



Department
for Environment
Food & Rural Affairs

Intervention Summary

Biocarbon Fund Initiative for Sustainable Forest Landscapes

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What support will the UK provide?

The UK will provide £40m from the International Climate Fund (ICF) to the BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL). The ISFL is a multilateral fund supported by donor governments and managed by the World Bank. The ISFL's objective is to reduce greenhouse gas emissions from the land sector, from deforestation and forest degradation in developing countries, and from sustainable agriculture, as well as to promote smarter land-use planning, policies and practices.

US\$330million has been invested in the ISFL, including a previous Defra investment of £25.1m and £50m from DECC.

Defra will invest in Indonesia and Zambia, with a roughly 50:50 split between the two.

This project will meet the all the objectives of the ICF: reducing poverty, mitigating CO₂ emissions, and conserving biodiversity.

The ISFL will mobilise finance to reduce carbon emissions in forest and agricultural ecosystems by:

- Providing technical assistance for REDD+ implementation and measures which improve the enabling environment for private sector investment;
- Offering finance for Verified Emission Reductions (VERs) associated with avoided deforestation; and
- Securing private sector finance, for example through purchasing commitments for sustainable commodities .

Why is UK support required?

Forests support the livelihoods of 1.6 billion people and contain up to 80% of terrestrial biodiversity. Deforestation and forest degradation cause an estimated 17% of global greenhouse gas emissions and forests store more carbon than the atmosphere. Ecosystem services provided by forests include regulation of climate, carbon and water cycles, protection of soils and watersheds, regulation of flows in water courses and air quality benefits. More than three-quarters of the world's accessible fresh water originates from forested catchments¹. Case studies in Brazil, Indonesia and India found that ecosystem services and non-market goods accounted for between 47% and 90% of the total income of the poor².

Forests are under threat - 13 million hectares of rainforest (an area the size of Greece) are being lost each year. Large-scale commercial agriculture accounts for 50% of this deforestation. Government intervention is necessary to safeguard the global and multiple benefits of forests, including biodiversity, whilst also meeting the challenge of long term food security. The FAO and

¹ Millenium Ecosystem Assessment (2005)

² TEEB. (2009) The Economics of Ecosystems and Biodiversity for National and International Policy Makers, UNEP, Nairobi.

OECD estimate that a 70% increase in food production will be required by 2050 to meet the needs of increased population, with higher incomes

The UK is committed to playing a leading role in supporting developing countries to tackle the drivers of deforestation and to grow sustainably. This commitment was reiterated at the UN Secretary General's Climate Summit (23rd Sept 2014) at which the Prime Minister, alongside a coalition of countries and multinational companies, committed to halve the rate of global deforestation by 2020 and halt it by 2030.

The investment will support the UK's international commitments and also meet in-country needs:

Indonesia

Indonesia's carbon emissions are the third largest in the world. About two-thirds come from the loss of carbon-rich rainforests and peatlands, mostly a result of expanding production of agricultural commodities such as palm oil and timber plantations. In 2009, Indonesia pledged to cut emissions by up to 41% relative to "business-as-usual" by 2020.

The programme will reduce deforestation associated with commodity production (primarily palm oil as well as pulp and paper, cocoa, coffee, rubber) by creating sustainable supply chains and supporting the national REDD+ strategy.

Zambia

Zambia has approximately 50 million hectares of forest, with an estimated deforestation rate of 250,000 to 300,000 hectares per year. The programme will increase sustainable, climate-smart and 'intensified' agricultural productivity that improves soil conditions and decreases pressure on land and forests. The programme will initially cover 2.6 million ha in the Luangwa Valley. Key interventions will include smallholder agriculture development and wildlife tourism development, with significant biodiversity benefits. The programme will support sustainable production of maize, oilseeds, cassava, sweet potato, horticulture and cotton.

