

The BioCarbon Fund Initiative for Sustainable Forest Landscapes

2023 ANNUAL REPORT



BioCarbon Fund
Initiative for Sustainable Forest Landscapes



Table of Contents

- Boxes, Figures, and Tables 4
- Abbreviations and Acronyms 5
- Letter from the Fund Manager..... 6
- Overall BioCarbon Fund ISFL Progress to Date 8
- Country Program Highlights..... 9
- 1. The ISFL Vision.....13**
 - 1.1 Global Context.....13
 - 1.2 The ISFL Approach15
 - 1.3 Funding Instruments 20
- 2. Progress at the Initiative Level in Fiscal Year 2023 25**
 - 2.1 Moving Toward Emission Reductions Purchase Agreements..... 25
 - 2.2 Knowledge and Innovation.....30
- 3. Country Program Progress 35**
 - 3.1 Colombia..... 35
 - 3.2 Ethiopia 45
 - 3.3 Indonesia 53
 - 3.4 Mexico.....61
 - 3.5 Zambia 67
- 4. Looking Ahead 75**
- 5. Appendices 77**
 - Appendix A — ISFL Logframe and Theory of Change..... 77
 - Appendix B — Financial Reports for Fiscal Year 2023 84

Boxes, Figures, and Tables

Boxes

Box 1.1: Promoting Biodiversity in Integrated Land-Use Initiatives.....	12
Box 1.2: What are Results-Based Climate and Carbon Finance?	14
Box 1.3: Fostering New Growth in the Ethiopian Coffee Industry	17
Box 1.4: BioCarbon Fund ISFL at COP27	20
Box 2.1: What is a Benefit-Sharing Plan?	26
Box 2.2: ISFL's Partnership with SilvaCarbon	29
Box 3.1: Promoting Sustainable, Inclusive Development Through Private-Sector Engagement.....	37
Box 3.2 Proving the Business Case for Climate-Smart Livestock in Ethiopia	45
Box 3.3: Connecting the World's Forested Landscapes	54
Box 3.4: Using Climate-Smart Agriculture to Reduce Emissions	67

Figures

Figure 1: Goals of the BioCarbon Fund ISFL.....	11
Figure 1.1: The ISFL Approach	15
Figure 1.2: Key Design Elements	16
Figure 1.3: BioCFplus and T3.....	18
Figure 1.4: ISFL Theory of Change.....	19

Tables

Table A.1: ISFL Logframe	76
Table B.1: Total BioCFplus Contributions by Donor	82
Table B.2: BioCFplus Cumulative Expenses.....	82
Table B.3: Total BioCF T3 Contributions by Donor.....	83

Abbreviations and Acronyms

AA	Federal Foreign Office (Germany)	IDA	International Development Association (of the World Bank Group)
AFOLU	Agriculture, Forestry, and Other Land Uses	IFC	International Finance Corporation (of the World Bank Group)
A/R	Afforestation/Reforestation	INPI	National Institute of Indigenous Peoples (Mexico)
ASA	Advisory Services and Analytics	ISFL	Initiative for Sustainable Forest Landscapes
BioCFplus	BioCarbon Fund Plus	JERRP	Jambi Emission Reductions Results Program
BioCF T3	BioCarbon Fund Tranche 3	J-SLMP	Jambi Sustainable Landscape Management Program
BSP	Benefit-Sharing Plan	kg	Kilogram
CATS	Carbon Assets Tracking System	LUMIS	Land-Use Monitoring and Information System
CONAFOR	National Forestry Commission of Mexico	MEL	Monitoring, Evaluation, and Learning
COP15	15th United Nations Biodiversity Conference in Montreal	MRV	Measurement, Reporting, and Verification
COP27	27th United Nations Climate Change Conference in Sharm El-Sheikh	MRV 2.0	Next-Generation Measurement, Reporting, and Verification system
CSA	Climate-Smart Agriculture	MtCO₂e	Metric Tons of Carbon Dioxide Equivalent
DEFRA	Department for Environment, Food and Rural Affairs (United Kingdom)	NDC	Nationally Determined Contribution
DESNZ	Department for Energy Security and Net Zero (United Kingdom)	NGO	Non-Governmental Organization
DOS	Department of State (United States)	NICFI	Norway's International Climate and Forest Initiative
DRC	Democratic Republic of the Congo	OFLP	Oromia Forested Landscape Program
EOP	End-of-Program	PES	Payments for Environmental Services
EP-JSLP	Eastern Province Jurisdictional Sustainable Landscape Program	REDD+	Reducing Emissions from Deforestation and Forest Degradation, plus Fostering Conservation, Sustainable Management of Forests, and Enhancement of Forest Carbon Stocks
ERPA	Emission Reductions Purchase Agreement	SABP	Sustainable Agricultural Banking Program
ERPD	Emission Reductions Program Document	SDC	Swiss Agency for Development and Cooperation
ESMF	Environmental and Social Management Framework	SDGs	Sustainable Development Goals
FCPF	Forest Carbon Partnership Facility	SESA	Strategic Environmental and Social Assessment
FGRM	Feedback and Grievance Redress Mechanism	ZIFL-P	Zambia Integrated Forest Landscape Program
FPIC	Free, Prior, and Informed Consent		
FY	Fiscal Year		
GFOI	Global Forest Observations Initiative		
GHG	Greenhouse Gas		
ha	Hectare(s)		

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

Letter from the Fund Manager

In many ways, **this past year was the one we'd been waiting for**. This was the year that the innovation, perseverance, and partnerships of the BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL) culminated in the signing of the Fund's **first Emission Reductions Purchase Agreement¹ (ERPA)** with Ethiopia.

This milestone is significant at several levels. For a start, every ERPA signature sends a signal to the world that large-scale emission reductions programs can indeed **unlock unprecedented payments** for sustainable land use. ERPAs constitute an acknowledgment of the hard work involved in changing how land is managed to avoid deforestation and reduce emissions from productive practices in the jurisdiction. ERPAs achieve this in concert with equitable, inclusive, and transparent Benefit-Sharing Plans (BSPs), which **empower local communities** to protect the landscape and decide how to use the benefits accrued from doing so. At the Fund level, this first ISFL ERPA marks a key milestone in our effort to establish proof of concept for the innovative approach we are piloting: the employment of a locally tailored **integrated land-use planning** approach at a large, jurisdictional scale to reduce emissions from agriculture, forestry, and other land uses (AFOLU) while improving livelihoods.

This first ERPA signature with Ethiopia is just the beginning. The remaining four ISFL country programs — taking place in Colombia, Indonesia, Mexico, and Zambia — are all nearing the completion of their preparatory work. Specifically, the countries have designed and are implementing activities to reduce emissions from multiple land uses, are finalizing their comprehensive Emission Reductions Program Documents (ERPDs), and are on track to sign ERPAs of their own in the coming year.

An important piece of this work has involved forging and deepening **partnerships with the private sector** to adopt new, more sustainable production models that will reduce land-use emissions going forward. Another cornerstone of these country programs is their **enduring commitment to social inclusion**. The robust BSPs that ISFL programs are required to develop are ensuring that communities — including Indigenous Peoples, women, and youth — secure equitable rewards for their involvement in sustainable land use.

Globally, we've been witnessing growing **interest from third-party buyers** in high-quality carbon credits, specifically those generated by ambitious, jurisdictional programs focused on integrated and sustainable land use delivered in a socially and environmentally responsible way. Our hope is that, as ISFL host countries generate more emission reductions, they will be able to take advantage of private sector climate and carbon finance opportunities.

BioCarbon Fund ISFL is generating **knowledge and best practices** that the program aims to share with the wider community. ISFL will continue to develop knowledge products, capture lessons, and share them with interested parties to encourage others to use the knowledge generated by our programs.

ISFL is at a critical point of progress. We are moving from supporting governments in the development and implementation of preparatory, grant-funded programs toward signing ERPAs to monetize emission reductions and ensure communities receive payments for their efforts.

What we have learned along the way is that **integrated jurisdictional land-use programs are not developed quickly or easily**, but with the investment of time, money, patience, and effort, positive environmental results can be achieved in a manner that benefits a wide range of communities and stakeholders.

Roy Parizat

Fund Manager, BioCarbon Fund Initiative for Sustainable Forest Landscapes



¹ You can read more about Ethiopia's ERPA here: <https://www.worldbank.org/en/news/press-release/2023/02/09/world-bank-and-ethiopia-sign-40-million-agreement-to-cut-carbon-emissions-through-sustainable-landscape-management>.

Overall BioCarbon Fund ISFL Progress to Date



179,960
people benefiting from ISFL programs



300,203
hectares of land brought under sustainable landscape management practices



43,481
people trained in sustainable land-use practices



\$355.8M
pledged to ISFL



\$47M
in grant disbursements by programs



\$116 M
leveraged in public and private finance



5
programs with feedback and grievance redress mechanisms



67
partnerships and engagements with the private sector



74
partnerships and engagements with not-for-profit organizations



1
ISFL ERPA signed

Country Program Highlights

Colombia

The Emission Reductions Program Document (ERPD) for the Initiative for Sustainable Forest Landscapes (ISFL) emission reductions program in Colombia is undergoing a third-party assessment, bringing it closer to the Emission Reductions Purchase Agreement (ERPA) signing. The Benefit-Sharing Plan (BSP) for the program is also under development. Work is progressing on the delivery of the remaining grant-funded activities under the program, which seek to reduce deforestation; improve forest management; promote carbon-neutral agricultural practices; and establish and strengthen multistakeholder dialogue and decision-making platforms, such as agroclimatic roundtables, forest management roundtables, cocoa clusters, and livestock roundtables. ISFL is continuing to support the private sector in developing more sustainable, low-emission practices in key value chains — specifically rice, cocoa, non-timber forest products, palm oil, livestock, coffee, and cashew, along with commercial forestry and agroforestry.

Ethiopia

Ethiopia became the first country to sign an ERPA with ISFL on February 9, 2023, thereby unlocking up to \$40 million in results-based payments for emission reductions through 2030. The Oromia Forested Landscape Program (OFLP) — the \$18 million grant program that forms the basis of the ISFL emission reductions program in Ethiopia — was successfully completed on June 30, 2023. The program has exceeded most of its targets. For example, participatory forest management activities now cover more than 210,000 hectares (ha) of natural forest, compared with the original target of 120,000 ha. Over 9,400 ha have been covered through afforestation/reforestation (A/R) efforts, compared with an original target of 9,000 ha. The BSP for the first ERPA phase of the Ethiopia Emission Reductions Program is being finalized, with preparations for the second-phase BSP underway.

Indonesia

The ERPD for the Jambi Emission Reductions Results Project (JERRP) is undergoing a third-party assessment. In preparation for the JERRP, the team has held consultations with 5,345 relevant stakeholders (30 percent of whom are women) and concluded a Free, Prior, and Informed Consent (FPIC) process with 170 villages. The ongoing grant program made significant progress in the implementation of the underlying activities that will generate emission reductions across the jurisdiction throughout fiscal year (FY) 2023. As a result, 241,833 ha of land area were brought under sustainable land management and/or restoration practices, while 543 ha of forest were re-established through planting and/or deliberate seeding, coordinated participatory patrols, and forest fire management training. Work is also progressing in assisting farmers to adopt sustainable practices to raise incomes while reducing emissions. To date, 1,143 farmers have been trained to adopt better agricultural technologies to support enhanced productivity.

Mexico

The ERPD for the ISFL Mexico Emission Reductions program is undergoing a third-party assessment process. The underlying program activities described in the ERPD were identified in a participatory manner through 16 workshops with stakeholders. The National Forestry Commission of Mexico (CONAFOR) — the lead agency implementing the emission reductions program — signed an agreement with the National Institute of Indigenous Peoples (INPI) in October 2022, ensuring greater social inclusion and more impactful interventions. To allow more time for the grant program to achieve its goals, its end date was extended to September 2024. This will give the program more time to finalize the third-party assessment of its ERPD, complete preparations for the emission reductions program, continue to strengthen the government’s capacity to implement the future emission reductions program, and expand technical assistance on landscape innovation and forest management.

Zambia

Zambia entered into ERPA negotiations with ISFL following the successful completion of a third-party assessment of the ERPD for Zambia’s Eastern Province Jurisdictional Sustainable Landscape Program (EP-JSLP). The advanced draft BSP for the EP-JSLP was also submitted. The ERPD has integrated climate-smart agriculture (CSA) into the program’s measurement, reporting, and verification (MRV) system through a novel modeling technique that combines climate, soil, and land management data to estimate the turnover of organic carbon in the soil.

Figure 1: Goals of the BioCarbon Fund ISFL

The BioCarbon Fund ISFL has ambitious goals that aim to benefit people and the planet. By 2030, it seeks to:



40 million

Reduce more than **40 million tons** of carbon emissions



500,000

Reach more than **500,000** people with benefits from its programs



162,500

Reforest or afforest more than **162,500 ha** of land



19 million

Bring more than **19 million ha** of land under sustainable management plans



\$20 million

Leverage **\$20 million** in private sector financing



50,000

Train **50,000** land users in improved land management and agricultural productivity



25,000

Involve **25,000** people in income-generation activities



1. The BioCarbon Fund Initiative for Sustainable Forest Landscapes Vision

1.1 Global Context

Forests are the lungs of the earth. They safeguard our planet's health by regulating the climate, counteracting greenhouse gas (GHG) emissions, and protecting the world's vital biodiversity. Forests provide habitats for 80 percent of amphibian species, 75 percent of bird species, and 68 percent of mammal species. They also constitute a source of a wide range of vital goods and services, such as food, fuel, and medicine, much of which support some of the world's most vulnerable communities. It is estimated that more than half of the world's gross domestic product (GDP) depends on ecosystem services, including those provided by forests.

Although forests are essential to sustaining life, anthropogenic pressures threaten these ecosystems. Between 1990 and 2020, approximately 420 million hectares (ha) of forest — an area larger than India — were lost.² While agricultural production is the main driver of deforestation and forest fragmentation, energy extraction, infrastructure development, and urban expansion have also contributed to land degradation and increased emissions. Deforestation also leads to habitat loss, thus bringing humans and wildlife into closer contact, which has, in turn, increased the risks of the transmission of interspecies diseases, such as Ebola and human immunodeficiency viruses (HIV), and of pandemics (see Box 1.1 — Promoting Biodiversity in Integrated Land-Use Initiatives.)

The international community has become increasingly aware of the ways in which forests are intricately tied to human well-being and the functioning of healthy ecosystems and economies. Grappling with these seemingly competing interests amidst the global drive to preserve our forests, new tools and approaches to conservation are being developed that offer hope for resilient recovery and sustainable growth. Climate-smart land-use approaches and REDD+ techniques³ — applied across agriculture, forestry, and other land-use (AFOLU) sectors — represent some of the innovative and effective ways being employed to address the multifaceted challenges of deforestation, land degradation, and unsustainable land use.

A growing transnational network of governments, businesses, civil society organizations (CSOs), and local communities is working to advance forest conservation and sustainable development. In the business sphere, calls for greater corporate social responsibility are spurring the formation of global carbon markets, with more and more major corporations making actionable commitments to combat climate change.

To date, over 8,300 companies, 590 financial institutions, and 1,100 cities, along with 52 states and regions, 1,125 educational institutions, and 65 healthcare institutions, have joined the United Nations Framework Convention on Climate Change's Race To Zero global campaign and

² For these figures and for more data on the state of our world's forests, visit: <https://www.fao.org/3/cb9360en/online/src/html/executive-summary.html>.

³ REDD+ stands for reducing emissions from deforestation and forest degradation, plus fostering the conservation and sustainable management of forests, and the enhancement of carbon stocks.

committed to achieving net-zero emissions by 2050.⁴ Achieving these ambitious sustainability targets could meaningfully contribute to the objectives of the Paris Agreement.

To approach net zero, many institutions often utilize a combination of approaches: both working to reduce the emissions generated by their activities, while also offsetting their emissions through the purchase of emission reduction credits. The transition to net-zero-emissions by 2050 will require an unprecedented mobilization of \$3–6 trillion in climate finance from both public and private sectors annually⁵ (see Box 1.2 — What are Results-Based Climate and Carbon Finance?).

The BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL) has a role to play in supporting the global effort to reach net zero. Part of our contribution will be through the provision of high-quality emission reductions from our partners' programs, and in assisting governments to expand their mitigation activities while accessing increased amounts of climate finance to support this work. The BioCarbon Fund ISFL programs are leading the charge on piloting net AFOLU accounting and, in doing so, assisting countries in building the foundations for expanding emission reductions from multiple land uses.

Box 1.1: Promoting Biodiversity in Integrated Land-Use Initiatives

The Kunming–Montreal Global Biodiversity Framework — agreed at the United Nations Biodiversity Conference (COP15) in December 2022 — brought together 195 countries and the European Union to affirm the importance of nature to a healthy, prosperous future for all. The Framework asserts that biological diversity should be thought of as central to the attainment of the Sustainable Development Goals (SDGs), based on the recognition that there are vital interlinkages among nature, climate, and development.

Based on the global consensus on the importance of biodiversity co-benefits, ISFL has incorporated nature into all its grant programs. The Fund's integrated land-use planning approach offers a path forward for addressing environmental and development challenges in the holistic manner advocated in the Kunming–Montreal Framework.

A robust monitoring and evaluation system, like that used in ISFL's emission reductions programs, is necessary for understanding the impact that jurisdictional emission reductions programs can have on biodiversity in a landscape. To advance this work, ISFL is planning to pilot biodiversity indicators in agricultural value chains in its emission reductions program in the Orinoquia. This pilot will form part of ISFL's larger exploration of the climate-nature nexus; it will seek to understand how emission reductions programs might better promote biodiversity conservation. The results of this pilot will be shared so that others might utilize the lessons learned.

⁴ The membership list, as of September 2022, can be found here: <https://unfccc.int/climate-action/race-to-zero-campaign>.

⁵ For more information, see: <https://www.unep.org/news-and-stories/speech/investment-and-trade-meet-paris-climate-goals>.



1.2 The ISFL Approach

Building on over a decade of the international development community's experience in conservation and integrated land-use planning, ISFL is advancing a portfolio of programs that promote and integrate sustainable agriculture and forestry through REDD+ approaches, climate-smart agriculture (CSA), and smarter land-use planning, policies, and practices. The Fund aims to catalyze the development of a low-carbon, rural economy in each of its program areas that will, in turn, result in livelihood opportunities for communities and an overall reduction in land-based emissions (see Figure 1.1).

ISFL programs work toward multiple objectives — including protecting primary forests, restoring degraded lands, and boosting agricultural productivity — to enhance local livelihoods and preserve essential ecosystems. They serve as in-country, strategic engagement platforms that mobilize, coordinate, and scale funding from different sources. Synchronizing multi-sectoral and multi-partner land-use interventions can help to maximize the positive results of independent initiatives and broaden access to additional public- and private-sector funding.

ISFL also contributes to work targeted at streamlining the global carbon market. It aims to build centralized, accountable mechanisms, such as the Carbon Assets Tracking System (CATS),⁶ that public-sector actors can use to transact high-quality carbon credits. Through the development of common accounting and verification standards and the provision of upfront financing, ISFL can incentivize GHG-mitigation activities and promote the growth of international carbon markets (see Box 1.2 — What are Results-Based Climate and Carbon Finance?).

To realize ISFL's overall objective of reducing GHG emissions while addressing poverty and protecting the environment, the initiative emphasizes four key design elements (see Figures 1.2 and 1.3):

1. Working at scale to integrate multi-sectoral considerations across jurisdictions;
2. Leveraging partnerships across the public and private sectors;
3. Incentivizing results through payments for verified emission reductions; as well as
4. Building on experience from ISFL's previous work, REDD+ initiatives, and other relevant agriculture and forestry programs.

