

# CLIMATE INVESTMENT FUNDS

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***NATURE, PEOPLE AND CLIMATE INVESTMENTS PROGRAM***  
***PROMOTING LOW-CARBON AND CLIMATE-RESILIENT DEVELOPMENT IN RURAL AREAS***

## 1. Overview of the sector

1. **An estimated 23% of total anthropogenic greenhouse gas emissions (2007-2016) derive from Agriculture, Forestry and Other Land Use (AFOLU).**<sup>1</sup> Land change is both a cause and consequence of global environmental change.<sup>2</sup> Changes in land use and land cover alter the Earth's energy balance and biogeochemical cycles which contributes to climate change and, in turn, affect land surface properties and the provision of ecosystem services.<sup>3</sup> Land and ecosystems are in fact negatively impacted by climate change which can exacerbate land degradation processes through, among others, heat stress, soil erosion, and increases in frequency and intensity of rainfall, flooding, and drought.
2. **Population growth and changes in per capita consumption of food, feed, fiber, timber and energy have caused unprecedented rates of land and freshwater use.**<sup>4</sup> Seventy-five percent of the land-based environment and about 66 percent of the marine environment have been "severely altered" by human actions.<sup>5</sup> More than 30 percent of the world's land surface and nearly 75 percent of freshwater resources are now designated to crop or livestock production. The world's larger and increasingly urban population will likely increase demand for food, water, minerals, fisheries and other natural resources thereby putting additional pressures on the environment. If new responses capable of modifying production practices and consumptions behavior are not introduced, the increasing demand would likely threaten environmental goods and ecosystem services, thereby undermining efforts to meet future food demands while also affecting livelihoods and health.<sup>6</sup> In addition, population increase drives infrastructure expansions opening areas to new threats. New infrastructure can come with high environmental and social costs. Infrastructure can generate positive economic effects and even environmental gains depending on where and how investment is implemented and governed.<sup>7</sup>
3. **The production of commodities, shifting agriculture, large-scale forestry operations, wildfire and urbanization have led to significant changes in global forest cover.** The production of commodities like soy, beef, palm oil, and wood fiber is responsible for about 27 percent of permanent global forest loss.<sup>8</sup> Beyond deforestation, shifting agriculture, wildfire and intensification and expansion of urban centers contributed to a further forest disturbance.<sup>9</sup> The substantial projected increase in demand for

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<sup>1</sup> IPCC (2019). [Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems: Summary for Policy Makers.](#)

<sup>2</sup> Song et al. (2018), [Global Land Change from 1982 to 2016](#). Turner, B. L. II et al., (2007), The Emergence of Land Change Science for Global Environmental Change and Sustainability; Foley, J. A. et al. (2005), Global Consequences of Land Use.

<sup>3</sup> Song et al. (2018), [Global Land Change from 1982 to 2016](#); Alkama, R. & Cescatti, A. Biophysical Climate Impacts of Recent Changes in Global Forest Cover; Le Quéré, C. et al. (2016), Global Carbon Budget 2016; Turner, B. L. II et al., (2007), The Emergence of Land Change Science for Global Environmental Change and Sustainability; Foley, J. A. et al. (2005), Global Consequences of Land Use.

<sup>4</sup> IPCC (2019). [Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems: Summary for Policy Makers.](#)

<sup>5</sup> IPBES (2019), [Global Assessment Report on Biodiversity and Ecosystem Services.](#)

<sup>6</sup> Sayer et al. (2013), [Ten Principles for a Landscape Approach to Reconciling Agriculture, Conservation, and Other Competing Land-uses](#); IPBES (2019), [Global Assessment Report on Biodiversity and Ecosystem Services.](#)

<sup>7</sup> Ibid

<sup>8</sup> Refers to forest disturbance between 2001 and 2015.

<sup>9</sup> Curtis P.G. et al. (2018), [Classifying Drivers of Global Forest Loss.](#)

e.g. forestry products<sup>10</sup> and minerals<sup>11</sup> will likely enhance land-use change and deforestation trends if governments and companies do not design and implement more effective policies and practices. Their policy and investment decisions will influence the greenhouse gases (GHGs) emission profile of these sectors for the years to come.