How the project will be delivered

The project will be delivered through the World Bank as the Trustee and implementing agent of the ISFL. The World Bank will develop a work programme in collaboration with recipient countries and agreed by donor countries, including the UK. The programme will cover verified emissions reductions and payments issued on the basis of reductions, with the potential for some payments to be made in advance of verified emissions reductions to enable project delivery. CO₂ reporting will be independently verified. The UK plays a significant role in ISFL governance, as the joint largest donor to the fund.

What are the expected results?

Investment in the ISFL will provide of the following benefits.

Economic

- The leveraging of additional finance from other donors and the private sector
- Working with the private sector to spur innovation, leverage expertise and knowledge and mobilise capital to scale up successful land-use practices and accelerate the greening of supply chains.

Environmental

- Reduced loss of, and pressure on, forest habitats will protect biodiversity.
- Sustainable livelihoods will help to combat illegal hunting for bushmeat and protect biodiversity.
- There are 2181 species in Zambia classified as threatened (vulnerable, endangered and critically endangered) by the International Union for the Conservation of Nature (IUCN). Part of the project in Zambia will promote tourism to provide additional incentives for wildlife protection, reduce overexploitation of forest products and provide income to support effective management and enforcement.
- Indonesia has a high proportion of global biodiversity: over 31,000 species of vascular plants and 515 species of mammals, including 35 species of primate. In Indonesia 7023 species are classified as threatened by the IUCN, including the Orang-Utan, Sumatran tiger, and Sumatran rhino. High rates of deforestation, including degradation and fragmentation is a major threat, along with wildlife poaching.

Climate and poverty

- Reducing forest loss and forest degradation will reduce CO₂ emissions by an estimated 9.8M tCO₂e.
- Climate-smart agricultural and low-carbon land-use practices will enhance agricultural productivity and improve local livelihoods.

Political and international relations

- Engagement and partnership with both recipient and donor countries will build relations for future collaboration.
- Continued investment will demonstrate the political will to combat the drivers of deforestation.

Value for money

An economic analysis was carried out to determine whether the investment would represent good value for money.

The analysis was based on the best available information about planned activities for the fund and research literature on forestry interventions. The outputs show a strong benefit:cost ratio. The modelling results should be regarded as indicative rather than absolute due to levels of uncertainty.

Sensitivity testing showed that the analysis was robust to increases in leakage factor (displacement of deforestation activities from the intervention area to other regions), and even if zero ecosystem or income benefits were assumed. The following table shows the benefits of putting £40m into ISFL, split equally between activities in Zambia and Indonesia (£20m in each). The timeframe considered is 10 years after the fund has been set up. The results are summarised as follows:

Projected impacts of ICF Investment of £40m in the Bio-Carbon Fund

	Indicative Benefit/ Cost Ratio	MTCO ₂ e mitigated	Livelihoods improved	Biodiversity benefits (H/M/L)
Zambia (£20m)	16	5	482,000	M/H
Indonesia (£20m)	14	5	27,000	H
ISFL Combined (£40m)	15	10	509,000	H

Both “Livelihoods improved” and “biodiversity benefits” are supplementary information to the benefit/cost ratios. “Livelihoods improved” is an illustrative value based on the number of hectares affected in each country and the average farm size. Biodiversity benefits are assessed qualitatively on the basis of levels of biodiversity within each country. These benefits could not be monetised for inclusion in the benefit/cost ratios because they depend on the exact location of interventions and activities.

Monitoring and Evaluation

A number of evaluations will be undertaken to assess the benefits of the programmes, including by the ICF, independent evaluations, ISFL level evaluations using WB performance indicators (including on biodiversity), and independent verification of project level results. The monitoring, reporting and verification (MRV) framework for is robust and transparent, and projects are monitored quarterly by the World Bank and reported on annually.

ICF Monitoring and Evaluation

For the purposes of ICF-level reporting, a set of 15 Key Performance Indicators (KPIs) have been agreed between DECC, DFID and Defra, as well as associated methodologies, standards and guidance for evaluation. All ICF funded programmes report against relevant KPIs, with results aggregated across the ICF for central reporting purposes.