⁶ To access CATS, visit: <https://cats.worldbank.org/>.

Box 1.2: What are Results-Based Climate and Carbon Finance?

Results-based climate and carbon finance aim to incentivize climate action by paying for verified emission reductions. With these approaches, investors pay an entity — a sovereign nation, a private firm, or a local community — to achieve, report on, and verify independently the emission reductions achieved against baseline emissions, going beyond business as usual. *Climate finance* refers to local, national, or international financing, drawn from public or private sources, that seeks to support climate change mitigation and adaptation. Climate finance can take the form of upfront financing or results-based financing (we will discuss the latter in this box). *Carbon finance* refers to revenue realized by projects through sale of carbon credits (i.e., funding mechanisms that put a monetary value on carbon emissions). This type of finance allows emission reductions to be bought and sold, so public or private sector entities can bring in revenue from, for example, sustainable projects that reduce GHG emissions. Climate finance transactions are accounted for under Article 9 of the Paris Agreement, while Article 6 addresses carbon finance. Article 6 includes mechanisms by which the international transfer and accounting of carbon credits can take place to help countries meet their climate targets.

Emission reductions performance targets are usually tied to the results of climate change-mitigation activities. For example, a country may seek to reduce GHG emissions through a reforestation or renewable energy project. The impact of these activities can then be measured and verified, and the emission reductions converted into emission reduction credits. An emission reduction credit (or carbon credit) — the standard unit used to measure an emission reduction — is equivalent to one metric ton of carbon dioxide (MtCO₂e) that comes from either avoiding or removing emissions.

Credits can be monetized through direct payments to the entity that has taken action to reduce emissions (results-based climate finance) or through voluntary or compliance carbon market transactions (carbon finance). In both cases, the community or institution that has contributed to the emission reductions should be rewarded for the actual results achieved.

One new international carbon market mechanism is hosted by the United Nations Framework Convention on Climate Change (UNFCCC) through the Paris Agreement. This so-called Paris Agreement Article 6.4 mechanism follows the project cycle and governance model of the Kyoto Protocol's Clean Development Mechanism and aims to build upon it. It comes with strong rules to safeguard environmental integrity and, most importantly, prevents the "double counting" of emission reductions — that is, emission reductions transferred to a buyer country and used to reach its Nationally Determined Contributions (NDCs) cannot also be used to help the seller country reach its own NDCs. Alternatively, countries can use the decentralized cooperative approaches under Article 6.2 of the Paris Agreement. While Article 6.2 has the same requirements to prevent double counting, it allows participating countries to agree on the project cycle, governance, and methodological modalities that they wish to use for their carbon market participation.

However, countries' lack of capacity to implement these new mechanisms is a major barrier (among others) to their trading of emission reductions. Innovative climate finance solutions, such as the results-based finance that ISFL provides, are proving to be important in enabling pilot transactions in the emerging carbon market ecosystem. These pilot transactions help countries put the necessary technical and regulatory infrastructure in place to participate more deeply in the carbon markets in the future.

In addition, ISFL is contributing to the development of tools that aim to help partner countries participate in carbon markets. This includes the World Bank's emission reductions transaction registry called CATS. CATS is a platform that supports the issuance, recording, and transaction of emission reduction units generated under the World Bank programs, including the Emission Reductions Purchase Agreement (ERPAs) from ISFL and the Forest Carbon Partnership Facility (FCPF). CATS provides a secure, transparent, and user-friendly global resource that partner countries can use to avoid double counting and minimize the risk in emission reductions payment operations.

Figure 1.1: The ISFL Approach

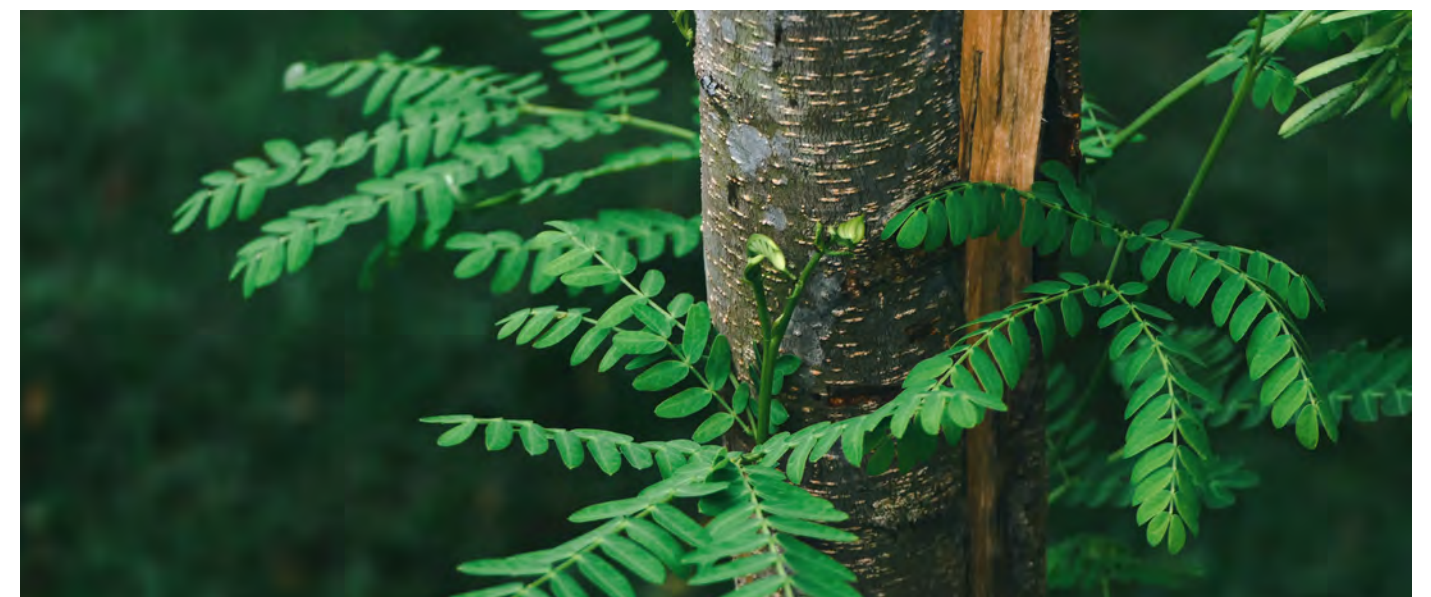
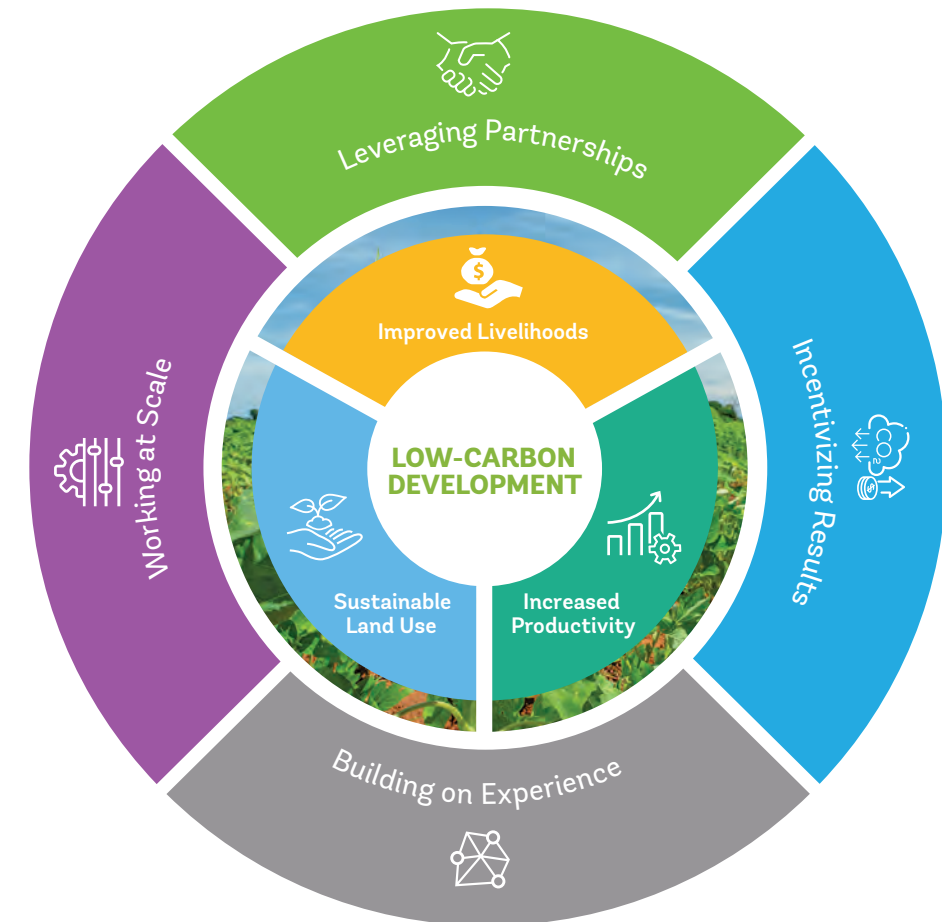


Figure 1.2: Key Design Elements



Working at Scale

Each ISFL program focuses on a whole jurisdiction (for example, state, province, or region) within a country so that it can deal with multiple sectors affecting land use and rapidly increase its impact on a relatively large area. ISFL uses a landscape approach: it requires stakeholders to consider the tradeoffs and synergies among the different sectors that may be competing for land use, such as forests, agriculture, energy, mining, and infrastructure. This allows solutions that serve multiple objectives to be identified. The goal of the landscape approach is to implement a development strategy that achieves environmental, social, and economic impacts at scale. To reach this goal, ISFL interventions seek to improve the enabling environment for sustainable land use through strategies, such as participatory forest management or land-use planning, that can transform how land is used and greatly benefit the communities residing within a jurisdiction.



Leveraging Partnerships

To reduce GHG emissions from land use across a jurisdiction while creating livelihood opportunities, ISFL forms partnerships with public- and private-sector actors — such as government agencies, municipal governments, and locally recognized and well-established businesses. These partnerships are essential to aligning goals and mobilizing capital for creating sustainable and scalable models that improve land use in the long run.



Incentivizing Results

By convening public and private actors to embark on collaborative endeavors and creating an enabling environment for sustainable development, countries can expect to generate positive results. To encourage countries to reduce GHG emissions, ISFL will provide significant results-based climate finance by purchasing verified emission reductions.



Building on Experience

ISFL can accelerate the maturation process for relatively small-scale pilot projects so they can quickly start incentivizing sustainable land use at scale. To work effectively, ISFL builds on the experiences and lessons learned from its initial land-use pilot projects, REDD + initiatives, and other forest and land-use programs. This streamlined approach allows ISFL to concentrate its efforts at the jurisdictional level, which can add value to existing platforms while avoiding redundancies.

Box 1.3: Fostering New Growth in the Ethiopian Coffee Industry

A seemingly counterproductive agricultural practice called “stumping” has proven to be extremely promising for coffee farmers in Ethiopia. Stumping involves pruning older and less productive trees down to just a stump. This allows for the regrowth of sprouts within a few months that then develop into new branches, effectively rejuvenating the stock. Stumping coffee trees can lead to a two- to three-fold increase in annual yield, thus having a major impact on farmers’ incomes. This helps prevent deforestation, as farmers are able to increase yields without cutting down forests to plant coffee trees, therefore contributing to reduced emissions. However, farmers are often reluctant to adopt this practice because it takes time for the trees to regrow and produce after they have been stumped, which leads to short-term economic losses.

To address the reluctance of farmers to stump trees, TechnoServe, with support from ISFL, is conducting a study on this coffee rejuvenation practice. It aims to tackle the short-term loss of income by testing different incentives to encourage adoption based on four research questions:

- 1) How can we best incentivize farmers, especially women, to take part in coffee rejuvenation?
- 2) How can we scale incentive-based rejuvenation?
- 3) What role can the private sector play in coffee stumping?
- 4) What are the environmental effects of rejuvenation, especially on emissions and deforestation?

To address these questions, the study is gathering and analyzing relevant evidence from different perspectives. It is investigating ongoing coffee programs, including the launch of a stumping incentives campaign and a Stumping Fund to attract private-sector investment, to evaluate their effectiveness. Furthermore, it will also analyze the environmental impact of rejuvenation and the adoption of good agricultural practices, including using the Cool Farm Tool to measure emission reductions. Yet another forthcoming project will introduce a gender analysis to the study.

The complete study, which is expected to incorporate analysis and evidence from ongoing trainings and pilots in Oromia and Ethiopia more broadly, will be available by the end of 2025. If the study yields positive results, the next step will be to share this knowledge as widely as possible to encourage its adoption and replication across Oromia and even further afield.



1.3 Funding Instruments

ISFL has two key funding instruments — BioCarbon Fund Plus (BioCFplus) and BioCarbon Fund Tranche 3 (BioCF T3), with each designed specifically to realize its vision (see Figure 1.3).

BioCFplus supports grant-based technical assistance and capacity-building efforts in each jurisdiction. It provides investment funding essential to the creation of an enabling environment for sustainable land use and the development of systems for monitoring, reporting, and verifying GHG emission reductions. In addition, BioCFplus directly finances advisory service projects that are aimed at attracting private-sector interest in ISFL jurisdictions, which can benefit farmers as well as other actors (see Appendix B for the details on donor contributions and cumulative expenses).

BioCF T3 provides results-based payments for verified emission reductions through an ERPA.

BioCFplus support, combined with results-based financing from BioCF T3, allows ISFL programs to use context-specific tools and approaches to reduce emissions from land-use sectors (see Figure 1.3).

These funding tools enable ISFL to contribute to its broader, global goals within its program countries and beyond, including those of the Paris Agreement and the United Nations’ SDGs, which are related to improved livelihoods, increased agricultural productivity, and sustainable land use.

Figure 1.3: BioCFplus and T3

BioCFplus

\$133.6 million
pledged

-  Delivers grants to support countries in shaping an enabling environment for sustainable land use
-  Enables pilot activities and key partnerships, including engagements with the private sector
-  Provides countries with resources to develop systems for monitoring, reporting, and verifying reductions in GHG emissions

BioCF T3

\$222.2 million
pledged




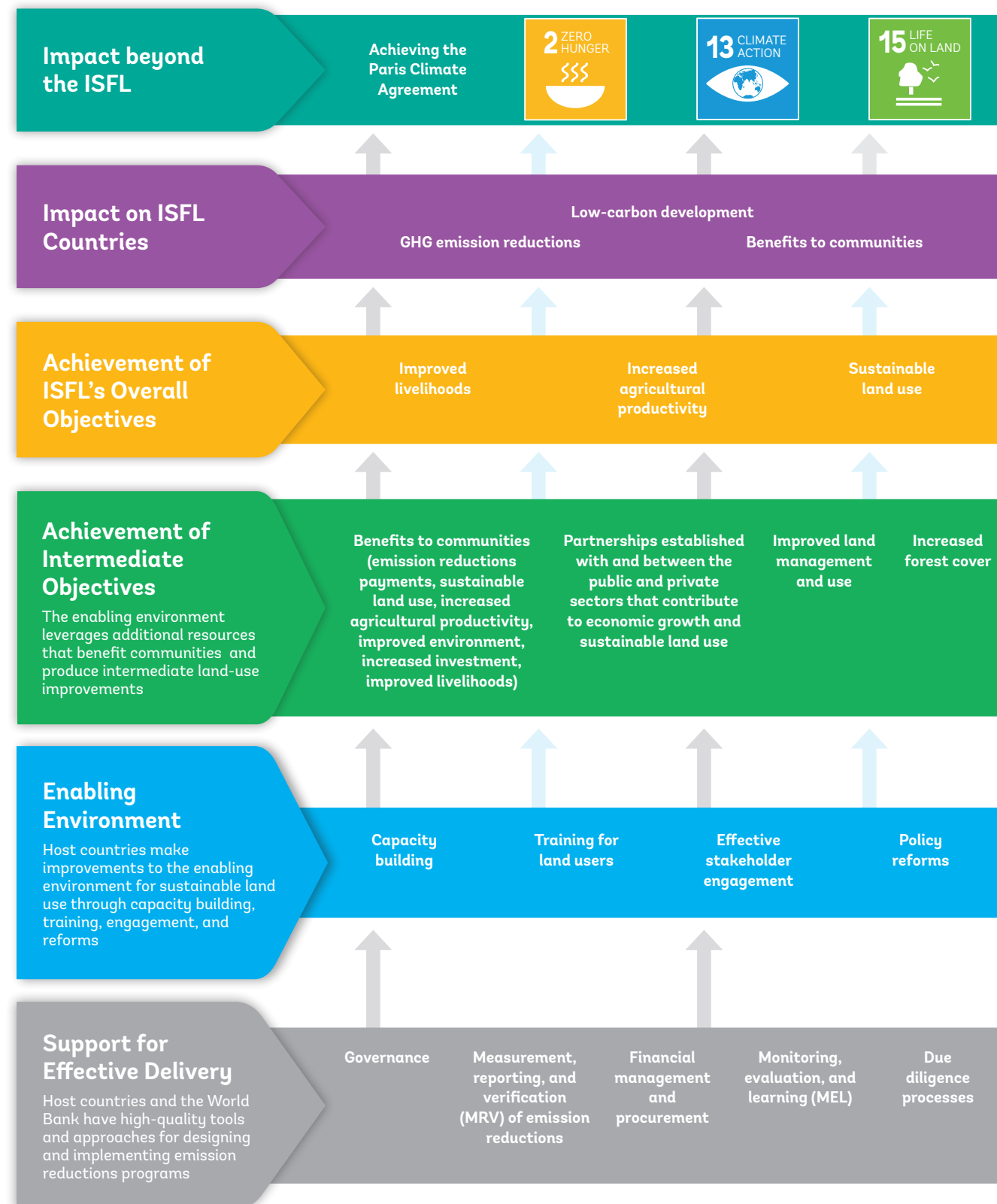
-  Delivers results-based finance through the purchase of verified emission reductions
-  Incentivizes countries to shift toward sustainable development trajectories within their jurisdictions
-  Develops interventions that ensure sustainable land use in the long term

Figure 1.4: ISFL Theory of Change



Box 1.4: BioCarbon Fund ISFL at COP27

In November 2022, ISFL connected with program countries and a broad range of partners at the UNFCCC’s 27th Conference of the Parties (COP27) in Sharm El-Sheikh, Egypt. At an Indonesia Pavilion event, Erwin De Nys — Practice Manager of the World Bank’s Climate Change Fund Management Unit — highlighted how ISFL’s support and landscape approach are helping Colombia, Ethiopia, Indonesia, Mexico, and Zambia to achieve high-quality, independently verified emission reductions.



At a World Bank Group pavilion event, COP27 participants learned more about the World Bank’s Next-Generation Measurement, Reporting, and Verification system (MRV 2.0). Designed by experts from ISFL and FCPF, MRV 2.0 is a cutting-edge digitized and streamlined MRV system for nature-based mitigation activities. The system is helping to track emissions reductions and enhanced removals from forests faster and cheaper than past approaches.

Throughout COP27, ISFL also connected with media outlets, including One Carbon World,^a to discuss the World Bank’s work in green finance, underscoring the need to scale up sustainable landscape management.



“If tropical deforestation were a country, it would be the world’s third-largest emitter of greenhouse gases... As such, if we’re looking to limit climate change to 1.5 degrees, we’ll have to think about forests and find better ways of working with forest resources.”

— from the One Carbon World interview with Roy Parižat, ISFL Fund Manager

^a To watch the One Carbon World interview with ISFL, visit: <https://www.youtube.com/watch?v=Re2CVQoGb28> (timestamp 26:00–38:10).