4. **Global water demand from agriculture, industry and domestic sectors is projected to increase as is water stress under changing climate conditions.** Driven by a combination of population growth, socio-economic development and changing consumption patterns, water global demand has been increasing by 1% annually since the 1980s. This growth, which has been led by surging demand in developing countries and emerging economies, is expected to continue increasing at a similar rate until 2050, accounting for an increase of 20 to 30 percent above the current level of water use.<sup>12</sup> Agriculture, which accounts for 69 percent of annual water withdrawals globally, is expected to remain the largest user over the coming decades, albeit a significant share of the expected growth will be attributed to increases in demand by the industrial and domestic sectors.<sup>13</sup> As demand for water grows and the effects of climate change intensify, the water stress levels observed are expected to continue increasing.<sup>14</sup> Climate change will likely exacerbate water stress in areas that are already the most affected.<sup>15</sup>
5. **Climate change is creating additional stresses on land, oceans and other water basins, disrupting ecosystem functioning.** Impacts already observed include soil erosion, coral bleaching, changes in the abundance and distribution of species, depletion of water sources, loss of “blue carbon” associated with coastal ecosystems such as mangroves and sea grass, and forest fires.<sup>16</sup> These threats can affect the ability of land and ecosystems to sequester and store carbon thereby resulting in increased GHG emissions. If global mean temperatures increase by 2° C, an approximately 13 percent of the global terrestrial land area is projected to undergo a transformation of ecosystems, increasing its biodiversity-related risks such as forest fires and the spread of invasive species.<sup>17</sup>
6. **Due to increases in the magnitude and frequency of extreme weather events, disruption of food supply is expected to lead to higher food prices and increased risk of food insecurity and hunger.**<sup>18</sup> To feed the world’s population by 2050, food production (net of crops used for biofuels) must increase

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<sup>10</sup> According to [UN Environment](#), considering only in Africa the demand will triple by 2050.

<sup>11</sup> For example, according to the World Bank brief on [Climate-Smart Mining: Minerals for Climate Action](#), to cover future global demand the production of lithium will have to increase by 965% and of cobalt by 585% by 2050.

<sup>12</sup> UN Water (2019), [World Water Development Report](#) (2019)

<sup>13</sup> UN Water (2019), [World Water Development Report](#) (2019)

<sup>14</sup> UN Water (2019), [World Water Development Report](#) (2019)

<sup>15</sup> UN Water (2019), [World Water Development Report](#) (2019)

<sup>16</sup> World Meteorological Organization (2019), [WMO Statement on the State of Global Climate in 2018](#); Porter, J.R. et al. (2014), [Food Security and Food Production Systems](#). In: *Climate Change 2014: Impacts, Adaptation, and Vulnerability. Part A: Global and Sectoral Aspects. Contribution of Working Group II to the Fifth Assessment Report of the IPCC*; Jiménez Cisneros B.E., et al., (2014), [Freshwater Resources](#). In: *Climate Change 2014: Impacts, Adaptation, and Vulnerability. Part A: Global and Sectoral Aspects. Contribution of Working Group II to the Fifth Assessment Report of the IPCC*.

<sup>17</sup> IPCC (2018), [Global warming of 1.5°C - Summary for Policymakers](#). IPCC (2019), [Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems: Summary for Policy Makers](#).

<sup>18</sup> IPCC (2019). [Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems: Summary for Policy Makers](#).

by 60 to 70 percent.<sup>19</sup> The IPCC <sup>20</sup> highlights that increasing warming will increase the frequency, intensity and duration of heat related extreme events such as droughts and extreme rainfall, likely increasing socio-economic implications. The magnitude and frequency of extreme weather events will disrupt food chains and stability of food supply. Climate change has already affected food security.<sup>21</sup>

- 7. The impacts of climate change on ecosystem services are projected to negatively affect income, livelihoods, and food security of coastal communities** – about 10 percent of the world’s population depend on fisheries and aquaculture for livelihood.<sup>22</sup> In 2016, global fish production reached 171 million tons which is the highest on record with 47 percent of it attributed to aquaculture<sup>23</sup>. However, the percentage of fish stock caught at biologically unsustainable levels increased from 10 percent in 1974 to 33 percent in 2015.<sup>24</sup> Already vulnerable coastal communities will face increased environmental challenges including coastal erosion, freshwater salinization, and ecological changes caused by sea level rise, and warmer ocean temperatures.

