals. And has adapted to remain relevant to evolving global carbon markets.** All five country programs are well-aligned with national climate policies and Nationally Determined Contributions (NDCs). At the same time, ISFL has adapted to evolving carbon market dynamics by shifting approaches and methodologies and incorporating new guidance on jurisdictional REDD+. Furthermore, it has learned and applied lessons from other national and international programs, including the Forest Carbon Partnership Facility (FCPF). It has also carried out a range of learning events, convening more than 500 participants from 90 countries, as well as published several highly useful and well-regarded knowledge products.

Emission Reduction Programs and Purchase Agreements (ERPD/ERPA)

3. **ISFL's grant funding has significantly advanced jurisdictional AFOLU ERPDs, integrated land-use planning at scale, and sustainable land and forest management, thereby enhancing ERPA and carbon market readiness across diverse country contexts.** Grant initiatives have promoted emission reductions (ERs) through land-use planning with varying degrees of progress, due to capacity, regulations, and other local factors. In total, over 12 million hectares (ha) of land have been brought under sustainable management plans, surpassing targets.

4. **Lengthy processes for ERPD development were justified by the program's novelty and complexity of jurisdictional AFOLU systems, countries' capacity development needs, audit requirements, and political and legal frameworks needed for generation of high-integrity carbon credits.** There was a steep learning curve, however. Among the challenges was the process (still ongoing) of achieving cohesion with voluntary carbon markets, as most pilot countries were still in the process of developing nesting systems and related regulations. Substantial technical and capacity support was essential, and country stakeholders perceived it as a valuable learning opportunity. However, more upfront technical assistance and training could have streamlined the process to some extent.

1 REDD stands for "Reducing Emissions from Deforestation and forest Degradation"; the "+" signifies the role of conservation, sustainable management of forests and enhancement of forest carbon stocks.

Expanding from traditional REDD+ to AFOLU integrated landscape approaches

150,000

people adopted sustainable land management practices

28

Integrated Landscape Management (ILM) regulatory amendments and reforms were supported

5. ***ISFL has made strides in advancing AFOLU landscape approaches, fostering cross-sectoral cooperation, and encouraging the adoption of improved practices and technologies for ILM in multiple countries, although progress varies by country.*** *Emerging behavioral changes were documented among governments and farmers, who were incentivized by new sustainable and viable practices as well as supported by strengthened land-use policies. Nearly 150,000 people adopted sustainable land management practices, while at least 28 Integrated Landscape Management (ILM) regulatory amendments and reforms were supported. ISFL programs also fostered collaboration among partners through multi-stakeholder platforms. The evaluation highlights the need for supportive policies, political will, effective decentralization, and the overcoming of adoption constraints to drive meaningful progress.*

Readiness and capacity development

6. **The AFOLU MRV focus has led to impactful innovations, in terms of guiding ER accounting and crediting at jurisdictional levels, supporting NDC implementation, and fostering replication.** ISFL's contributions enhanced methodological, technical, and institutional capacities. Progress in aligning MRV systems at the national levels with international standards and capacity development has been significant. Nonetheless, challenges remain regarding harmonization with existing systems, complex data requirements, and capacity building at subnational levels.