2. Progress at the Initiative Level in Fiscal Year 2023

2.1 Moving Toward Emission Reductions Purchase Agreements

The BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL) takes a two-phased approach to helping countries reduce their emissions across landscapes. At the outset, ISFL provides upfront grant financing and technical support to the relevant national or subnational government. This grant financing is aimed at assisting the host country in improving jurisdictional land-use management to reduce emissions, all while focusing on maintaining and improving the livelihoods of communities within the jurisdiction. Then the Fund provides monetary incentives for the results achieved, that is, verified emission reductions, in this case. This approach aims to support clients in building the foundations for emission reductions at the jurisdictional level and provide an additional incentive through results-based payments.

BioCarbon Fund uses the **Emission Reductions Purchase Agreement (ERPA)** as a means to provide this incentive. An ERPA is an agreement between the host country implementing the emission reductions program (seller) and the World Bank (Trustee of ISFL). Payments made through the World Bank's ERPAs are channeled through a **Benefit-Sharing Plan (BSP)**. This ensures that the benefits from the payments are directed to the communities and help fund the continuation of the activities initiated under the program, thereby allowing them to produce even more emission reductions. If the host country produces more emission reductions than the Fund agreed to purchase in the ERPA, the country can either use the emission reductions to help achieve its Nationally Determined Contributions (NDCs) under the Paris Agreement or it can sell those emission reductions to third-party buyers.

This year, ISFL began contracting ERPAs with its partner countries. The first program ERPA was signed with Ethiopia. In fiscal year (FY) 2023, Zambia concluded the validation of its Emission Reductions Program Document (ERPD) and began ERPA negotiations, while the ERPDs of the remaining three countries (Colombia, Indonesia, and Mexico) are undergoing validation.

This section will explain how BioCarbon Fund ISFL ERPAs work and the results-based financing it provides helps countries (a) generate and verify emission reductions, (b) create the momentum to incentivize the adoption of sustainable practices, and (c) contribute to both climate and development goals.

What is an Emission Reductions Purchase Agreement? How Does it Work?

An Emission Reductions Purchase Agreement (ERPA) is an agreement between the host country implementing the emission reductions program (seller) and the World Bank (Trustee of ISFL).

Time Frame of an ERPA

ERPAs cover a specific timeframe or crediting period (usually between 5 and 10 years) during which the host country, as the implementer of the emission reductions program, measures and reports generated emission reductions. This does not mean that the generation of emission reductions ends when the ERPA ends; it merely indicates that the contract between the Fund and

the host country (to purchase and sell the emission reductions) has ended. In many cases, host countries may then look for new buyers to continue selling their emission reductions.

Verification and Validation

Countries monitor and report the emission reductions they have generated through formal monitoring reports submitted to the Fund. However, the Fund requires that these reports and the documented number of emission reductions be verified by an accredited auditor (a validation and verification body) against the ISFL Emission Reductions Program Requirements.⁷ This ensures that only high-quality emission reductions that have been generated according to the program standards are issued, purchased, and transacted.

Confirming Title — the Right to Sell

Host countries must demonstrate that they have the right to sell the emission reductions that have been generated. In other words, they must prove that they can transfer title. This may not be as simple as one might imagine, as many countries do not have the legislation in place to determine who owns the right to the emission reductions that have been generated. ISFL works with host countries to consider any legislation or other rules required to confirm their ability to transfer titles.

Transferring the Emission Reductions

Once the title is confirmed and the verification completed, the emission reductions can be transferred from the host country to the Fund. The emission reductions are issued in a registry (in this case, the World Bank's Carbon Assets Tracking System [CATS]) and are allocated to the appropriate account where they are managed according to the instructions in the ERPA. ISFL also allows for the host country, under certain conditions, to sell the verified emission reductions to other third parties.

Payment

Once the emission reductions are issued and transacted in the registry, payment is made to the host country by the Fund. Payments that the host country receives for verified emission reductions under the ERPA are then shared with the program's stakeholders (including local communities, Indigenous Peoples, government entities, and private-sector actors) through an equitable, inclusive, and transparent BSP (see Box 2.1 — What is a Benefit-Sharing Plan?).

Two Modalities

ISFL ERPAs include an agreed-upon volume of emission reductions (measured in metric tons of carbon dioxide equivalent, or MtCO₂e) to be generated and transacted during the crediting period. Of this agreed volume, the ERPAs specify that a certain percentage of the emission reductions (as negotiated) will be transacted on a retained basis and on a retransfer basis — each at an agreed-upon unit floor price (price/MtCO₂e).

Retained emission reductions are sold and transferred to the buyer, and the buyer then keeps the title to the credits for their use. **Retransferred emission reductions** are sold to the buyer and are transferred back to the seller. Under ISFL, the seller can only use these emission reductions to help achieve their NDCs and cannot subsequently sell them to other buyers.

Pricing: Floor Prices to Maximize Opportunities and Revenues

A feature of the BioCarbon Fund ISFL is the use of **floor prices** in its ERPAs. Through the negotiation process, the host country and the Trustee agree on a specific price per unit (measured in MtCO₂e): this is the price that the buyer promises to pay for a certain number of emission reductions. Through the ERPA, the seller knows that, if they generate and verify the total volume agreed in the ERPA, they can sell these emission reductions to the BioCarbon Fund ISFL for this agreed amount. However, the floor price also allows the host country to take advantage of higher prices in the market. Host countries do this by securing a better price from



third-party buyers and ultimately selling their contract emission reductions to them, rather than to the BioCarbon Fund ISFL.

This is how the process works: When the emission reductions are verified, host countries have the opportunity (within a specific time frame) to find third-party buyers that can offer more than the floor price for the verified emission reductions produced under the ERPA. If the host country can secure an offer for a higher price, the BioCarbon Fund ISFL then decides whether it will match the higher price — this is called the “right of first refusal.” If the ISFL matches the higher price, the verified emission reductions are still transacted under the ERPA. If the ISFL does not match the higher price, the host country can sell the verified emission reductions to a third party. If these emission reductions are within the agreed-upon volume under the ERPA, they will be subject to the same conditions as set out in the ERPA. Specifically, the host country and the third party will need to respect the volume of emission reductions to be retained and retransferred. Moreover, the payments will still need to be distributed through the BSP. Therefore, this mechanism allows the host country to potentially

mobilize private-sector resources and, ultimately, ensure more benefits go to communities.

Excess Emission Reductions: Opportunities to Generate Additional Revenue

The emission reductions sold under the ERPA to either the BioCarbon Fund ISFL or third parties are not the end of the story. The host country can continue to generate and verify emission reductions beyond the volumes agreed upon under the ERPA. These kinds of emission reductions are considered “excess” and can be used however the host country chooses. For example, they may choose to use them toward their NDCs or they may sell the emission reductions to other buyers.

The BioCarbon Fund ISFL thus provides something of a “practice run” for program countries. Having generated and transacted emission reductions under the program, they become better prepared to meet their NDCs and generate revenue from emission reductions programs from future results-based climate and carbon finance opportunities. In this way, the BioCarbon Fund ISFL seeks to crowd in investments, incentivize climate action, and enable more benefits to flow to communities.

⁷ The ISFL Program Requirements can be found here: https://www.biocarbonfund-isfl.org/sites/default/files/2023-01/ISFL%20ER%20Program%20Requirements_V1.3_2023.pdf. The following section provides more information on the ISFL requirements and how Measurement, Reporting, and Verification (MRV) takes place in the ISFL programs.

Box 2.1: What is a Benefit-Sharing Plan?

Social inclusion is central to the ISFL approach. A key component of this approach is ensuring the benefits generated by the emission reductions programs, including payments for verified emission reductions, reach communities. These payments, directed through BSPs,^a help promote the sustainability of ISFL interventions by incentivizing communities to engage in climate action while ensuring the fair and equitable distribution of benefits. Key to this mission is ensuring that Indigenous Peoples, local communities, women, youth, and other marginalized and vulnerable populations are consulted and have access to the benefits from the programs.

These plans, which are developed in a consultative, transparent, and participatory manner, determine how the **monetary benefits** (cash received by beneficiaries funded by payments received under the ERPA) and the **non-monetary benefits** (such as inputs, capacity building, trainings, infrastructure, and alternative livelihood development) that the ERPA generates are distributed among the program's beneficiaries.

Beneficiaries are recipients of monetary and/or non-monetary benefits and are generally a subset/group of the emission reductions program's stakeholders. Beneficiaries may include communities, civil society, and the private sector, including any nested projects. Governments, as implementers, may also retain a certain amount of results-based finance to cover their costs for implementing and/or managing the emission reductions program. These plans are developed through extensive consultations with stakeholders.

BSPs can achieve multiple objectives. First, they incentivize and reward a program's stakeholders for adopting climate-friendly practices and successfully reducing their emissions. Second, they aim to provide a sustainable funding stream for the low-carbon practices being implemented by the program, as some of the payments are reinvested into these underlying activities. In working toward these goals, BSPs help perpetuate a virtuous cycle and become a tool for sustainable development and climate mitigation.

^a More information on BSPs is available here: <https://www.forestcarbonpartnership.org/bio-carbon/en/index.html>.



Measurement, Reporting, and Verification in the Context of Emission Reductions Purchase Agreements

Measurement, Reporting, and Verification (MRV) refers to the multi-step process adopted for a) *measuring* the amount of GHG emissions reduced by a specific mitigation activity, such as reducing emissions from deforestation and forest degradation, over a period of time; b) *reporting* these findings to an accredited third party; and c) *verifying* the report via the third party for the certification of the results and the issuance of carbon credits.

Essentially, the aim of MRV is to prove that an activity has avoided the generation of harmful GHG emissions or removed them. This, in turn, means that the actions (taken in relation to the activity) can be converted into credits with monetary value. One credit equals one ton of reduced GHG emissions – expressed in terms of MtCO₂e. These credits are related to the results that the World Bank pays for through specific results-based finance arrangements, such as ISFL's ERPAs. They are also the basic units traded in international carbon markets that are used to fulfill participating countries' NDCs under the Paris Agreement.

Therefore, MRV is key to unlocking climate finance and demonstrating progress on climate goals. Paying for carbon credits can stimulate climate action and ambition, and through ISFL's ERPAs, BSPs can ensure that funds get to the local communities who need them the most.

Registering Emission Reductions: The World Bank's Carbon Assets Tracking System

Emission reductions transaction registries are online databases that issue, record, and track emission reduction units exchanged through market mechanisms or generated by results-based climate and carbon finance programs. The robust accounting of international transfers through a registry is imperative for safeguarding the environmental integrity of emission reduction units. Such registries are critical to mitigating the risk of "double counting." This occurs when a single GHG

emission reduction or removal is used more than once to demonstrate compliance with mitigation targets.

The World Bank's emission reductions transaction registry — referred to as CATS⁸ — is an award-winning platform that supports the issuance, recording, and transaction of emission reduction units generated under the World Bank programs, including the ERPAs from ISFL and the Forest Carbon Partnership Facility (FCPF). In the absence of national transaction platforms, CATS provides a secure, transparent, and user-friendly global resource that country participants can use to minimize risks in emission reductions payment operations. CATS has also been set up to support international transactions under other initiatives that have an interest in purchasing emission reduction units from the World Bank programs, such as the United Nations' Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

With the first phase of the CATS project officially concluded in May 2021, the platform is now fully operational. Since 2021, ISFL and the FCPF Carbon Fund have conducted regional training webinars across Africa and Asia, along with Latin America and the Caribbean, involving relevant country participants and donors. Dedicated, country-specific training sessions that started in FY21 will continue to be implemented through FY24, as countries progress through their ERPA validation and verification processes.

⁸ To access CATS, visit <https://cats.worldbank.org/>.

2.2 Knowledge and Innovation

As a pilot program, ISFL is charged with designing and implementing innovative, integrated approaches to emission reductions at a jurisdictional scale. ISFL has a mandate both to seek out the latest knowledge to continually improve its own programs and to share lessons learned to enable replication by other actors. In this way, the initiative aims not only to implement innovative approaches to sustainable development in ISFL jurisdictions but also to encourage and catalyze innovation at a much larger scale.

In FY23, ISFL continued to deliver high-quality knowledge products that aimed to push forward the field of integrated land use and jurisdictional emission reductions programs. ISFL has been working together with FCPF to create and share innovative methods for MRV for nature-based emission reductions programs. In FY23, ISFL also prepared two globally available online courses: (1) value chain financing for sustainable agriculture and (2) the design and implementation of integrated land-use initiatives. It also kicked off the second of three independent evaluations of the initiative as a whole.

Innovating for Better Measurement, Reporting, and Verification of Emission Reductions

As discussed above, MRV is foundational to unlocking climate and carbon finance and demonstrating progress on climate goals. ISFL has worked to assist host countries to develop robust MRV systems to support the needs of their jurisdictional programs that, in turn, help them monitor progress toward their climate goals. ISFL does this, in part, through the MRV Support Program, as well as through the development and dissemination of tools that can help countries more accurately and cost-effectively implement emission reductions programs.

MRV Support Program

Over the past year, the World Bank finalized the implementation of its Land Use Climate Funds MRV Support Program. It has delivered \$7.25 million in support for countries' MRV and carbon accounting systems. In FY23, this MRV support program helped develop a prototype and proof of concept of a next-generation MRV system (MRV 2.0) that seeks to address the hurdles identified in the MRV process. This endeavor included partnerships with the European Space Agency, Amazon Web Services, and the California Polytechnic State University. It also included collecting state-of-the-art field data and updated approaches to biomass mapping, as well as exploring current technology solutions to practical problems.

In addition, the MRV support program supported the design of an analysis of options for conserving stable forests that are not under threat. This analysis serves to define policy paths to support their conservation.

Furthermore, in FY23, capacities, tools, and resources were advanced to help countries improve the efficiency of their MRV systems. To this end, the Global Forest Observations Initiative (GFOI) Family of Resources was launched at the GFOI Plenary in May.⁹

Finally, the World Bank also continued working with the National Accreditation Board of the American National Standards Institute to update validation and verification guidelines, based on the latest versions of the International Organization of Standard requirements.

Box 2.2: ISFL's Partnership with SilvaCarbon

SilvaCarbon is an interagency technical cooperation program of the U.S. government. Its purpose is to enhance the capacity of selected tropical countries to measure, monitor, and report on carbon in their forests and other lands. It has been an indispensable partner in helping ISFL program countries and the global community build the technical capacity for MRV.

Ongoing support from SilvaCarbon in establishing approaches to measure and monitor forest degradation in Colombia, Ethiopia, Mexico, and Zambia has complemented the mission of the ISFL program. In Zambia, for example, SilvaCarbon has helped create a national REDD+ Registry and a land-use and land cover map.

Beyond forestry, SilvaCarbon has supported the design and establishment of livestock MRV systems in Ethiopia — a critical step in enabling payments for emission reductions generated by the livestock sector.

MRV 2.0

The widespread availability of satellite data and new technologies for biomass estimation, powered by ever-increasing cloud-computing capabilities, is unprecedented. This is causing a paradigm shift in the way emission reductions and enhanced removals in the forest sector can be monitored. The shift is enabling carbon stocks and dynamics estimation from space across large areas and in a spatially explicit manner.

To advance a deeper understanding of how these technologies can help streamline the convoluted MRV process, the World Bank began an Advisory Services and Analytics (ASA) initiative in FY23. Its aim is to develop a prototype and proof of concept of a next-generation MRV system (MRV 2.0) that endeavors to address major hurdles identified in the MRV process.

The ASA is centered around four phases:

1. Exploring state-of-the-art approaches in field data collection and processing for the delivery of high-quality biomass estimates, using high-density data collection approaches that include multiple light detection and ranging (LiDAR) technologies.
2. Exploring the usability of updated approaches in biomass mapping upscaling that enables

mapping at subnational to national scales to help better inform countries concerning biomass distributions, change, and reporting in relation to specific interventions.

3. Using current technology options for data collection, storage, and processing that capitalize on cloud options. This also includes a learning-by-doing experiment in integrating technology-sector approaches for tackling problems into the design and implementation of MRV solutions.
4. Developing a proof-of-concept platform that links all the three components mentioned above.

During FY23, work on MRV 2.0 involved collecting and processing high-quality in situ LiDAR data in two separate locations in Africa. The work also included capacity building to collect high-quality terrestrial laser scanner data and estimating tree and plot-level biomass.

Two model-based estimation approaches were developed for carbon stocks and dynamics at regional scales. Furthermore, available technology solutions were identified for MRV data storage and processing, as well as the presentation and development of initial demonstrations.

⁹ For more information on the GFOI plenary, visit <https://www.fao.org/gfoi/plenaries/plenary-2023/en/>. To access the GFOI Family of Resources, visit <https://www.fao.org/gfoi/news-events/news/detail/en/c/1638809/>.

Development of E-Courses on Sustainable Agricultural Banking and Integrated Land Use

Sustainable Agricultural Banking Program

As agriculture is the second-largest source of carbon emissions globally, the adoption of sustainable agricultural practices is critical to fighting climate change. While farmers and agribusinesses may be eager to adopt climate-smart sustainable practices, switching to more sustainable practices can have high upfront costs. This makes loans an essential requirement for smallholder farmers and agribusinesses to adopt climate-smart agriculture (CSA). However, they are often unable to secure loans from commercial banks to do so.

Financial institutions are often hesitant to provide financing to smallholder farmers and agribusinesses for several reasons. One, they perceive agriculture as a risky investment. Two, they lack an understanding of how the sector works. Three, transaction costs are high for banks when engaging with geographically dispersed rural farmers.

In FY22, FCPF and ISFL launched the Sustainable Agricultural Banking Program (SABP) — bringing together banks from seven African countries for an intensive, mentored course on the use of value-chain financing for agriculture. The course demonstrated how — with appropriate structuring and implementation — value-chain financing could enable financial institutions to provide funds to agricultural borrowers in a risk-acceptable way.

Seeing the success of the program, based in part on the interest of banks in offering new financial instruments designed during the course, ISFL and FCPF wanted to make this material freely available globally. In FY23, they launched a free-to-access online version of the SABP via the World Bank's Open Learning Campus.¹⁰ The self-paced course has been developed for bankers, as well as development agencies and partners, wishing to expand financing to farmers. The course provides the staff and management of financial institutions with a step-by-step methodology for developing and launching lending products for agricultural customers adopting/utilizing low-emission sustainable practices. The program aims to catalyze additional financing for agri-enterprises

through the use of value-chain financing to help protect forests, decrease landscape degradation, and reduce GHG emissions through smart investments.

Integrated Land-Use Initiatives: Theory and Practice

Integrated land-use planning is a holistic approach to addressing environmental and development challenges. It recognizes the interaction among different land uses, such as agriculture, forestry, urban development, and conservation, within a given landscape. This approach involves carefully planning and managing competing land uses to optimize their socioeconomic and environmental benefits while minimizing their negative impacts. Therefore, it challenges governments and their development partners to look beyond traditional sectoral development projects and engage with the complexity of entire landscapes to tackle some of the biggest challenges of our time: poverty, climate change, biodiversity loss, and deforestation, among others.

Integrated land use is central to the BioCarbon Fund ISFL's approach to reducing emissions across key land-use sectors at a jurisdictional scale. In FY22, ISFL published the *Guide to Integrated Land-Use Initiatives*¹¹ to help raise the profile of these initiatives, document best practices from the implementation of its programs, and build up a global community of practice around integrated land-use.

In the second quarter of FY24, ISFL, in partnership with the Global Partnership for Sustainable and Resilient Landscapes (PROGREEN), will launch an interactive e-course entitled *Integrated Land-Use Initiatives: Theory and Practice*, which will be freely available on the World Bank's Open Learning Campus. Based on the *Guide to Integrated Land-Use Initiatives* and building on the World Bank's Landscapes 101 course, this new integrated land-use e-course covers the eight main themes

discussed in the guide and highlights cross-cutting themes, such as social inclusion and adaptive management. Designed to be used by governments and their development partners, the course shares insights into best practices for designing holistic jurisdictional land-use programs in complex and complicated environments.

2023 BioCarbon Fund ISFL Program Evaluation

The BioCarbon Fund ISFL takes its mandate to document and learn from its approach seriously so that the approach can be replicated and improved in the future. A centerpiece of the ISFL strategy for monitoring, evaluation, and learning (MEL)¹² is the commissioning of three independent evaluations. The first evaluation, published in 2019, focused on the start-up phase of the initiative — capturing early lessons, assessing the appropriateness of the program design, and reviewing governance and management arrangements. In FY23, ISFL commissioned a third-party firm, ADE, to carry out a second independent evaluation. This evaluation will discuss all five ISFL programs, with in-depth studies of Colombia, Ethiopia, and Zambia. Drawing on a wide range of sources, the researchers are employing a mixed-method design, which combines conventional and participatory quantitative and qualitative methods. The results will be used to generate evidence-based findings and recommendations to help ISFL manage its programs adaptively while also providing accountability to financial contributors and other program stakeholders. The evaluation will be published on the ISFL website by the end of the calendar year 2024.¹³

A third assessment will begin in 2028. It will examine the outputs and outcomes of ISFL, the replicability of the initiative's approach, its overall sustainability, and other strategic issues.



¹⁰ You can create a free account on the World Bank's Open Learning Campus and access the course here: <https://wbg.edcast.com/insights/ECL-563bb247-2cea-4f37-ae69-f4c14e4ae578>.

¹¹ You can read the guide and learn more about integrated land-use initiatives here: <https://www.biocarbonfund-isfl.org/integrated-land-use>.

¹² For more information on the BioCarbon Fund ISFL's evaluation approach, read the MEL framework: <https://www.biocarbonfund-isfl.org/sites/default/files/2023-09/ISFL%20MEL%20Framework%20June%202023bnew.pdf>.

¹³ The first program evaluation is available here: <https://www.biocarbonfund-isfl.org/sites/default/files/2020-04/BioCarbon%20Fund%20ISFL%20-%20Final%20Evaluation%20Report.pdf>.



3. Country Program Progress

3.1 Colombia

Key Achievements

- The program's Emission Reductions Program Document (ERPD) is undergoing a third-party assessment, bringing the program closer to the signing of the Emission Reductions Purchase Agreement (ERPA).
- The Initiative for Sustainable Forest Landscapes (ISFL) is supporting the private sector in developing more sustainable, low-emission practices in key value chains, specifically rice, cocoa, non-timber forest products, palm oil, livestock, coffee, and cashew, along with commercial forestry and agroforestry.
- Work is progressing on the delivery of the remaining grant-funded activities related to reducing deforestation and promoting proven agricultural practices, as well as establishing and strengthening agroclimatic roundtables.

Overview

The BioCarbon Sustainable Low-Carbon Development in Orinoquia Region Project aims to help farmers and agribusinesses in Colombia's Orinoquia region sustainably manage their land, increase agricultural production, and realize the region's potential to become a food basket for the country and the world. ISFL invested a \$20 million grant in the project, which is channeled through both the World Bank's Environment, Natural Resources, and Blue Economy and its Agriculture and Food Global Practices. The grant is implemented by the Ministry of Agriculture and Rural Development (MinAgricultura), in alliance with the Ministry of Environment and Sustainable

Development (MinAmbiente), the Institute of Hydrology, Meteorology, and Environmental Studies (IDEAM), and the National Planning Department (DNP).

In addition to the project grant, ISFL has also provided a \$16 million grant for private-sector engagement that is delivered in partnership with the World Bank Group's International Finance Corporation (IFC) and the Agriculture and Food Global Practice. The ISFL grant and the private-sector engagement activities are fully aligned to help contribute to low-carbon development in the Orinoquia.

The Orinoquia region — consisting of four departments (Arauca, Casanare, Meta, and Vichada) and home to almost 1.5 million people, as well as biodiversity-rich savannah and wetlands — is threatened by agricultural expansion. Though developing the region's potential is vital for the livelihoods of local farmers and the country's growth and development, deforestation and ecosystem degradation in the region have obstructed both the efforts to grow the economy and to protect the environment. The destruction of forested areas and the conversion of native savannah and wetlands not only exacerbate climate change but also narrow the habitable area available for the region's biodiversity.

To help address these persistent challenges, the project is improving land-use and sectoral planning instruments, as well as strengthening local stakeholders' capacities. This is achieved through technical assistance aimed at addressing the drivers of land-use change in the Orinoquia and catalyzing sustainable development across the region. The project is working to build the capacity of key stakeholders, promote environmentally

sensitive land-use planning approaches, integrate sustainable land-use policies, and promote low-carbon productive practices across the targeted value chains. The project also supports the preparation of an emission reductions program and Benefit-Sharing Plan (BSP) that aims to enable Colombia to access results-based finance for a portion of the total verified emission reductions generated.

The project has four components involving the following activities:

1. Supporting capacity building for the implementation of integrated land-use planning and improved governance for deforestation control;
2. Supporting sustainable land-use management by generating information, skills, and incentives to reduce GHG emissions from land-use change in the agriculture, forestry, and other land-use (AFOLU) sectors;
3. Providing technical assistance for the preparation of an emission reductions program for results-based payments and for the development of Colombia's capacity in the robust reporting, accounting, and verification of AFOLU emissions and removals; along with
4. Financing project coordination, management, and monitoring and evaluation activities.

Colombia's ISFL Program Progress in FY23

Throughout FY23, the program engaged with several local and national partners to increase the region's overall resilience to climate change by helping to strengthen land tenure, mainstreaming low-carbon and climate change criteria into development plans, and bolstering sustainable activities. It built on previous years' efforts to strengthen the competitiveness of critical agricultural value chains, develop sustainable agricultural extension plans, and support public- and private-sector efforts to mainstream low-carbon development.

The project made major strides in the implementation of the grant program and the preparation of the emission reductions program.

Under Component 1 of the grant (capacity building for implementing integrated land-use planning), the project finalized the contracting of all remaining activities related to deforestation control. This means, in FY24, the project will be able to deliver the technical assistance required to build the capacity of the local government to ensure that sustainability is built into government-led operations and adopted by communities and enterprises. By improving land-use management and reducing deforestation, the project will help stakeholders reduce GHG emissions across the Orinoquia.

To help achieve its goals under Component 2 (support for sustainable land-use management), the project contracted multiple organizations for various consultancy services:

- The National Federation of Palm Oil Producers (FEDEPALMA) was contracted to execute a consultancy on extension services for improved, sustainable practices in the palm oil value chain.
- The Colombian Agricultural Research Corporation-National Federation of Cacao Producers (AGROSAVIA-Fedecacao) will be conducting a sustainable, low-carbon agroforestry consultancy for cacao.
- The AGROSAVIA-Wildlife Conservation Society (WCS) will complete a consultancy on sustainable cashew production.
- AGROSAVIA will work to establish and strengthen agroclimatic roundtables and execute a consultancy on low-carbon rice production.
- Individual consultancies will work to develop non-financial private-sector incentives (Siete Cueros Cheese Denomination of Origin and Meta Department Livestock Zero Deforestation seal — see below for more information).

These organizations represent critical land users across the region. The project's focus under this component has been on working with these land users to identify more sustainable operational



models and facilitating the adoption of these models as widely as possible across the jurisdiction.

Under Component 3 (technical assistance for the preparation of an emission reductions program), the project delivered an ERPA workshop to new stakeholders and counterparts from across the Government of Colombia.

Also as part of the preparation for the emission reductions program, the government has developed its ERPD after an extensive consultation process with stakeholders (with more than 20 workshops held to prepare the program). The document lays out the strategy for delivering emission reductions across the jurisdiction. The ERPD is now under a third-party assessment — the final step in the preparation process: essentially, a lead global carbon-accounting firm is reviewing the document to ensure the plan meets the highest technical standard. This also ensures that going forward, there is an assurance that the emission reductions generated under the program meet the ISFL

requirements (see Section 2.1 — Moving Toward Emission Reductions Purchase Agreements for more information).

Finally, the government is preparing its BSP in consultation with stakeholders. The BSP will lay out the mechanism for distributing the monetary and non-monetary benefits from the program to communities (see Box 2.1 — What is a Benefit-Sharing Plan?).

The project has several activities underway that will enable agricultural and forestry producers and enterprises to adopt more sustainable practices. In communities, the project has established training programs in forest planning and the sustainable use of forests for local authorities and community members, and it has developed community forestry projects for deforestation hotspots. At the sectoral and institutional levels, it is working to strengthen four departmental Forest Management Roundtables, help form a regional deforestation control action plan, and build institutional

capacities to more effectively implement the "Intersectoral Pact for Legal Timber."¹⁴ The project also operates Science, Technology, and Innovation Roundtables. Focused on strengthening the national system for agricultural innovation, they have helped update four departmental action plans for science, technology, and innovation. Together, these efforts aim to convene and mobilize stakeholders to create, strengthen, and implement sustainable policy.

Engaging communities and agri-enterprises, while necessary to achieve the project's goals, is not sufficient to catalyze the systemic change needed to transition the Orinoquia to low-carbon development. Creating an institutional and legal framework that enables and encourages a low-carbon development model is therefore central to the project's goals. To help create this framework, the program has supported the mainstreaming of low-carbon and climate change criteria into seven municipal and four departmental development plans. It is also implementing a series of interventions and providing technical assistance for strengthening the Regional Node of Climate Change (NORECCO) and its Technical Secretariat for the fulfillment of the latter's mission and objectives as the regional authority overseeing the implementation of the Regional Climate Change Action Plan. Supporting the government in creating this institutional and legal framework will help improve the enabling environment for low-carbon development by ensuring that the changes are sustained beyond the lifespan of the ISFL program in the Orinoquia.

The Government of Colombia is continuing to develop plans for an emission reductions program in partnership with the World Bank and the BioCarbon Fund ISFL. This future emission reductions program forms a key part of Colombia's ambitious goals for low-carbon development. Addressing this commitment, the Intersectoral Climate Change Committee decided to accelerate NDC implementation and compliance, listing this emission reductions program as among the 30 national initiatives

to be prioritized. MinAmbiente has convened a specific expert accounting group to assess the evolution of the REDD+ mechanism at the international level, with the BioCarbon Project invited to contribute to this group. Finally, the Government of Colombia has also expressed an expanding interest in regulating the carbon market and is working on a Framework Decree that will provide a legal basis for an emission reductions program in the Orinoquia region.

Communicating how stakeholders can get involved and the progress being made at all levels is vital to the overall success of this initiative. Strong communication helps in two ways: (1) mobilizes stakeholders to take part; as well as (2) captures and disseminates the lessons learned to inspire others to replicate this approach in other geographies. The project is actively implementing its communication strategy — raising its visibility through newspapers, the radio, social media, and institutional media. The project has formed a regional action group of community members who are trained in photography and journalism. The group is raising awareness of the project via social media. The project's communications team has also supported the environmental and social safeguards team in defining the proper channels to disseminate the grievance-redress mechanism to ensure that stakeholders are aware of the platform and can access it.

The BioCarbon Orinoquia ERPD, which is currently under a third-party assessment, is expected to be finalized in early FY24. The assessment, the upstream agreement on pricing modalities, and the regulatory amendments led by the Government of Colombia will provide the necessary enabling condition for Colombia to proceed to the ERPA negotiation and signing phase.

Box 3.1: Promoting Sustainable, Inclusive Development Through Private-Sector Engagement

With the support of ISFL and its partners, producers in the rice, cocoa, palm oil, livestock, cashew, and commercial forestry sectors are using 41 sustainable agricultural and forest management practices that are contributing to tangible emission reductions in the Orinoquia region. These practices are also helping to attract other smallholder producers, including women and youth, to adopt climate-smart agricultural approaches.

La Catira, a dairy company in the region, is actively promoting zero-deforestation agreements and sustainable cattle ranching among its network of 70 suppliers. The company has a training center with five demonstration plots showcasing 10 sustainable cattle ranching practices for livestock producers in the sub-sector, including women and youth. The ISFL Project in the Orinoquia has also helped to promote women's agricultural alliances and cooperatives, such as the *Cooperativa Femenina Ganadera los Alpes (Cofegan)* on sustainable livestock management. Beyond cattle ranching, cashew and commercial forestry producers are creating inclusive employment opportunities in the Orinoquia, including those for native and Indigenous communities. Some of the farms, located near the border with Venezuela, also employ migrants.

Ultimately, the ISFL Project in Orinoquia has proven to be a promising pilot scheme that has demonstrated the viability of pioneering sustainable production initiatives in the region and beyond. The goal is to apply what has successfully been done in Colombia and scale up to other parts of the world.

An Integrated Approach to Private-Sector Engagement

ISFL's private-sector engagement strategy in Colombia aims to facilitate the transition to low-carbon development by working with private-sector actors in key supply chains in the Orinoquia. To this end, in addition to creating an enabling environment for sustainable land use, ISFL is promoting the generation, validation, and sharing of knowledge about effective approaches to support climate-smart development. It is expected that the active engagement of the private sector will help to achieve not only Colombia's emission reductions targets but also ensure sustainable development by opening the jurisdiction to private-sector development in Colombia's "last agricultural frontier."

ISFL is helping to lead the Orinoquia's transition to low-carbon development via the implementation and scale-up of 41 agricultural, livestock, and forestry GHG-mitigation measures in key value chains: rice, cocoa, non-timber forest products,

palm oil, livestock, coffee, and cashew, along with commercial forestry and agroforestry systems. ISFL has taken an integrated, hybrid (top-down and bottom-up) approach to private-sector engagement in the region, selectively targeting high-impact commodities and working closely with both large agribusinesses (top-down) and local firms (bottom-up) to pilot pioneering approaches for transforming supply chains.

In collaboration with private-sector firms, the ISFL Colombia program is implementing pilot activities that aim to produce evidence that certain, more sustainable practices will work under the specific agroclimatic conditions prevailing in the Orinoquia region. Evidence production will lay the groundwork for replication at scale through the World Bank's private-sector scale-up strategy. So far, this strategy has included the establishment and operation of four multi-actor collaboration platforms, the development of three public-private partnerships, and three emission reductions pilot operations.

¹⁴ This pact provides a legal framework within which timber producers in Colombia operate. It aims to stop illegal logging across the country.

The World Bank’s IFC has been a crucial partner in the top-down aspect of this work. ISFL provides funding (\$5.25 million) to IFC for projects that work with large, vertically integrated agribusinesses; help promote policy dialogues (such as the Sustainable Cattle Ranching Ordinance); accelerate private-sector behavioral changes; support an enabling environment for piloting and mainstreaming sustainable practices and investments; and leverage synergies from public-private investments. IFC is currently working with large firms in different sectors and across the region, including livestock firms Cialta (in Meta) and Hacienda San Jose (in Vichada), as well as cocoa firms Bacao (in Meta) and Casa Luker (in Casanare).

Knowledge generation is a key part of the private-sector engagement strategy. The World Bank is coordinating knowledge sharing with IFC, local academic institutions, AGROSAVIA, and national research centers across key value chains (livestock, oil palm cocoa, and non-timber forest products).

The World Bank and its partners are building a knowledge base to promote more sustainable agricultural practices, as well as identify and support investment needs. To achieve this objective, ISFL has provided a \$7.3 million grant to the World Bank Group’s Agriculture and Food Global Practice to promote knowledge generation and sharing for low-carbon development. The team has undertaken more than 13 analytical exercises, using evidence-based field validation to facilitate the transition to more sustainable practices in the project’s selected supply chains. These funds support the delivery of specialized technical assistance to gauge the effectiveness of approaches for agricultural supply chain development — taking into account cost effectiveness and productivity, market access, and emissions, in addition to other potential environmental impacts.

The objective of this work in the Orinoquia is to identify effective, sustainable practices with the potential for large-scale adoption by private-sector actors (small, medium, and large enterprises). It is expected that these analytical products will not only inform public policy but also facilitate the replication of sustainable practices by businesses and financial organizations, ultimately generating more emission reductions across Colombia.

The BioCarbon project has also helped create new private-sector incentive programs. These include a framework for Payments for Environmental Services (PES) and the provision of special credit lines for sustainable crop production being implemented in four departments. Additionally, two non-financial private-sector incentives are currently under development in the jurisdiction: the creation of a denomination of origin for Siete Cueros cheese and a Livestock Zero Deforestation certified seal in the Department of Meta.

The goal of these activities is to generate the knowledge base and identify the supporting investments needed to protect the environment, conserve biodiversity, and improve the livelihoods of local communities. As such, an integrated, coordinated approach — built upon active dialogues across levels of government, sectors, and communities — is needed in order to move the region toward comprehensive, transformative change.

To realize this holistic vision, ISFL engages with a broad coalition of governmental and non-governmental partners and stakeholders, including MinAgricultura, MinAmbiente, regulatory agencies, research organizations, civil society organizations, local community groups, large and small businesses, along with individual farmers and ranchers. Through open and transparent dialogues among the key stakeholders, ISFL’s work supports concerted action to reach its objectives and contribute to the country’s broader development needs by helping to improve land-use planning and aiding in the transition of key value chains to climate-smart and low-carbon practices. (See Box 3.1 to learn about how this work is also promoting social inclusion.)

Going forward, the project will continue to engage with private-sector actors and work to strengthen collaboration among different ministries and levels of government. As part of the implementation of the emission reductions program, the program will also be piloting the measurement and monitoring of biodiversity across agricultural supply chains (see Box 1.1 — Promoting Biodiversity in Integrated Land-Use Initiatives).

Program Timeline







- a An independent, third-party firm undertakes an audit of the ERP to verify compliance with the ISFL Emission Reductions Program Requirements. This process helps ensure that the program’s design, data, and accounting methods used are robust, thus providing confidence in the resulting carbon credits and the overall environmental integrity of the program.
- b After the external firm has completed the audit of the ERP and the ERP is revised, ISFL Contributors will formally agree to move forward with the ERP negotiations. The World Bank (as Trustee of ISFL, negotiating the ERP on behalf of the ISFL Contributors) engages in negotiations with the program country. The ERP is signed at the end of the negotiations.

Program Profile

Jurisdiction	Orinoquia region
Size of jurisdiction	25 million ha
Population in jurisdiction	1.37 million
Accounting area	25 million ha
Implementing agency	Ministry of Agriculture and Rural Development
ISFL funding	\$20 million in grant financing for implementation by the Government of Colombia \$8.8 million for IFC’s projects to support firm-level engagement \$7.3 million for analytical work to support private-sector engagement Potential payments for up to 10 million tons of verified emission reductions
Co-financing	\$5.93 million Global Environment Facility financing (under implementation)

High-Level Context

Drivers of land-use change	
	Land-use change from agricultural cultivation has been the main driver of deforestation and ecosystem degradation in the Orinoquia region for the past three decades.
	Much of the Orinoquia region constitutes undeveloped “frontier” territory, due in part to land tenure insecurity and the persistent lack of adequate infrastructure.
	The main causes of land-use change are encroachment from grazing cattle; a lack of land-use planning and incentives for sustainable practices; and illicit activities such as clearing forests to plant coca.
Key commodities and sectors	
	Agroforestry and commercial forestry systems, cattle, cashew, cocoa, dairy production, and palm oil.
Policy interactions and green growth strategies	
	The Government of Colombia has developed a long-term policy on green growth to reach sustainable development (see the National Council on Economic and Social Policy 3934 of 2018). Under this framework, the National Planning Department conducted the Green Growth Mission between 2014 and 2018, which prepared and discussed technical inputs to inform its green-growth policy. Diagnostic and prospective studies were carried out to identify policy options that incorporate a green-growth approach into the country’s development planning and to promote economic competitiveness, conservation, climate-friendly growth, and greater social inclusion.
	The recently launched national policy on deforestation control and forest management (the National Council on Economic and Social Policy 4021 in 2020) set the guidelines for the implementation of cross-sectoral activities to boost the forest economy and the sustainable use of the country’s natural capital and to bring the deforestation rate to zero by 2030. The project supports its implementation at the regional level.
	The project has also contributed to the updating and implementation of the Regional Climate Change Plan (PRICCO) for the Orinoquia region in Arauca, Casanare, Meta, and Vichada.
NDC commitments	
	The government of Colombia has committed to reducing GHG emissions by 51 percent against the business-as-usual level by 2030.
	To fulfill its NDC commitments, the government has formulated a climate change policy and set an institutional framework to address adaptation and mitigation through the National Climate Change System (SISCLIMA).