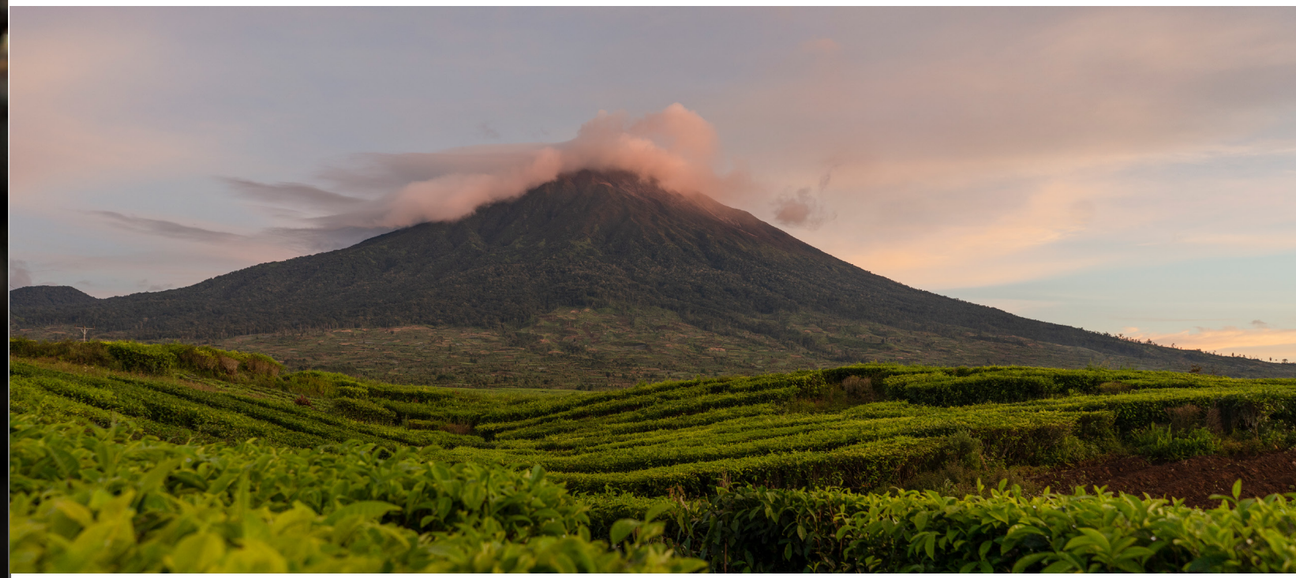
Private sector engagement

7. **ISFL's collaboration with the private sector, including farmers, has successfully promoted sustainable agricultural practices and forest management.** To date, 67 private sector partnerships and engagements have been initiated, yielding early results in three countries, specifically in the beef, rice, and cocoa sectors of Colombia as well as agricultural producers in Ethiopia and Indonesia. However, scaling engagement across entire value chains and implementing private sector engagement strategies (PSES) have posed challenges. Key hurdles have included finding suitable implementation schemes and agencies, transitioning from knowledge to practical implementation, and ensuring farm-level support. Improvements in implementation modalities and models are thus required.

Co-benefits and sustainability

8. **ISFL's initiatives have led to tangible impacts and co-benefits, including improved livelihoods, biodiversity conservation, and gender equity.** For example, in Zambia, well over 100,000 farmers have adopted climate-smart agricultural practices, resulting in yield improvements and concomitant increases in income for their households and improved title to their lands. Early signs of improved land use, integrated land-use planning, and other benefits have also been observed. Sustained support and strategic partnerships, including for transitional financing, are highlighted as important factors for long-term, sustainable co-benefit impacts.

9. **ISFL has bolstered sustainability through policy improvements, partnerships, and integration into national frameworks, with evidence of early replication.** It has enhanced the enabling environment for sustainable land use through policy improvements, institutional mechanisms for ER accounting and crediting, and fostering partnerships — including USD166 million in public and private finance mobilized.



Key findings

12 million ha
of land brought under sustainable management plans, surpassing targets

10,000 ha
reforested or afforested

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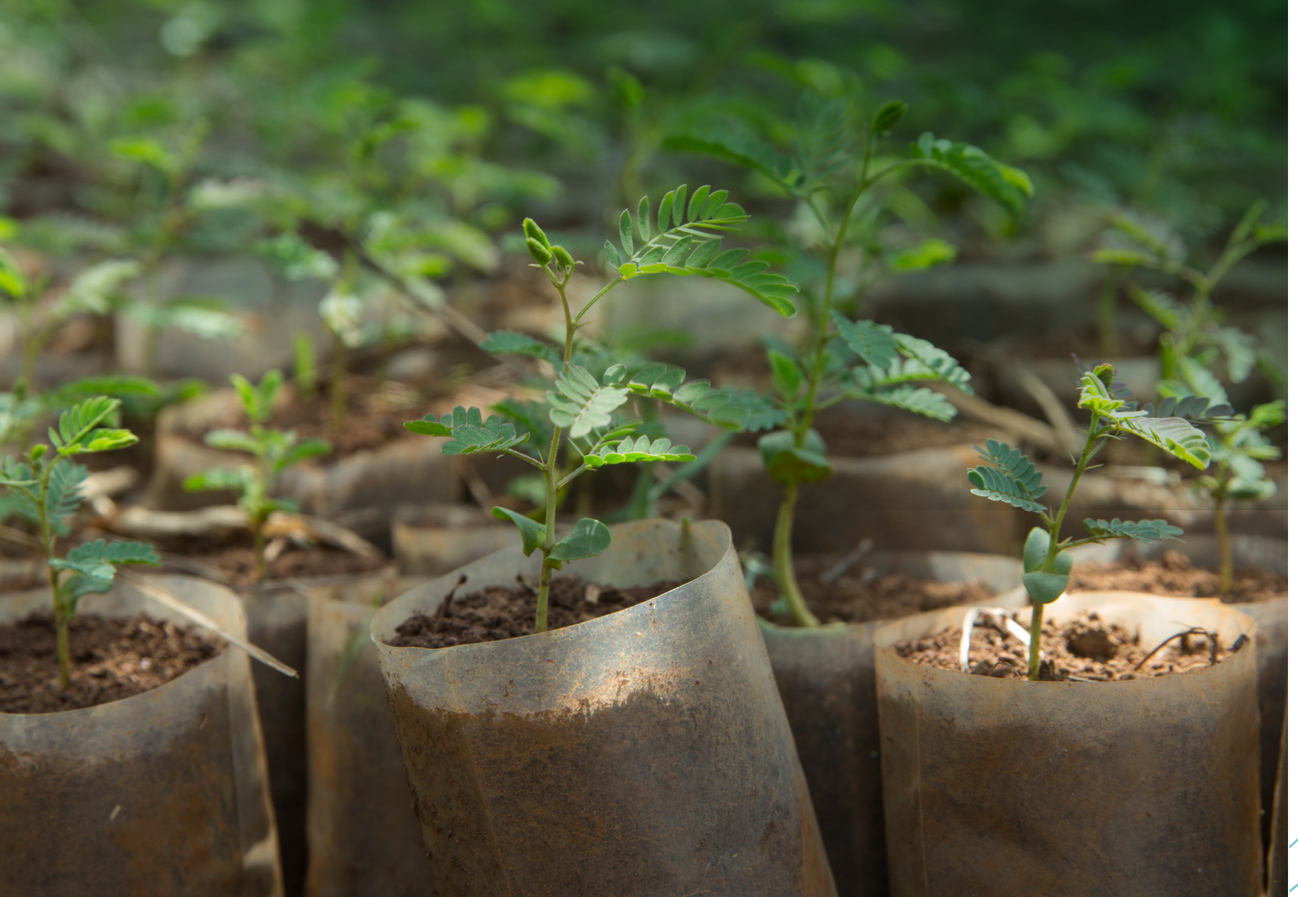