Key Program Results to Date

Number of people in private-sector schemes adopting sustainable practices	305
Number of stakeholders consulted	796 (47% women)
Number of partnerships established with the private sector	18
Number of partnerships established with not-for-profit organizations	30
Number of coordination platforms supported	31
Environmental and Social Management Framework (ESMF) completed	Yes
Feedback Grievance Redress Mechanism (FGRM) completed	Yes
ERPD submitted to ISFL for a third-party assessment	Yes



3.2 Ethiopia

Key Achievements

- Ethiopia became the first country to sign an ERPA¹⁵ with ISFL on February 9, 2023, unlocking up to \$40 million in results-based payments for emission reductions through 2030.
- The Oromia Forested Landscape Program (OFLP), the \$18 million grant program that forms the foundation for the ISFL emission reductions program in Ethiopia, was successfully completed on June 30, 2023, exceeding most of its targets. For example, participatory forest management activities now cover more than 210,000 ha of natural forest, compared with an original target of 120,000 ha. More than 9,600 ha have been covered through afforestation/reforestation (A/R) efforts, compared with an original target of 9,000 ha.
- The BSP for the first ERPA phase of the Ethiopia Emission Reductions Program is being finalized, with preparations for the second-phase BSP underway.¹⁶

Overview

The Ethiopian state of Oromia is a critical landscape: it is home to about 52 percent of the country's forests and more than 30 million people. Ethiopia's land and natural resources have come under increasing pressure, as deforestation and forest degradation have accelerated in the region. Wood extraction for firewood and charcoal represents the largest source of forest degradation, while slash-and-burn agriculture is the main cause of deforestation.

In response to these challenges, OFLP — the grant program forming the foundation of the Ethiopia Emission Reductions Program — seeks to reduce deforestation and lower net GHG emissions resulting from land use by improving forest and livestock management throughout the region.

The ISFL program in Ethiopia has three key goals involving the following activities:

1. Enabling investments that include support for sub-basin land-use planning, investment, and extension services, as well as for participatory forest management and A/R activities in deforestation hotspots;
2. Enhancing the enabling environment by financing complementary activities to increase the effectiveness and positive impact of institutions, policies, marketing, benefit sharing, strategic communication, MRV, and safeguards management at the state and local levels; as well as
3. Delivering emission reductions payments once the results have been achieved, verified by a third party, and formally reported to the World Bank.

The program was supported by a five-year, \$18 million grant that will be followed by results-based payments for verified emission reductions of up to \$40 million over the next eight years (2022–2029). These emission reductions will come from both the forestry and livestock sectors in the jurisdiction of the Oromia regional state.¹⁷

¹⁵ You can access the Framework and Phase Agreements of the ERPA here: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099182002142351736/p15129405688080150939508265a8440abc> and <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099182002142314786/p15129400cb36201a09b67055b5f5b4740e>.

¹⁶ The advanced draft of the BSP for the first ERPA phase is available here: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/722771624985229961/benefit-sharing-plan-for-disbursing-result-based-payments-from-biof-isfl-program>.

¹⁷ Emission reductions from forest degradation and livestock management activities will be included in the second ERPA phase, which will begin in 2025.

Ethiopia's ISFL Program Progress in FY23

In February 2023, Ethiopia broke ground by becoming the first country to sign an ERPA with ISFL. The ERPA unlocks up to \$40 million that will help communities, government, and stakeholders reduce carbon emissions and increase carbon sequestration through forest preservation and other environment-friendly land uses. This ERPA marks the first of its kind for ISFL, which will reward efforts for reducing around 4 million metric tons of carbon dioxide equivalent (MtCO₂e) emissions through 2030.

Ethiopia's ERPA will be split into two phases: the first phase aims to reduce emissions from the forest sector, while the second phase addresses emission reductions from livestock management and forest degradation activities. Now that Ethiopia has signed its first-phase ERPA, the program will move into the monitoring and reporting stage to demonstrate that the emission reductions in the first phase of the ERPA can be verified and purchased. In parallel, the program will work to develop and subsequently agree to a second-phase ERPD.

Furthermore, the BSP for the first ERPA phase of the Ethiopia Emission Reductions Program is being finalized, with preparations for the second-phase BSP underway. The preparation of the operational manual for the BSP of the first ERPA phase has entered its final stages: this document provides detailed guidance for the implementation of the BSP, allowing payments under the ERPA to flow to communities.

A key step in the implementation of the Ethiopia Emission Reductions Program is the preparation of the Project Implementation Manual. This document, which entered its final stages of preparation in FY23, will detail the usage of two grants: (1) a BioCarbon Fund grant of \$0.75 million to cover the operational costs of the implementation agency between the end of the initial OFLP grant and the first ERPA payment; and (2) a \$1.2 million grant from AccelREDD to help build capacity for the livestock MRV.

ISFL helped lay the foundation of the Ethiopia Emission Reductions Program with \$18 million in grant financing, which began in 2017 and closed on June 30, 2023. The grant helped create large-scale change across the region by, among other actions, setting up the infrastructure for results-based payments for emission reductions and benefit sharing; empowering communities to manage natural forests and developing new forest areas; assessing options to improve land-tenure policies; strengthening engagement with the private sector; and ensuring compliance with established environmental and social safeguards for the program. These combined efforts sought to create an environment that enables government agencies, private-sector businesses, and local communities to allocate land for uses that provide the greatest overall benefits to the economy and the environment, as well as best promote a transition to sustainable land and natural resource management.

By the time the grant closed, the program had exceeded the vast majority of its targets. Component 1 of the grant, for instance, focused on enabling investments to support sub-basin land-use planning, participatory forests management, and A/R activities in the *woredas* ("districts") that are deforestation hotspots. A key piece of this effort involved empowering cooperatives to manage natural forests by helping them legally register with formal authorities. More than 120 community cooperatives were engaged in participatory forest management and 394 community cooperatives were engaged in A/R activities. The program exceeded its objectives under this component. Participatory forest management activities now cover more than 210,000 ha of natural forest (compared with the target of 120,000 ha). More than 46 million tree seedlings have been produced, enabling the government and communities to cover more than 9,400 ha through A/R efforts (surpassing the target of 9,000 ha).

Vital to the success of the Ethiopia Emission Reductions Program is the security of forest and communal land tenure rights. As part of the grant, OFLP completed an assessment of the legal framework governing the rights-to-forest tenure

and communal land certification so as to secure communities' user rights to the land and ultimately inform policy reform on a larger scale.

Over the last few years, a consulting firm helped the project undertake an integrated land-use planning capacity-strengthening effort across relevant sectors in the region. The aim of the project was to bolster statewide technical capacity to allocate land for uses that provide the greatest sustainable benefits and to promote the transition to sustainable and integrated management of land resources. The consultant conducted a capacity gap assessment, prepared a training manual and training syllabus based on it, and accordingly, provided the training of trainers to selected regional and zonal-level experts across selected *woredas*.

The Bureau of Land also conducted a pilot of the integrated land-use planning capacity-strengthening exercise in three *woredas*. An updated training manual was published and distributed to the target zones of the region for its continued application at the local level.¹⁸

The program has also worked with the private sector and governmental entities to promote the adoption of new business models that ensure environmental and economic sustainability and the development of forest-smart policies that support local initiatives to thrive and scale up.

To ensure that sustainability and inclusivity are mainstreamed across both the public and private sectors, OFLP is engaging with dairy and coffee supply chains in Oromia. OFLP's private-sector strategy focuses on establishing proofs of concept of sustainable business models for these two value chains. Its aim is to encourage private-sector actors to enter the market, adopt sustainable practices, and crowd in their own financing. Solidaridad and TechnoServe, both of whom began their work in FY22, are leading this work in the dairy and coffee sectors, respectively (see Boxes 1.3 and 3.2 for additional details).

In FY24, the ISFL program in Ethiopia will begin implementing its emission reductions program in earnest. It will be preparing for the submission of its first monitoring report so that the country can receive payments for verified emission reductions produced under the ERPA. The program will also continue preparations for the second-phase ERPA, which includes emission reductions from forest degradation and livestock management activities. A crucial part of this work will involve finalizing the comprehensive BSP, which will ensure that the community members and private-sector actors reducing emissions through activities in the livestock sector will receive benefits once the second phase begins.

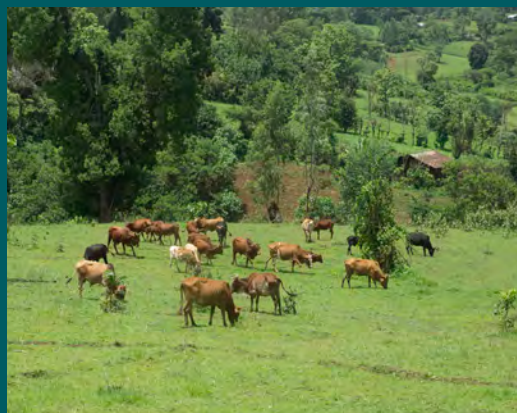
Box 3.2 Proving the Business Case for Climate-Smart Livestock in Ethiopia

Ethiopia is home to the largest livestock population in Africa. These animals — horses, camels, cattle, and other ruminants — are vital to the country's economic development, food and nutrition security, and poverty reduction. However, they are also a major source of the country's GHG emissions. Under current conditions, livestock is projected to emit nearly half of Ethiopia's GHG (48 percent) in 2030. Although dairy farming has been identified as a key culprit, its selection as a target for change also stems from its consideration as a high-value growth sector that can boost productivity and incomes while lowering GHG emissions.

As Ethiopia's economy continues to grow (averaging 9.5 percent annually over the past 15 years) in tandem with its population (reaching an estimated 190 million people by 2050), an increased demand for animal-protein products, including milk and meat, is anticipated. Yet, domestic milk production has remained insufficient and inefficient, with a gradual increase from 3 billion liters in 2016 to 4.96 billion liters in 2021.

While some larger commercial farms exist, almost 95 percent of dairy cows are kept by rural, smallholder

farmers, who own fewer than five head of cattle per household. A typical cow produces just 1–2 liters of milk a day, which are either consumed at home or sold through informal market systems with little to no quality control. Moreover, these farmers struggle to access the inputs and services — such as feed, veterinary care, and artificial insemination — needed to improve their herds. Finally, the farmers also have little incentive to sell to the formal market.



As a result of this low productivity, the current GHG footprint of smallholder-produced milk is very high — averaging 19 kilograms (kg) CO₂e per kg of milk compared with an average of 9 kg in Sub-Saharan Africa. This situation also means that the country’s demand for dairy products is largely being met through imports. Combined, this equates to a triple challenge: (1) high GHG emissions from the current domestic dairy production, (2) the spending of valuable foreign currency on imports, and (3) a missed opportunity to develop dairy livelihoods and supply chains.

To help Ethiopia seize the opportunity to become self-sufficient in milk production, ISFL has been working closely with the government to find the best ways to shift toward

a more professional and efficient dairy system that benefits its people, the economy, and the environment. Specifically, ISFL has teamed up with international civil society organization Solidaridad to test three climate-smart, market-oriented integrated business models in Oromia — Ethiopia’s biggest dairy-producing region.

Research has shown that these strategies can fill the missing links (namely, fodder) and strengthen the weak points (including the service structure, knowledge, and skills) in the value chain. First, the test aims to demonstrate the business case for dairy service hubs — commercial enterprises that link farmers to processors. These hubs can play a crucial role in ensuring that joint milking, collection, and cooling are done near dairy villages, thus enabling a more reliable flow of higher-quality milk to the market at more stable prices. Dairy service hubs can also provide farmers with easy access to the inputs, services, and training that can help them turn their subsistence dairy farming into larger businesses and further increase their incomes.

Farmers will need assistance along this growth path: this may involve replacing bulls and non-productive cows with productive cows; rearing young stock; investing in better veterinary care; and adopting climate-smart dairy farming practices, such as reducing grazing during the dry period or installing biogas digesters to convert manure into fuel. To this end, the embedding of extension services into the dairy hubs will be needed to provide selected farmers with training and farm-planning services via Solidaridad’s digital solutions. This will also help to showcase service-provision opportunities.

Finally, the proof of concept will pilot fodder service centers — a new type of private venture that will provide quality animal feed to the dairy service hubs on a commercial scale. Better, readily available feed can help by contributing to healthier cows that produce more milk and less methane (from enteric fermentation in the gut), as well as healthier land that is less stressed by grazing.

Field evidence of the business case will be gathered from 800 smallholder farmers, 40 commercial dairy farmers, and four dairy cooperatives/unions. This proof of concept will provide evidence to farmers and small businesses, along with milk processors and coops, on the feasibility of sustainable dairy business models that are unknown in Ethiopia.

Scaled up, these investments could go a long way toward realizing Ethiopia’s climate targets^a under the Paris Agreement — a 70 percent reduction in GHG emissions by 2030 — and its national Pathway to Prosperity (2021–2030). In the end, the project aims to validate that this business model can reduce the carbon footprint per kg of milk produced by half, boost participating farmers’ incomes by 100 percent, and demonstrate the viability of strategic partnerships and investments in the Ethiopian dairy industry’s green growth.

^a https://unfccc.int/sites/default/files/NDC/2022-06/Ethiopia%27s%20updated%20NDC%20JULY%202021%20Submission_.pdf

Program Timeline







^a The ERPD for the first ERPA phase is available here: https://www.biocarbonfund-isfl.org/system/files/2023-08/OFLP-%20Final%20ERPD%20-%20Phase%201-%2027%20May%202021_0.pdf; and the audit report is available here: https://www.biocarbonfund-isfl.org/system/files/2023-08/ISFL_OFLP_RPT_AssessmentReport_V1-4_7_22_21%20%281%29.pdf.

Program Profile

Jurisdiction	Oromia region
Size of jurisdiction	32 million ha
Population in jurisdiction	More than 30 million
Accounting area	Entire forested landscape in Oromia, including livestock and agricultural areas
Implementing agency	Oromia Environmental Protection Authority
ISFL funding	<p>\$18 million in grant financing</p> <p>\$0.75 million in grant financing to cover the operational costs of the implementation agency between the end of the initial OFLP grant and the first ERPA payment</p> <p>Up to \$15 million in results-based payments for verified emission reductions for ERPA Phase 1, with the potential for sales of emission reductions in excess of those contracted</p> <p>Emission reductions for ERPA Phase 2 to be negotiated</p>
Co-financing	<p>\$3 million grant from IFC for investment services in the coffee sector and an additional \$4 million Swiss grant for private sector-led coffee tree rejuvenation and climate-smart dairy, with possible additional matching funds of the same amount from private-sector actors</p> <p>\$1.2 million grant from AccelREDD to help build capacity for livestock MRV</p>

High-Level Context

Drivers of deforestation, land degradation, and GHG emissions	
	<ul style="list-style-type: none"> • Small-scale land conversion for agricultural expansion • 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 the country. Most is produced from natural forests, including woodlands and shrublands. Current demand is estimated to significantly exceed the sustainable yield potential of the remaining forest area. • Indirect drivers, including the 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	
	<ul style="list-style-type: none"> • Coffee, spices, and honey • Livestock and dairy • Subsistence agriculture — the main economic activity in Oromia, specifically wheat, beans, potatoes, and cabbage in the highlands, and bananas, maize, and teff grains in the lowlands
Policy interactions and green growth strategies	
	<p>Ethiopia’s development agenda is governed by two key strategies: (1) the Second Growth and Transformation Plan (GTP-2) that recently evolved into the 10-Year Development Plan; and (2) the Climate Resilient Green Economy (CRGE) strategy. Both strategies prioritize the attainment of middle-income status by 2025.</p> <p>The CRGE strategy reports that agriculture and forestry “contribute around 45% and 25%, respectively, to projected GHG emission levels by 2030 under business-as-usual assumptions, and together account for around 85% of the total abatement potential.”</p>
NDC commitments	
	<p>The country is committing to reducing economy-wide GHG emissions by 14 percent in 2030 from the recently revised business-as-usual scenario, using its domestic resources.</p> <p>This would represent a 56.7 MtCO₂e reduction, limiting GHG emissions at 347.3 MtCO₂e in 2030 (compared with the revised business-as-usual scenario emissions level of 404 MtCO₂e).</p>



Key Program Results to Date

Area reforested	9,673 ha
Number of direct-project beneficiaries from the OFLP grant	92,576 (34% women)
Forest area brought under management plans	210,952 ha
Number of engagements established with not-for-profit organizations	8: Farm Africa, SOS Sahel, Ethio Wetlands and Natural Resources Association, World Vision Ethiopia, Action for Development, Mekane Eyesus Church, Ethiopian Catholic Church, and the Japan International Cooperation Agency
Number of coordination platforms supported	9: 2 regional steering committees, 4 REDD+ technical working groups, and 3 cluster-level coordination platforms (South-East, Central, and West Oromia)
ERPA signed	Yes — for Phase 1
Advanced Draft Benefit Sharing Plan made public	Yes — for Phase 1
Value/volume of ERPA signed	\$15 million for 1.8 million emission reductions for Phase 1 (Phase 2 to be negotiated)
FGRM completed	Yes



3.3 Indonesia

Key Achievements

- The ERPD for the Jambi Emission Reductions Results Project (JERRP) is undergoing a third-party assessment.
- In preparation for the emission reductions program, the team has held consultations with 5,345 relevant stakeholders (30 percent of whom are women) and has concluded a Free, Prior, and Informed Consent (FPIC) process with 170 villages. A series of workshops on the ERPA process and climate finance in Indonesia was also held in partnership with the Government of Indonesia in March 2023.
- The ongoing grant program has made significant progress throughout FY23 in implementing the underlying activities that will generate emission reductions across the jurisdiction. This includes bringing 241,833 ha of land area under sustainable land management and/or restoration practices, as well as re-establishing 543 ha of forest through planting and/or deliberate seeding, coordinated participatory patrols, and forest fire management training. Work is also progressing on assisting farmers to adopt sustainable practices to raise incomes while reducing emissions. To date, 1,143 farmers have been trained in adopting better agricultural technologies to support enhanced productivity.

Overview

The archipelagic nation of Indonesia represents a complex tapestry of human, natural, and economic ecosystems. The country is composed of more than 18,000 islands, which are home to some of the most biodiverse rainforests in the world. According to the Rainforest Action Network, Indonesia's forests house an astounding portion of the world's biodiversity — around 12 percent of the world's mammal species and 16 percent of the world's reptiles, along with 35 species of primates. This

astounding animal population shares the islands with a growing human population of more than 270 million, making Indonesia the fourth-most populous country in the world after the United States. It also has a bustling economy — the largest in Southeast Asia and the 10th largest in the world.

The region has experienced significant land use and forest-cover change in recent years, largely as a result of agricultural development. Both large concessionaires and smallholder producers have transformed massive plots of undisturbed land into crop production sites for commodities, such as palm oil, pulpwood, rubber, and coffee. Deforestation and forest degradation are also exacerbated by weak governance related to land use conversion and natural resource extraction. While the eastern peatlands and western highlands of Jambi contain significant carbon stocks and high potential for sequestration, frequent forest and peat fires release high volumes of carbon dioxide into the atmosphere.

The Jambi Sustainable Landscape Management Project (J-SLMP), the grant program that forms the foundation of JERRP, aims to increase forest area, improve sustainable land management, and reduce land-based GHG emissions in the region. It has three components involving the following activities:

1. Strengthen policies and institutions to improve cross-sectoral coordination and actions addressing drivers of emissions in Jambi and to support an enabling environment for the Emission Reductions Program;
2. Integrate forest and land management in Jambi, particularly through sustainable forest management, agricultural intensification and diversification, conservation and restoration, and value chain sustainability; and
3. Support national and provincial-level project coordination and management, including monitoring, evaluating, and reporting.

Indonesia’s ISFL Program Progress in FY23

Now in its third year of operation, J-SLMP has made great progress in facilitating the adoption of more sustainable agricultural practices amongst local communities. Of the many initiatives led by J-SLMP, some that are of note are the establishment of farmer cooperatives, the implementation of community-based fire prevention and fire management activities, as well as its support in securing land tenure for Indigenous (*adat*) communities.

With the easing of the pandemic restrictions, J-SLMP has begun providing agronomic practice training for farmers in the coffee and rubber value chains, as well as providing seeds and planting equipment to farmer groups. It has now supported 1,143 farmers (nearly 30 percent of whom are women) in adopting better agricultural technologies to support enhanced productivity.

In its efforts to rehabilitate forests, J-SLMP has supported the creation of strategic alliances with national parks to bolster existing community forest restoration efforts. To date, 241,833 ha of land area have been brought under sustainable land management and/or restoration practices. Activities to support these practices have included community training on the protection of national parks, support for the reduction of prescribed burn/illegally burned areas (though there were no occurrences of fires reported in 2022), the re-establishment of 543 ha of forest through planting and/or deliberate seeding, coordinated participatory patrols, and forest-fire management training.

The ERPD for the ISFL program in Indonesia is undergoing a third-party assessment, bringing the project closer to the ERPA negotiation and signing. A series of workshops on the ERPA process and climate finance in Indonesia was also held in partnership with the Government of Indonesia in March 2023.



To prepare for the Emission Reductions Program, J-SLMP held consultations with 5,345 relevant stakeholders (30 percent of whom are women) and developed the requirements for safeguarding instruments, such as the ESMF and the Strategic Environmental and Social Assessment (SESA). It has also concluded an FPIC process with 170 villages.

Moreover, the government is also working with stakeholders to prepare a BSP for the program. This will ensure that the payments for the emission reductions generated through the ERPA are distributed to the communities in an equitable, transparent, and inclusive manner.

Furthermore, the government is improving the national and regional MRV systems to track emission reductions more accurately through a landscape emissions monitoring approach. Using this data, the team has analyzed the drivers of land-use change and deforestation in the province and gauged the risks and mitigation alternatives of displacement, which are included in the ERPD.

J-SLMP has received valuable support from the Jambi provincial authorities. They included the project initiatives in their Regional Mid-Term Development Plan for 2021–2026, which is currently under implementation. The government has also made efforts to mainstream the Green Growth Plan (GGP) into its provincial regulations to jumpstart the shift toward low-carbon

development. To contribute to this goal, the provincial government is in the process of adopting GGP in the Regional Long-Term Development Plan for 2025–2045 and formalizing it as a regional regulation with regional parliament approval. Regulatory actions are also being taken at the provincial level to provide the legal framework for the implementation of the One Map policy that supports unified land administration across Indonesia.

Ultimately, J-SLMP has made significant strides in addressing the province’s environmental and economic challenges. By taking an integrated approach that focuses on reinforcing institutions, integrating forest and land management, and supporting monitoring and evaluation efforts, the project has sought to reduce emissions, combat biodiversity loss, improve livelihoods, and promote sustainable agricultural practices. It has successfully facilitated the adoption of more sustainable agricultural practices, supported forest restoration efforts, and engaged with stakeholders to prepare for an ERPA. The agreement will provide payments to the communities through an inclusive, equitable, and transparent BSP. With the government’s commitment and the project’s progress, Indonesia is moving closer to its climate goals while preserving its natural resources and promoting resilient, low-carbon development in the Jambi province and beyond.

Box 3.3: Connecting the World's Forested Landscapes

Healthy landscapes provide ecosystem services that are critical for people and economies, such as biodiversity, clean water, climate regulation, erosion prevention, soil fertility, and flood control. Deforestation and forest and land degradation, however, are threatening these ecosystem services and reducing the productivity of 23 percent of the global land cover. Land degradation impacts an estimated 3.2 billion people worldwide, with 40 percent of the world's poorest living on degraded land.

Brazil, the Democratic Republic of the Congo (DRC), and Indonesia are familiar with these issues. All three countries share the challenge of reconciling economic growth in agriculture, timber, mining, and urban development with the protection of their forests and the services they deliver. Despite the significant differences in the contexts, the commonality of these countries' goals and challenges points to opportunities for collaboration and knowledge sharing.

Therefore, the World Bank facilitated a South-South Knowledge Exchange in Brazil in May 2023 to strengthen the knowledge and understanding of policy makers in Brazil, the DRC, and Indonesia to reduce deforestation and build successful large-scale jurisdictional programs. The Knowledge Exchange also aimed to strengthen the professional ties among the three countries at national and sub-national levels. Representatives from the ISFL program in Jambi were in attendance.

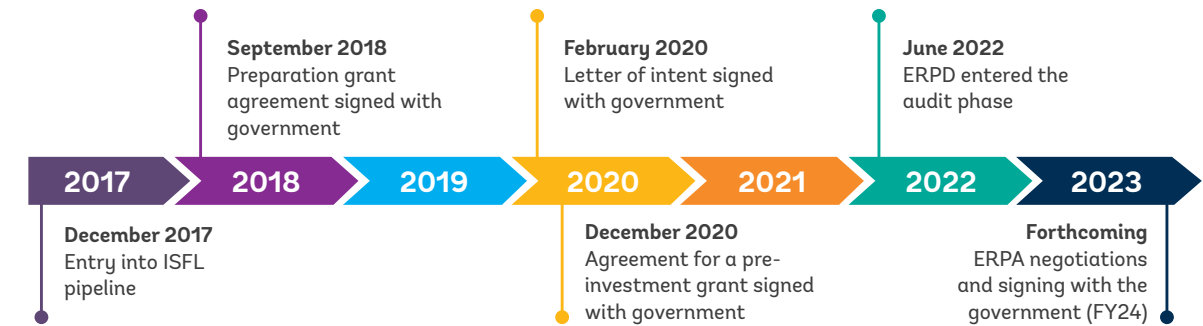
Participants took away three key lessons from the Knowledge Exchange. First, countries need a long-term vision for their forested landscapes to guide the institutions set up to protect the forests. Second, realizing this vision will require countries to value and monetize standing forests and their ecosystem services (carbon, biodiversity, and water). Third, a variety of institutions (national, subnational, government, and non-government) must work together collaboratively if they are to achieve zero deforestation and productive landscapes.



Delegates from Brazil, Indonesia, and the Democratic Republic of Congo (DRC) visited the Sumauma tree (Tree of Life), Brazil, May 2023.

Representatives from the three countries have agreed to discuss common positions on critical topics, such as forest carbon markets. The knowledge exchanges will continue in parallel. Governor Isran Noor of East Kalimantan extended an invitation to representatives from Brazil and the DRC to visit Indonesia soon, while the Minister of Environment from the DRC emphasized upcoming high-level meetings where the partnership will be further discussed. The World Bank is fully committed to supporting this initiative, including through a recently approved PROGREEN grant to enhance knowledge and build capacity. The three largest tropical forest countries working together can lead to a significant positive impact on their forest communities and on climate.





Program Timeline



Program Profile

Jurisdiction	Jambi Province
Size of jurisdiction	5 million ha
Population in jurisdiction	3.5 million people
Accounting area	2,082,286 ha
Implementing agency	Ministry of Environment and Forestry
ISFL funding	<ul style="list-style-type: none"> • \$1.5 million technical assistance grant • \$13.5 million implementation grant (under implementation) • Up to \$4 million in potential IFC deals • Potential payments for verified emission reductions to be determined

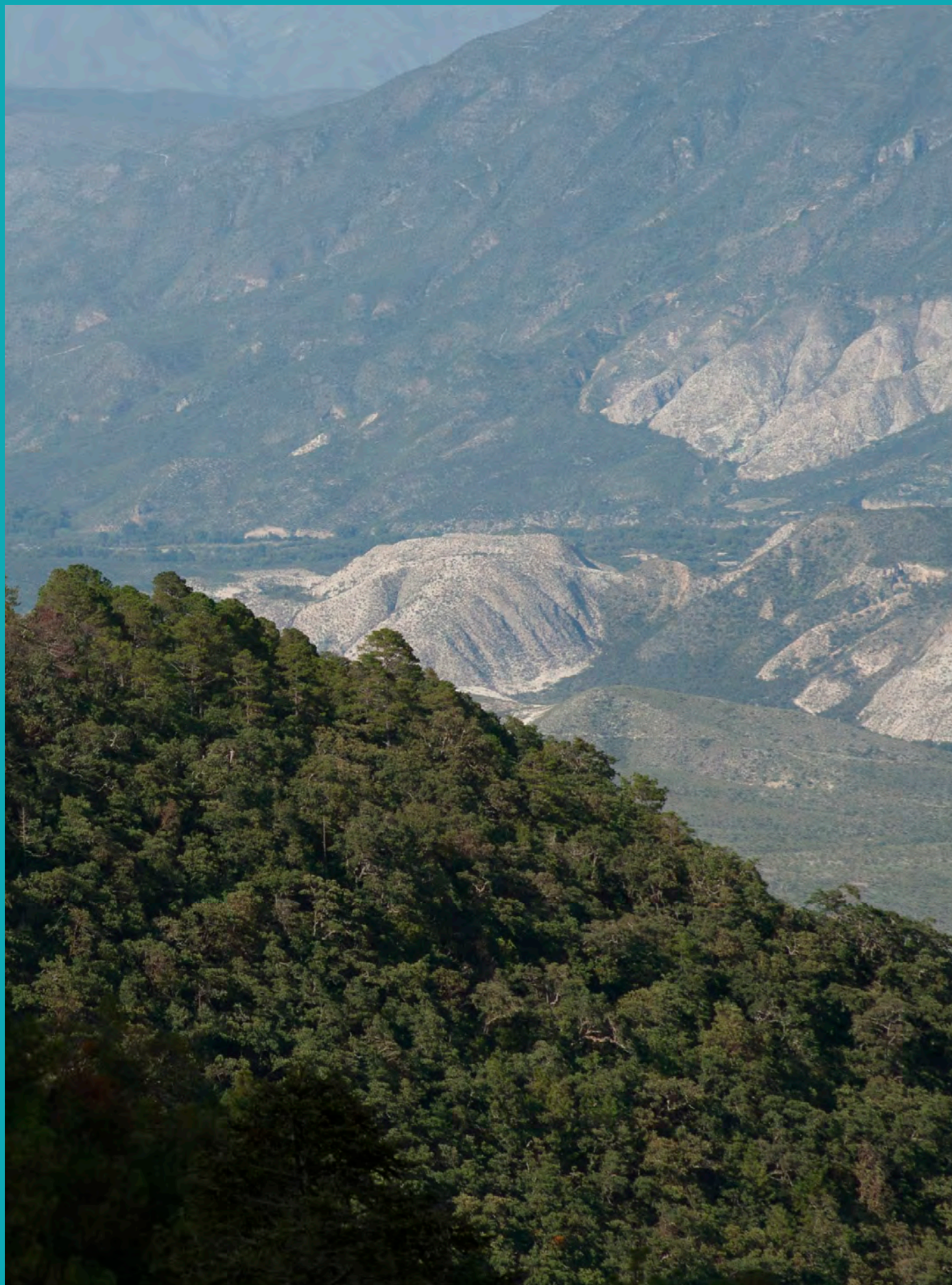
High-Level Context

Drivers of deforestation and peat decomposition	
	Approximately two-thirds of Indonesia’s annual GHG emissions come from land-use change related to AFOLU.
	Peatlands in Indonesia cover a total area of 13.8 million ha and are estimated to store between 37 percent and 65 percent of the global carbon pool for tropical peat.
	Drivers of deforestation and peatland decomposition include logging and the establishment of plantations, primarily for palm oil and acacia pulpwood.
Key commodities and sectors	
	<ul style="list-style-type: none"> • Fisheries • Livestock • Palm oil • Pulpwood (plantation-grown acacia and eucalyptus planted in natural forest areas) • Rubber • Robusta and Arabica coffee (a smallholder crop); demand for coffee is continuing to grow domestically and internationally • Other important commodities: rice, vegetables, fruit, coconut, cinnamon, soybean, areca nut, and cacao
Policy interactions and green growth strategies	
	In 2022, Indonesia committed to transforming the Forest and Other Land Use sector into a net carbon sink by 2030 (Forestry and Other Land Uses [FOLU] Net Sink 2030 commitment) through activities that include forest and land rehabilitation, the management of peatlands, and biodiversity conservation.
	The National Action Plan to Reduce GHG Emissions (2011) is an umbrella plan to reduce emissions in accordance with Indonesia’s NDC commitments.
	The One Map Initiative is an effort to establish a public, consistently georeferenced national inventory of all land parcels. It aims to clarify forest boundaries across the country, thereby allowing the successful design and implementation of emission reductions programs.
	The Peatland Restoration Agency was established in 2016 and tasked with the restoration of 2.1 million ha of peatland. It was then expanded to become the Peatland and Mangrove Restoration Agency in 2020 with an extended mandate. A peatland moratorium and palm oil moratorium were enacted in 2016.
	Provincial-level REDD+ programs and decentralization efforts are aligned 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 its GHG emissions by 26 percent using its own resources and by 41 percent with international assistance by 2030. To achieve this reduction, Indonesia will need to decrease emissions by 1.08 MtCO ₂ e, with the forestry sector expected to account for 60 percent of this target.



Key Program Results to Date

Number of reforms in forest and land-use policy, legislation, or other regulations and coordination mechanisms supported	5
Number of partnerships established with for-profit private-sector organizations	23
Number of stakeholders consulted on ISFL programs following the World Bank’s safeguards policies	5,345 (30% women)
Number of workshops held to prepare the ISFL program	436
ERPD submitted to ISFL for a third-party assessment	Yes



3.4 Mexico

Key Achievements

- The ERPD for the ISFL Mexico Emission Reductions program is undergoing a third-party assessment. The underlying program activities described in the ERPD were identified in a participatory manner through 16 workshops with stakeholders.
- The National Forestry Commission of Mexico (CONAFOR) — the lead agency implementing the Emission Reductions Program — signed an agreement with the National Institute of Indigenous Peoples (INPI) in October 2022. This inter-institutional agreement enables the project to move forward in closer collaboration with Indigenous Peoples, based on a greater awareness of their needs, thus ensuring greater social inclusion and more impactful interventions.
- To allow more time for the grant program to achieve its goals, its end date was extended to September 2024. This will give the program more time to finalize a third-party assessment of its ERPD, complete preparations for the Emission Reductions Program, continue to strengthen the government's capacity to implement the future emission reductions program, and expand the technical assistance on landscape innovation and forest management. Combined, these efforts will ensure greater reach to communities and Indigenous Peoples.

Overview

The ISFL program in Mexico is currently supporting enabling activities through the Strengthening Entrepreneurship in Productive Forest Landscapes Project, which is co-financed by a World Bank loan and an ISFL grant. This wider project seeks to strengthen sustainable forest management while also increasing economic opportunities for forest-dependent people and enterprises in selected landscapes across the country. The project has two components involving the following activities:

1. Strengthening forest management, conservation, and business development by financing demand-driven incentive programs in the forest sector that aim to support local communities, forest-dependent people, and other landholders; as well as
2. Developing institutions and facilitating support for the preparation of an emission reductions program, which is expected to cover the four northern states of Chihuahua, Coahuila, Durango, and Nuevo León.

With this project, the \$10 million ISFL grant focuses mostly on the second component, that is, supporting the preparation of the tools and systems needed to provide the Government of Mexico with access to results-based financing. It may amount to a maximum of \$50 million in emission reductions payments.

Mexico's ISFL Program Progress in FY23

In FY23, the ISFL grant for the Mexico program was extended by 18 months, allowing preparations to continue for the emission reductions program. This will help ensure that, after the ERPA is signed, the government is ready to implement the MRV, benefit sharing, and underlying activities of the program. The extension will further strengthen the government's capacity to implement the ISFL emission reductions program in two ways. First, it will bolster the government's institutional capacity to provide enhanced technical assistance for integrated landscape management and to improve cross-sectoral coordination. Second, it will enhance the forest-management capacities of forest-dependent people.

The inter-institutional coordination supported under the extension is key to setting the emission reductions program up for success. Several agencies involved in rural development in Mexico — including the National Institute of Ecology and Climate Change (INECC), the National Institute for Women (INMUJERES), the Secretariat of Agriculture and Rural Development (SADER),

and the Secretariat of Environment and Natural Resources (SEMARNAT) — have already confirmed their support of the program.

During FY23, CONAFOR made great progress in strengthening its collaboration with INPI. The new inter-agency agreement signed aims to scale up integrated land-use management in support of rural communities, especially for the sizable Indigenous population (consisting of approximately 230,000 individuals) in the jurisdiction, mainly in Raramuris, Kikapués, and Nahuatl.

The program recognizes that strong multistakeholder engagement at all stages is crucial. This is why it has dedicated time not only to the facilitation of coordination across sectors and governmental institutions but also to deep consultations with communities in order to collaboratively design the emission reductions program.

In FY23, CONAFOR held 16 in-person workshops in this pursuit. During the workshops, local stakeholders, vulnerable groups, and other relevant actors in the field discussed the drivers of deforestation in the region and articulated their proposals on appropriate measures to tackle deforestation and improve forest management in the program’s jurisdiction. To date, more than

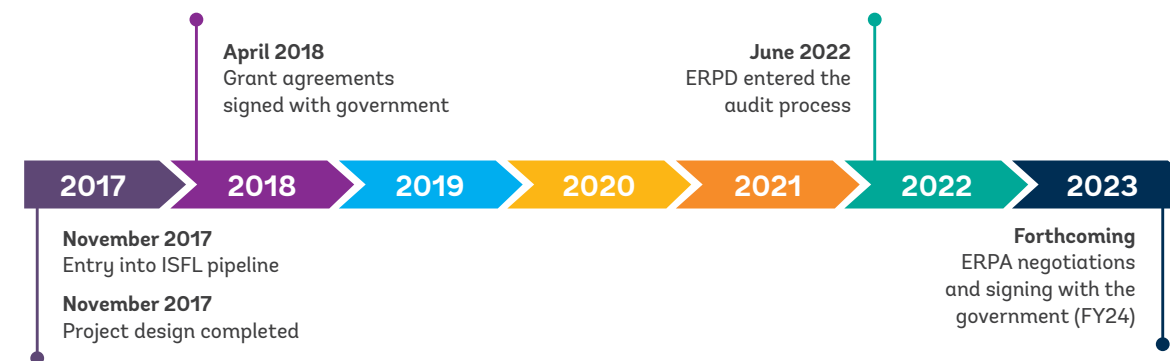
600 people have been consulted in the design of the program — a process reflected in the underlying activities outlined in the ERPD, which is currently under a third-party assessment.

Once under implementation, the underlying activities of the emission reductions program will include promoting community forest management for the sustainable and diversified use of forest resources; protecting forest ecosystems from fires, pests, and diseases; preserving and restoring ecosystem services through a PES scheme, forest restoration, and productive reconversion; encouraging the development of competitive local value chains to help grow local economies; and supporting the training of development agents within the territory.