3. Lessons learned and recommendations

1. **Future programs should seek to adopt ISFL's integrated AFOLU approach, managing complexity by focusing on activities aligned with country readiness, addressing gaps and risks, ensuring continued capacity and financing support, and partnering with other programs.** ILM and ERPD/ERPA development requires realistic long-term planning and significant overlap between readiness/investment and results-based payment phases. Early support for nesting systems with voluntary carbon market and non-public ER projects is crucial.

2. **Given the integrative nature of AFOLU approaches and ILM, paying attention to developing and incentivizing cross-sectoral and cross-scale coordination and cooperation is a high priority.** The World Bank can play a critical role in convening and providing technical assistance in countries and globally by supporting governments. This requires diverse skills and connecting programs with national platforms. Involving relevant sectors from the start, particularly forestry and agriculture, and decentralizing execution approaches with high-level support, have proven effective.

3. **Engaging the private sector in emission reductions depends on the right incentives, support programs, and enabling policies for various actors in critical commodity chains.** It is helpful to focus on instruments and interventions that are most appealing to broader private sector engagement in targeted countries and jurisdictions. ISFL has shown the benefits of utilizing experienced international and national companies and service providers to help develop and execute private-sector strategies.

4. **In the near term, ISFL and others can continue to assist in ongoing field-level and private sector activities, manage risks, and support the transition to the ERPA stage and broader carbon markets engagement.** Multi-stakeholder platforms can be improved by clarifying mandates, ensuring sustainability, and conducting effective monitoring, while collaboration can be further pursued with other country and jurisdictional initiatives.

5. **A priority could be placed on assisting governments in establishing nesting systems for voluntary carbon market and non-public ER projects** — covering legal, MRV, BSP, accounting, and carbon market aspects. Other recommended actions include enhancing government capabilities in third-party Emission Reduction Credit marketing; tracking BSP implementation mechanisms at the country level; monitoring jurisdictional MRV costs and benefits; and adjusting to new regulations. Finally, monitoring and supporting risk mitigation in ERPA implementation, including addressing uncertainties in global carbon markets and national policies, is also key to long-term effectiveness.

6. **Strategic analytical work, enhanced monitoring, evaluation, and learning (MEL), and amplified learning and communications can further improve current and future programs.** Future programs should consider Theories of Change (ToC) that include clear impact pathways, particularly regarding behavioral changes in target groups including governments and beneficiaries. Additional technical or thematic analyses and activities could be also useful for accountability and learning, as well as enhancing program design. Finally, ISFL should amplify its communications and knowledge-sharing activities to build increased global awareness and generate applied learning for similar programs, thereby building on its innovative experiences and supporting replication opportunities.