Moving forward, CONAFOR and the task team will work together to identify the most efficient ways to implement a private-sector strategy, finalize the ERPD assessment process, develop an advanced draft of the BSP, and move into the ERPA negotiations. The future carbon program aims to scale up land management investments in rural communities and small businesses to improve income generation, strengthen low-carbon economic growth, and restore productive landscapes and ecosystems.







Program Timeline



Program Profile

Jurisdiction	Chihuahua, Coahuila, Durango, and Nuevo León
Size of jurisdiction	58 million ha
Population in jurisdiction	14 million
Accounting area	58 million ha
Implementing agency	CONAFOR
ISFL funding	\$10 million in grant financing available \$4 million in funding for private sector engagement available Potential payments for up to 10 million tons of verified emission reductions
Co-financing	\$56 million from a World Bank loan for the Mexico Strengthening Entrepreneurship in Productive Forest Landscapes Project (across 19 states) \$119 million in government financing from CONAFOR

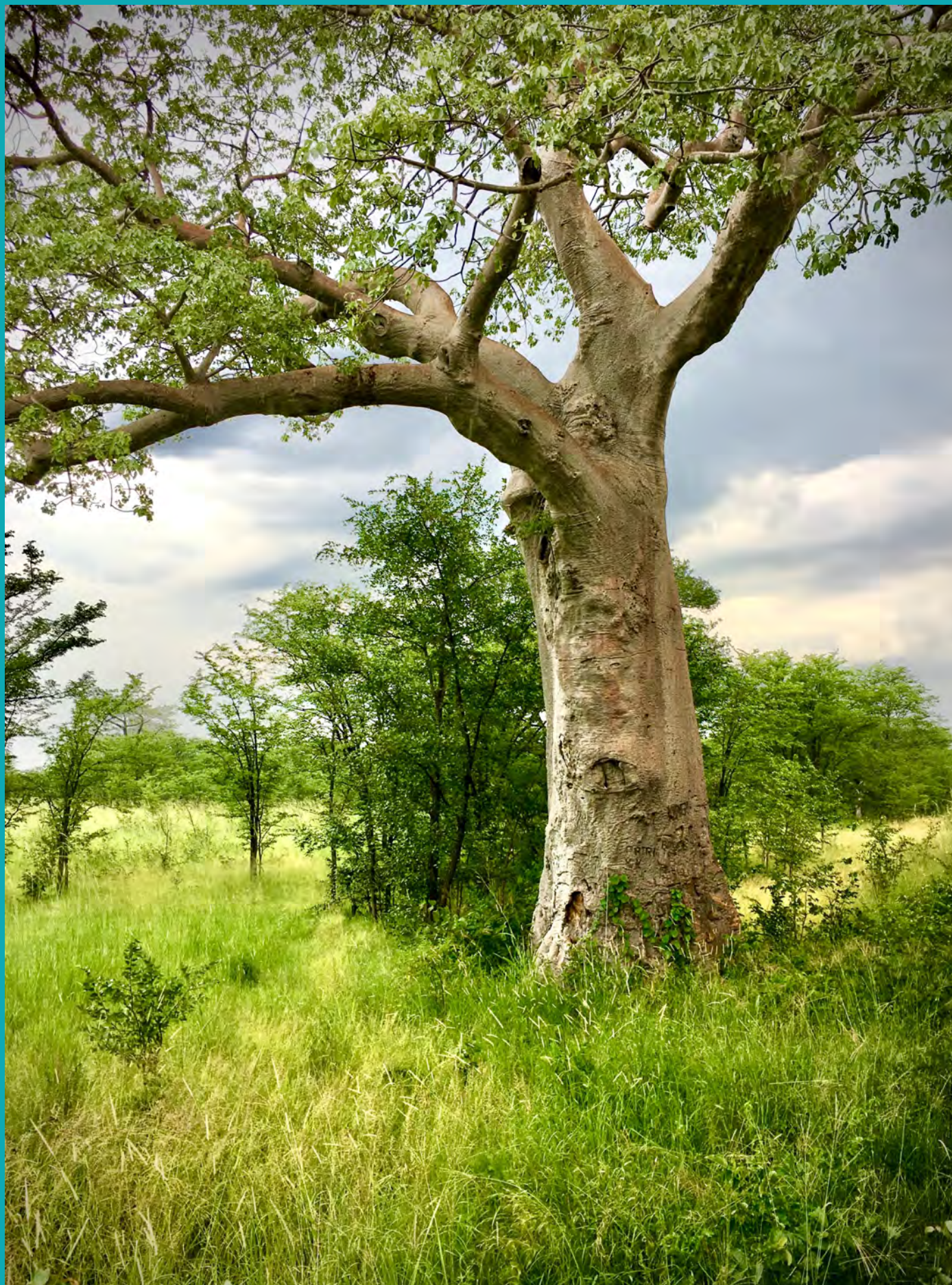
High-Level Context

Drivers of deforestation	
	Land-use change in Mexico is a response to regional, national, and international market pressures for the extraction of timber products, mining, agriculture, tourism, urban and industrial development, and infrastructure projects (such as dams, roads, and highways). In the ISFL program area, key drivers of deforestation are agricultural expansion and livestock production, specifically cattle farming.
Key commodities and sectors	
	Agriculture and livestock production
Policy interactions and green growth strategies	
	The General Law on Sustainable Forestry Development (LGDFS), through Article 138 Bis, empowers SEMARNAT to enter into international agreements on cooperative mechanisms to reduce emissions in the forestry sector. It also states that the results-based payments resources will be distributed according to a BSP, which has been prepared in a participatory manner within the framework of the respective project.
	The General Law on Climate Change (LGCC) sets out a framework for the development of Mexico's forest registry. Mexico has instituted a series of incentive programs, including the PES Program supported by the World Bank. Since 2003, it has spearheaded the application of economic instruments for forest conservation and the promotion of sustainable forest management practices.
	The National Forestry Program (PRONAFOR) supports activities in the forestry sector to promote the sustainable use and conservation of forests. PRONAFOR's strategies include promoting integrated landscape management, harmonizing and coordinating land policies and programs, and reducing GHG emissions caused by deforestation and forest degradation.
NDC commitments	
	Forests play a crucial role in achieving Mexico's NDC targets. Mexico's updated NDC commitments include a target for zero deforestation by 2030.
	Removals from the forestry sector represent around 26 percent of Mexico's total emissions. According to Mexico's third Biennial Update Report, ^a the total emissions of the country in 2019 amounted to 736.62 MtCO ₂ e, while forest removals (coming from forested land remaining as forested land and land converted to forest through A/R) constituted just 192.75.35 MtCO ₂ e.

^a The Biennial Update Report can be accessed here: https://unfccc.int/sites/default/files/resource/MEXNIR_Revisada_1.pdf.

Key Program Results to Date

Number of workshops held to prepare the program	24
Number of stakeholders consulted	638 (24% women)
Number of knowledge products prepared on entrepreneurship and forest management	25
Number of inter-institutional coordination mechanisms put in place to improve landscape-level governance	5
ERP submitted to ISFL for a third-party assessment	Yes



3.5 Zambia

Key Achievements

- The ERPD¹⁹ for Zambia's Eastern Province Jurisdictional Sustainable Landscape Program (EP-JSLP) successfully completed a third-party assessment process.²⁰
- The ERPD has integrated climate-smart agriculture (CSA) into the program's MRV system through a novel modeling technique combining climate, soil, and land management data to estimate the turnover of organic carbon in the soil.
- Zambia entered into ERPA negotiations with ISFL.
- The advanced draft of the BSP for EP-JSLP was finalized.²¹

Overview

The Zambia Integrated Forest Landscape Program (ZIFL-P) — the grant program underlying the ISFL emission reductions program in Zambia (EP-JSLP) — seeks to improve landscape management and increase environmental and economic benefits for targeted rural communities in the Eastern Province of Zambia. By curbing rapid agricultural expansion and enhancing the benefits derived from forestry, agriculture, and wildlife, the program aims to reduce emissions by approximately 30 million tons and increase the resilience of communities to the impacts of climate change.

The ZIFL-P has four components involving the following activities:

- Creating conditions that will enable the successful implementation of livelihood investments, thereby preparing Zambia for emission reductions purchases;

- Financing on-the-ground activities that will improve rural livelihoods, conserve ecosystems, and reduce GHG emissions;
- Financing activities related to national- and provincial-level program coordination and management; and
- Facilitating the use of funds from the World Bank's International Development Association (IDA) in the event of a disaster.

Zambia's ISFL Program Progress in FY23

In FY23, the ISFL Zambia program reached several key milestones, bringing it closer to the ERPA signing, while ZIFL-P made great progress in implementing activities in Eastern Province to enable local farmers to adopt more sustainable practices. In FY23, the ERPD for EP-JSLP successfully completed a third-party assessment process. The advanced draft of the BSP — the mechanism through which stakeholders, including local communities, receive monetary and non-monetary benefits for their involvement in the program — was also finalized.

Recognizing the importance of agriculture in improving food security and the livelihoods of local communities in the Eastern Province, the ERPD has integrated CSA into the program's MRV system. It involves a novel modeling technique that combines climate, soil, and land management data to estimate the turnover of organic carbon in the soil (see Box 3.4 — Using Climate-Smart Agriculture to Reduce Emissions).

The project has made good progress in developing its MRV system — a key technical instrument for enabling the collection and management of data and information — to provide high-quality

¹⁹ The ERPD is available here: https://www.biocarbonfund-isfl.org/system/files/2023-08/ISFL%20Zambia%20ER%20Program%20Document_1.pdf.

²⁰ The ERPD Assessment Report is available here: https://www.biocarbonfund-isfl.org/system/files/2023-07/Zambia%20ERPD%20Assessment%20Report_2.pdf.

²¹ The advanced draft BSP is available here: https://www.biocarbonfund-isfl.org/system/files/2023-07/Zambia%20ISFL%20Program_Advanced%20Draft%20BSP-June%202023.pdf.

emission reductions estimates in accordance with the guidelines of the Intergovernmental Panel on Climate Change (IPCC). The program team has carried out a review of existing land-use data, identified strategies to fill in data gaps, and developed a roadmap to harmonize baselines and methodological approaches.

To enhance Zambia's capacity to achieve and account for emission reductions, ZIFL-P has facilitated the training of key officers at the provincial, district, and national levels on the use of a carbon-accounting tool developed by the United Nations Food and Agriculture Organization (FAO). Called the Nationally Determined Contribution Expert Tool (NEXT), the tool will enable Zambia to assess the mitigation potential of climate policies and measures, as outlined in the country's NDCs, and help evaluate the country's progress toward carbon neutrality.

The use of improved technology has figured strongly into ZIFL-P's work, with new tools being developed and used to better track changes in land use. The program completed the development of the Land-Use Monitoring and Information System (LUMIS) — a cloud-based tool that captures land-use changes over time through the satellite mapping of forest cover and aerial images of the landscape. LUMIS will interface with the Zambia Environmental Management Agency's Climate Change Portal, which is under development, to improve the user experience in accessing data and information for a variety of uses. The mobile app that facilitates data capture for the portal has been developed, while the full rollout of the portal is expected in October 2023.

Meanwhile, the grant program continues to make progress in its integrated approach to challenges across the Eastern Province landscape, including poverty reduction, environmental management, ecosystem protection, and infrastructure development. To address these objectives, ZIFL-P has been working with a robust multistakeholder platform that includes local, regional, and national stakeholders. It has also developed a series of integrated land-management plans to reduce deforestation by restoring degraded land, setting up fire breaks, and identifying potential sites for

sustainable, farmer-led irrigation projects. During this fiscal year, ZIFL-P also supported the Ministry of Agriculture and Forestry Department in raising and distributing 600,000 agroforestry seedlings. These seedlings were additional to the 5.1 million agroforestry seedlings previously distributed to farmers, and will help enhance soil health, diversify crops, and mitigate environmental risks. The project has also introduced one million cashew seedlings on over 15,000 ha of land in the Eastern Province.

On the biodiversity protection front, ZIFL-P made strides in reserve management — preparing plans for 13 existing protected forested areas covering over 109,000 ha. The program held stakeholder consultations with local communities, who were interested in collaboratively managing the land with the Forestry Department, in an effort to improve the effectiveness of law enforcement and mitigate human-wildlife conflict. Additionally, the project supported the endeavor to bring over 40,000 ha of forested land under community control through the Community Forest Regulations of 2018, while nearly 25,000 additional ha are under consideration for the protected-area status. All these efforts will contribute to GHG reductions and biodiversity conservation.

ZIFL-P also provided local rangers, who are working to protect biodiversity and prevent poaching and illegal wildlife trafficking, with patrol rations and field equipment. It further facilitated the formation of two community resource boards to enable the meaningful participation of local communities in wildlife conservation efforts.

The Zambia task team looks forward to implementing the participatory land-use programs, as well as facilitating the integration of LUMIS and the Zambia Environmental Management Agency's Climate Change Portal. The program also aims to set up sustainable livestock pastures, fodder banks, and rangelands, as well as help build roads, watering holes, and a new soil laboratory that will provide soil-fertility services to local farmers. Zambia aims to sign an ERPA with the BioCarbon Fund ISFL in FY24, after which it will move into the implementation of EP-JSLP.

Box 3.4: Using Climate-Smart Agriculture to Reduce Emissions

The main drivers of deforestation in the Eastern Province are agricultural expansion, especially of maize and cotton, and wood harvesting for charcoal or firewood. The clearing of forests for agriculture has been driven by the declining soil fertility of existing agricultural land, due to poor farming practices and the expansion of the scales of production so as to improve incomes and food security. As such, any effort to protect forested landscapes and reduce emissions needs to include agriculture, specifically CSA.

CSA is an innovative farming approach that ensures food security, enhances climate resilience, and reduces emissions. It uses techniques like precision farming, agroforestry, crop rotation and diversification, and efficient irrigation to optimize resource use, minimize emissions, and store carbon in the soil. Integrating CSA into emission reductions programs achieves multiple benefits: mitigating climate change, promoting sustainable food production, and building resilient agricultural systems. It's a triple win for the environment, farmers, and our sustainable future.

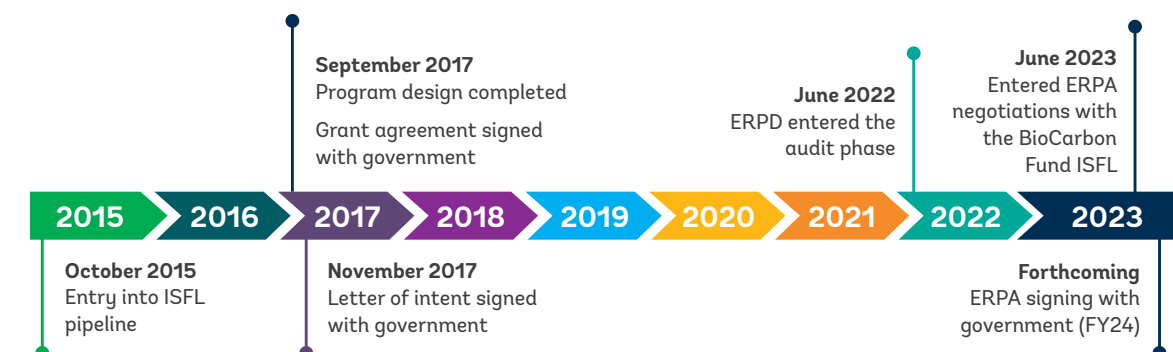
To enable smallholder farmers to reap the benefits of carbon payments, Zambia's EP-JSLP has integrated CSA into the program's MRV system. This is done through a novel modeling technique that combines climate, soil, and land management data to estimate the turnover of organic carbon in the soil.

First, the soil organic carbon baseline is established by using climate and weather information, soil survey data, as well as the time series of crop monitoring data and postharvest survey reports, compiled for the baseline reference period of 2009–2018. The baseline has generated emission factors that will be compared to those of the soil carbon sequestration resulting from the adoption of the CSA interventions. The emission factors under consideration include minimum tillage; improved crop varieties with biotic and abiotic stress tolerance; integrated nutrient management that optimizes and combines the judicious inorganic fertilizer application with organic fertilizers such as compost and manures; and improved crop management practices through crop rotations and cover crops. Under the program's implementation plan, CSA is expected to be adopted by 150,000 farmers. This will increase the land area under CSA from 174,000 ha in 2020 to 311,000 ha by 2029.

Capacity building is key to making this vision a reality. The program is first building the capacity of extension officers in the implementation of the CSA technologies and practices being promoted. The extension officers will, in turn, cultivate the capacity of the lead farmers elected by the community to perform technology-specific farmer-to-farmer extensions. Finally, the lead farmers will then train follower farmers under them in the CSA technologies and practices.



Program Timeline



Program Profile

Jurisdiction	Eastern Province
Size of jurisdiction	5.1 million ha
Population in jurisdiction	1.7 million
Accounting area	5.1 million ha
Implementing agency	Ministry of Green Economy and Environment
ISFL funding	<ul style="list-style-type: none"> • \$250,000 preparation grant • \$7.75 million implementation grant • Potential payments for up to 6 million tons of verified emission reductions
Co-financing	<ul style="list-style-type: none"> • \$8.1 million in Global Environment Facility financing • \$17 million IDA loan

High-Level Context

Drivers of deforestation	
	<p>The main drivers of deforestation in the Eastern Province are agricultural expansion, especially of maize and cotton, and wood harvesting for charcoal or firewood. The clearing of forests for agriculture is driven by the declining soil fertility of existing agricultural land, due to poor farming practices and the expansion of the scales of production so as to improve incomes and food security.</p>
	<p>The unregulated collection of fuel wood is often a precursor to agricultural expansion.</p>
Key commodities and sectors	
	<ul style="list-style-type: none"> • Cotton • Maize
Policy interactions and green growth strategies	
	<p>The Wildlife Act (2015) encourages communities to form enterprises to advance park conservation. This legislation seeks to address the complicated legal process of establishing a community enterprise in Zambia.</p>
	<p>National REDD+ Strategy: The government of Zambia, with support from the Forest Investment Program administered by the World Bank and various United Nations agencies, has undertaken a National REDD+ readiness process that includes the development of a National REDD+ Strategy.</p>
	<p>Zambia intends to reduce its GHG emissions, in line with its commitments under the Paris Agreement, by implementing three programs. They are driven by the country's climate-response strategy and supported by national development policies related to energy, forestry, agriculture, water, urban and rural planning, sanitation, and transport. The three programs are focused on sustainable forest management and sustainable agriculture, as well as renewable energy and energy efficiency.</p>
	<p>The country's emission reductions program is strongly aligned with the Ministry of Green Economy and Environment's goal to promote investment in economic activities that are low-carbon, resource-efficient, climate-resilient, and socially inclusive.</p>
NDC commitments	
	<p>Zambia has committed to reducing GHG emissions by 25 percent by 2030, or by 47 percent if substantial international financial support (approximately \$35 billion) is forthcoming. For both scenarios, the government plans to achieve most of its emission reductions through investments in sustainable land use and forestry management.</p>



Key Program Results to Date

Number of stakeholders consulted on the ISFL program	5,616 (27% women)
Number of funded technical studies completed	13
Number of workshops held	18
Number of partnerships established with not-for-profit organizations	4: Technical service providers for agriculture, wildlife, forestry value chains, and participatory land-use planning
Number of engagements established with not-for-profit organizations	2: COMPACI and The Nature Conservancy
Number coordination platforms supported	6
ESMF completed	Yes
SESA completed	Yes
FGRM completed	Yes
ERPD submitted to ISFL for third-party assessment	Yes
Advanced draft of BSP completed	Yes



4. Looking Ahead

The BioCarbon Fund Initiative for Sustainable Forest Landscape (ISFL) is looking forward to a busy year as it prepares to sign four more Emission Reductions Purchase Agreements (ERPAs) and support the countries in initiating their reporting processes for their emission reductions programs. This is a key step to securing the payments for emission reductions for the communities. Through the implementation of its emission reductions programs in Fiscal Year (FY) 24, the Initiative is seeking to explore opportunities for raising

the profile of biodiversity co-benefits in climate change-mitigation efforts.

As the programs move forward, ISFL will continue to align its strategic priorities with international goals and national policy commitments, as well as with the World Bank's Climate Change Action Plan. These focus areas provide an important foundation for the Initiative's continued efforts to improve livelihoods and enable sustainable natural resource management around the world.

✓ Key priorities for the coming year

ISFL has set the following priorities for the year ahead:

1. Signing or preparing to sign ERPAs for the remaining four ISFL programs;
2. Supporting countries in moving their emission reductions programs forward after signing their respective ERPAs;
3. Promoting biodiversity conservation in integrated land-use programs, including through piloting biodiversity measurement in the Orinoquia;
4. Continuing to support program teams to drive emissions reductions in livestock sectors (meat and dairy) by identifying and implementing improved lower carbon production processes and models;
5. Sharing best practices in low-carbon production methods from ISFL programs through private sector-focused South-South knowledge exchanges;
6. Learning from the results of the 2023 ISFL Mid-term Program Evaluation and sharing these lessons globally to inspire others to adopt and improve their programs; as well as
7. Delivering and disseminating training courses on sustainable agricultural banking and integrated land-use initiatives to a global audience via the World Bank's Opening Learning Campus (OLC).



5. Appendices

Appendix A — BioCarbon Fund Initiative for Sustainable Forest Landscapes' Logframe and Theory of Change

BioCarbon Fund Initiative for Sustainable Forest Landscapes' Theory of Change

The BioCarbon Fund Initiative for Sustainable Forest Landscapes' (ISFL's) theory of change presents the logic behind its interventions and describes how they can lead to targeted objectives. These interventions are derived directly from ISFL's key design elements (see Figure 1.2). The objectives of these interventions are broken down into different operational and strategic elements to allow for monitoring and evaluation. ISFL's theory of change (see Figure 1.4), along with its Logframe (see Table A.1), were developed and implemented in fiscal year (FY) 2017 as part of the Initiative's Monitoring, Evaluation, and Learning (MEL) Framework.²² The MEL Framework was updated in FY19, FY21, FY22, and FY23, and the Logframe includes targets for all programs that have entered the ISFL portfolio.

ISFL's Logframe

ISFL's Logframe²³ is derived from the Initiative's theory of change, and its purpose is to serve as a reference for the operational planning, monitoring, and evaluation of 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.

Targets are based on the best estimates of ISFL at the time the Logframe is published. Target values will be updated based on information from each ISFL program's results framework as it is finalized in the corresponding program's design document 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, which may occur when there is a mid-term review of the program or program restructuring;
- ISFL evaluations; and
- Extraordinary events occurring in ISFL program areas that significantly alter the Logframe targets.

Impact and outcome indicators are mandatory, that is, all ISFL programs are required to include them 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 indicators in their respective results frameworks to allow for the maximum aggregation of results for the Initiative. However, given the wide variance in program design, it is understood that the adoption rate of output indicators will be lower than those of impact and outcome indicators.

²² You can access the ISFL MEL Framework here: <https://www.biocarbonfund-isfl.org/sites/default/files/2023-09/ISFL%20MEL%20Framework%20June%202023bnew.pdf>.

²³ 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 used at the World Bank since 1997 and is the core reference document adopted throughout a project management cycle.

All targets are cumulative. This report covers progress made cumulatively through the World Bank’s 2023 fiscal year (ending June 30, 2023). The following should be noted:

- Results for Colombia, Ethiopia, Indonesia, Mexico, and Zambia have been aggregated in the Logframe. Which countries are reporting on which indicators is reflected in the column labeled as “countries currently reporting on indicator” with C, E, I, M, or Z.
- For certain indicators, the targets and results for the Mexico and Zambia grant programs have been discounted. This is to account for formal co-financing arrangements. For these specific indicators, 15.15 percent of the total results for the Mexico grant program and 24.17 percent of total results for Zambia grant program are reported. These discount rates impact Tier 1 targets, Outcomes 1 and 2, along with Outputs 1 and 2.

BioCarbon Fund ISFL Logframe

Table A.1

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							
Impact Indicator	Baseline (FY14)	FY19	FY21	FY26	EOP ²⁴ Target (FY31)	Countries Reporting	FY23 Results
T1.1a Number of people reached with benefits (assets and/or services) from ISFL grant programs (% women) ²⁵	0	13,683 (average 22%)	100,824 (average 28%)	126,261 (average 29%)	126,261 (average 29%)	C, E, I, M, ²⁶ Z	179,960 (39%) ²⁷
T1.1b Number of people reached with benefits (assets and/or services) from ISFL Emission Reductions programs (% women)	[Indicator targets developed in FY23]				400,000	E	0
T1.2 GHG emission reductions in ISFL program areas (MtCO ₂ e) (FAP) ²⁸	[Indicator targets developed in FY23]			12,039,238	41,998,414	E, Z	0
T1.3 Non-ISFL programs replicate or incorporate ISFL approaches in their program design	No	No	Yes	Yes	Yes		N/A

24 End-of-program (EOP) target

25 Bolded indicators are mandatory for all ISFL programs and/or the initiative to report on, if relevant.

26 No disaggregation was given by Mexico when setting targets.

27 No disaggregation was reported by Mexico for this indicator.

28 “FAP” denotes that this indicator originates from the Forest Action Plan (FAP).



Tier 2: Outcome								
Impact Indicator	Baseline (FY14)	FY19	FY21	FY26	EOP Target (FY31)	Countries Reporting	FY23 Results	
Outcome 1: Improve land management and land use, including forest cover								
T2.01.1 Total natural forest area in ISFL program areas (ha)	[Indicator targets to be developed]							N/A
T2.01.2 Reduction in deforestation as compared to a reference level in ISFL program areas (ha)	0	1,209	4,496	5,842	5,842	Z	1,699	
T2.01.3 Emission reductions from forest degradation as compared to a reference level in ISFL program areas (MtCO ₂ e)	[Indicator targets to be developed]							N/A
T2.01.4 Land area reforested or afforested in ISFL program areas (FAP) (ha)	0	5,047	24,758	162,712	162,712	E, I, M	10,216	
T2.01.5 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	14,081 (average 14%)	56,839 (average 23%)	63,663 (average 30%)	63,663 (average 30%)	E, I, M ²⁹ , Z	148,802 (33%) ³⁰	
Outputs to achieve Outcome 1								
T2.01.a Total land area brought under sustainable management plans as a result of ISFL support, including where relevant: forest plans, biodiversity plans, land-use plans, other (ha)	0	38,977	1,890,359	19,714,292	19,714,292	C, E, I, M, Z	12,163,967	
T2.01.b Total land area brought under sustainable landscape management practices as a result of ISFL support, including where relevant: forestry, agriculture, other (ha) (CRI, ³¹ FAP)	0	5,725	48,707	310,587	310,587	I, M, Z	300,203	
T2.01.c Land users who have received training for improving land management (% women)	0	13,250 (average 15%)	27,625 (average 28%)	30,000 (average 28%)	30,000 (average 28%)	C, E, M	43,481 (31%)	
T2.01.d Land users who have received training for agricultural productivity (% women)	0	20,000 (25%)	20,000 (25%)	20,000 (25%)	20,000 (25%)	E	49,497 (34%)	
T2.01.e Reforms in forest and land-use policy, legislation, or other regulations as a result of ISFL support	0	0	6	14	14	C, I, M	28	
T2.01.f Government officials who have received technical training on ISFL interventions (% women)	Indicator will be reported each year. Targets will not be included for this indicator.					M	0	
T2.01.g Number of government institutions provided with capacity building to improve land-use management	Indicator will be reported each year. Targets will not be included for this indicator.					M	0	

29 No disaggregation was given by Mexico when setting targets.

30 No disaggregation was reported by Mexico for this indicator.

31 "CRI" denotes that an indicator is adapted from the Corporate Results Indicators (CRI) list.

Tier 2: Outcome							
Indicator	Baseline (FY14)	FY19	FY21	FY26	EOP Target (FY31)	Countries Reporting	FY23 Results
Outcome 2: Deliver benefits to land users							
T2.02.1 Number of communities or other organizations that have received benefits (assets and/or services) from emission reductions payments	[Indicator targets developed in 2023]				2,000	E	0
T2.02.2 Number of people involved in income-generation activities due to ISFL support (% women)	[Indicator targets developed in 2023]				25,000 (60%)	E	0
Outputs to achieve Outcome 2							
T2.02.a Number of approved benefit-sharing plans established for emission reductions payments	0	3	5	5	5	C, E, I, M, Z	1
T2.02.b Value of emission reductions purchases from ISFL programs (MtCO ₂ e)	[Indicator targets developed in FY23]				15	E	0
Outcome 3: Leverage partnerships with and between the public and private sectors to advance the ISFL vision and approach							
T2.03.1 Volume of for-profit private-sector finance leveraged to contribute to ISFL objectives (million U.S. dollars)	Targets will be set for emission reductions programs where teams and clients have the ability to report on this data. Targets will not be set for grant programs, but the indicator will be reported each year.				20	C, E, I, M, Z	4.5
T2.03.2 Volume of not-for-profit finance (public or private) leveraged to contribute to ISFL objectives (million U.S. dollars)	Targets will be set for emission reductions programs whereby teams and clients have the ability to report on this data. Targets will not be set for grant programs, but the indicator will be reported each year.				30	C, E, I, M, Z	111.7
T2.03.3 Number of people in private-sector schemes adopting sustainable practices (% women)	[Indicator targets developed in 2022]			11,603 ³²	11,603	C, E	6,305 (33%)
T2.03.4 Number of businesses/private sector actors ensuring environmental and social benefits are created, sustainable, and scaled as a result of ISFL support	Indicator targets will be reported on following each program evaluation. Targets will not be set for this indicator.						N/A
Outputs to achieve Outcome 3							
T2.03.a Number of partnerships established with for-profit private-sector organizations due to ISFL support	0	3	5	29	29	C, E, I, M, Z	46
T2.03.b Number of partnerships established with not-for-profit organizations/initiatives (public or private) due to ISFL support	0	3	4	9	9	C, E, I, M, Z	36
T2.03.c Number of engagements established with for-profit private-sector organizations due to ISFL support	0	4	8	12	12	C, E, I, M, Z	21
T2.03.d 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	38

32 Targets were not set for women for this indicator, but programs are expected to report on gender disaggregation each year. No gender disaggregation was reported for Ethiopia.

T2.03.e Number of coordination platforms supported	Indicator will be reported each year. Targets will not be included for this indicator.	C, E, I, M, Z	46
--	--	---------------	----

Tier 3: High-quality tools and approaches are in place to ensure that ISFL goals and objectives are achieved in a timely manner.

Indicator	Baseline (FY14)	FY17	FY18	FY20	FY22	FY26	EOP Target (FY31)	FY23 Results
T3.1 Volume of grants committed under ISFL to create an enabling environment for emission reductions (million U.S. dollars)	0	18.25	39.5	71	71	71	71	71
T3.2 Volume of grants disbursed to ISFL programs (million U.S. dollars)	0	3.25	19.25	30.5	38.6	69.5	69.5	47.03
T3.3 Value of emission reductions purchase agreements committed to ISFL programs (million U.S. dollars)	[Indicator targets developed in FY23]					15	15	15
T3.4 Number of emission reductions purchase agreements signed	0	0	1	3	5	5	5	1
T3.5 Number of ISFL target countries that are officially included in the ISFL pipeline	0	3	4	5	5	5	5	5
T3.6 Number of countries with ISFL programs under implementation	0	1	3	5	5	5	5	5
T3.7 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	5
T3.8 Number of documents made public in order to share ISFL approaches and lessons learned	0	10	15	20	25	30	47	93
T3.9 Number of ISFL knowledge-dissemination events carried out	0	2	3	5	6	10	15	35
T3.10 Percentage of participants who rate ISFL knowledge dissemination events as "overall satisfactory (useful)"	0	≥75%	≥75%	≥75%	≥75%	≥75%	≥75%	N/A ³³
T3.11 Percentage increase of unique and returning visitors to the ISFL website (http://www.biocarbonfund-isfl.org)	0	0.5%	1%	3%	5%	10%	15%	47%
T3.12 An ISFL Monitoring, Evaluation, and Learning Framework is developed and updated, as necessary	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
T3.13 Number of external evaluations/assessments carried out at Initiative and program levels	0	0	0	3	4	6	8	1
T3.14 ISFL ER Program Requirements (GHG accounting approach, etc.) finalized	No	No	Yes	Yes	Yes	Yes	Yes	Yes
T3.15 An ISFL Private Sector Engagement Approach is developed and updated, as necessary	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
T3.16 An ISFL long-term financial plan is developed and updated annually	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes

33 There is no data on this indicator for FY23.

T3.17 An approach for managing pipeline risk is agreed and adjusted, as necessary	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
---	----	-----	-----	-----	-----	-----	-----	-----

Cross-cutting outputs for ISFL program preparation and implementation

Indicator	Baseline (FY14)	FY17	FY18	FY20	FY22	FY26	EOP Target (FY31)	FY23 Results
Preparation Outputs								
CC.P.1 Number of funded technical studies completed	0	18	21	23	25	29	32	91
CC.P.2 Number of stakeholders consulted on ISFL programs following World Bank's safeguard policies (% women)	0	-	-	Indicator will be reported each year. Targets will not be included for this indicator.				2,112,395 (25%)
CC.P.3 Number of countries that develop a grievance redress mechanism	0	0	3	3	5	5	5	5
CC.P.4 Number of workshops held to prepare an ISFL program	0	14	16	30	30	30	30	521
CC.P.5 Number of project concept notes approved for ISFL programs	0	3	3	9	9	9	9	7
CC.P.6 Number of project appraisal documents (project design documents) approved for ISFL programs	0	2	3	9	9	9	9	6
Implementation Outputs								
CC.I.1 Number of project manuals or other administrative documents completed (Documents)	0	1	1	5	6	6	6	58
CC.I.2 Number of Emission Reductions Program Documents completed (Documents)	0	0	0	4	5	5	5	2
CC.I.3 Number of approved Emission Reductions Program Documents (ERPDs) which directly reference national biodiversity strategies and action plans (NBSAPs), and which include targets that demonstrate biodiversity co-benefits (Documents)	0	0	0	4	5	5	5	1
CC.I.4 Number of program documents that explicitly mention biodiversity, i.e., grant Project Appraisal Documents (PADs), Strategic Environmental and Social Assessments (SESAs), and Environmental and Social Management Frameworks (ESMFs) (Documents)	0	3	6	9	15	15	15	15
CC.I.5 Number of programs that are designing or implementing biodiversity-friendly management strategies (Plans)	0	0	0	4	5	5	5	4

Note: - = not available

Appendix B — Financial Reports for Fiscal Year 2023

Total BioCFplus Contributions by Donor

As of June 30, 2023 (US\$, millions)

Table B1: Total BioCFplus Contributions by Donor

Donor	Ministry Department (see Note)	Total Pledged Contributions	Received Cumulative to FY23	Outstanding
Germany	AA	41.26	41.26	0.00
Norway	NICFI	18.89	18.89	0.00
United Kingdom	DEFRA	17.46	9.68	7.78
United Kingdom	DESNZ	12.44	8.42	4.02
United States	DOS	36.48	36.48	0.00
Switzerland	SDC	7.06	7.06	0.00
TOTAL		133.59	121.79	11.80

Note: Totals may not add up to 100 because of rounding.

AA = Federal Foreign Office (Germany)

DESNZ = Department for Energy Security and Net Zero (United Kingdom)

DEFRA = Department for Environment, Food, and Rural Affairs (United Kingdom)

DOS = Department of State (United States)

NICFI = Norway’s International Climate and Forest Initiative

SDC = Swiss Agency for Development and Cooperation

BioCFplus Cumulative Expenses

As of June 30, 2023 (US\$, millions)

Table B2: BioCFplus Cumulative Expenses

Use of Funds	Total Cumulative to FY23
Initiative Activities	6.53
Cross-Country Program Activities	0.35
Integrated Land-Use Framework	0.28
Activities for Leveraging Pilot Learning	0.14
Country Activities	67.96
Colombia	21.57
Ethiopia	23.81
Indonesia	8.32
Mexico	4.68
Zambia	9.58
Fees	3.55
Total Use of Funds	78.81



Total BioCF T3 Contributions by Donor

As of June 30, 2023 (US\$, millions)

Table B3: Total BioCF T3 Contributions by Donor

Donor	Ministry Department (see Note)	Total Pledged Contributions	Received Cumulative to FY23	Outstanding
Norway	NICFI	95.71	95.71	0.00
United Kingdom	DEFRA	65.17	6.34	58.83
United Kingdom	DESNZ	51.34	5.02	46.32
United States	DOS	6.95	6.95	0.00
Switzerland	SDC	3.03	3.03	0.00
TOTAL		222.19	117.04	105.15

Note: Totals may not add up because of rounding. Received contributions include funds in the prepaid account. Foreign exchange rates have been applied to outstanding contributions.

AA = Federal Foreign Office (Germany)

DESNZ = Department for Energy Security and Net Zero (United Kingdom)

DEFRA = Department for Environment, Food, and Rural Affairs (United Kingdom)

DOS = Department of State (United States)

NICFI = Norway’s International Climate and Forest Initiative

SDC = Swiss Agency for Development and Cooperation

Photography

Cover: Binyam Teshome | World Bank
Page 02: Magdalena Love | Unsplash
Page 04: Nuril Ahsan | Unsplash
Page 07: Radoslav Bali | Unsplash
Page 08: Geio Tischler | Unsplash
Page 10: Curt Camemark | World Bank
Page 12: Sebastian Staines | Unsplash
Page 15: CONAFOR
Page 17: Utsman Media | Unsplash
Page 19: Yuliia Huzenko | Unsplash
Page 22: Swarna Kazi | World Bank
Page 23: Justin Kauffman | Unsplash
Page 24: David Liceaga | Unsplash
Page 27: Arne Hoel | World Bank
Page 28: Curt Camemark | World Bank
Page 32: Hacienda San José
Page 34: Dominic Chavez | World Bank
Page 37: Hacienda San José
Page 43: Dominic Chavez | World Bank
Page 44: Erik Hathaway | Unsplash
Page 48: Binyam Teshome | World Bank
Page 51: Yohannes Minas | Unsplash
Page 52: Curt Camemark | World Bank
Page 54: Jillian Di Persio | World Bank
Page 55: Jillian Di Persio | World Bank
Page 56: World Bank
Page 59: Claudia Fernández Ortíz | Unsplash
Page 60: CONAFOR
Page 62: Victor Fernando Lita Zamora, CNFF 2022 | CONAFOR
Page 65: Ricardo Vara Briones, CNFF 2022 | CONAFOR
Page 66: Gilbert Tembo | Unsplash
Page 70: Joshua Dixon | Unsplash
Page 73: Sylvester Mambwe | Unsplash
Page 74: Yohannes Minas | Unsplash
Page 76: Curt Camemark | World Bank
Page 79: Alejandro Cartagena | Unsplash
Page 85: Natalia Cieslik | World Bank
Page 86: Koes Nadi | Unsplash
Back Cover: Binyam Teshome | World Bank

Design: Fathom Creative | Washington, DC





BioCarbon Fund
Initiative for Sustainable Forest Landscapes