### 1.1 The need to reconcile competing land-uses to tackle climate risks

- 8. Addressing the climate change challenge by shifting towards sustainable uses of land and other ecosystems calls for a multi-sectoral “systems-level” strategy rather than a narrow sector-by-sector view.** The scale and urgency of the challenge is too great to address agriculture, forestry, biodiversity, food security, economic growth and poverty alleviation as separate issues or in “silos”. Sectoral approaches for different land-use activities, which have for years dominated the resource management field, have not captured the multisectoral and multi-dimensional nature of the activities and needs influencing the use of land and of other ecosystem resources such as those of resource-intensive industries, smallholder farms, local communities, protected areas, recreational activities, tourism enterprises. Reconciling competing uses of natural resources while addressing the climate challenge requires taking an integrated system-wide multi-sectoral perspective. This perspective recognizes the interplay of socio-ecological systems to address multiple objectives related to both environmental, social (historical, political, economic and cultural) and climate goals.<sup>25</sup>
- 9. Approaches that tackle the drivers and impacts of human activities and climate change on land and other natural resources in an integrated and sustainable manner need to become the standard of land-use planning and rural development.** For example, Nature-Based Solutions represent an approach through which societal challenges are addressed by providing environmental, social and economic benefits as well as contributing to mitigate and adapt to climate change. They offer an opportunity to unlock nature’s transformative potential for climate action.

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<sup>19</sup> FAO (2009), [How to Feed the World in 2050](#).

<sup>20</sup> IPCC (2019), [Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems: Summary for Policy Makers](#)

<sup>21</sup> IPCC (2018), [Global warming of 1.5°C - Summary for Policymakers](#).

<sup>22</sup> CGIAR. 2018. <https://www.cgiar.org/news-events/news/fisheries-aquaculture-will-benefit-new-agreement/>

<sup>23</sup> Aquaculture also tends to increase demand from other natural resources beyond natural environment (exogenous sources of nutrients to keep the levels of production).

<sup>24</sup> Food and Agriculture Organization of the United Nations (2018), [The State of the World’s Fisheries and Aquaculture](#).

<sup>25</sup> Denier, L. (2015). [The Little Sustainable Landscapes Book](#). 1st ed. Oxford: Global Canopy Program; Freeman, O. E. (2015), [Operationalizing the Integrated Landscape Approach in Practice](#).

10. Although there is no single definition for the term Nature-based Solutions<sup>26</sup>, they are considered an effective, long-term, cost-efficient and globally scalable approach for climate action, with potential to remove up to 12 GT of greenhouse gases per year, build climate resilience in various sectors and regions, and add USD 2.3 trillion in productive growth to the global economy while supporting vital ecosystem services.<sup>27</sup>
11. At the same time, the complexity of the challenges that need to be tackled in order to achieve the sustainable use of land and natural resources will require promoting complementary solutions to nature-based ones, including more conventional solutions, as well as innovative technical solutions. For example, in agriculture, the introduction and adoption of innovations and improved technologies have a big potential of resulting in positive impacts, both in terms of production and climate change at all levels of the supply chain. For example, between 1996-2016, biotechnology increased farm incomes by US \$186.1 billion, saved 183 million hectares of land from plowing and cultivation, reduced 27.1 billion kilograms of greenhouse gases, and reduced pesticide and herbicide use by 8.4%. Facilitating rural adoption of biotechnology and other innovative technologies help increase farm productivity and improve livelihoods, conserve biodiversity, and mitigate climate impacts.<sup>28</sup>
12. **Actions to protect, sustainably manage, and restore ecosystems must consider all appropriate technologies and methods in enhancing livelihoods, food security, and business resilience.** The design and implementation of sustainable approaches to land use implies facing the challenge of balancing competing land and natural resources use demands; it calls for managing land, water and forest resources in a way that reconciles and synergizes the interests, attitudes and actions of multiple actors across multiple sectors. Multi-stakeholder process ensuring the strong engagement of, and collaboration among, all relevant stakeholders, including central governments, sub-national governments, the private sector, NGOs, civil society indigenous people and local communities, are therefore an essential part of the process.
13. **Sustainable use of land and natural resources help to simultaneously achieve multiple benefits that make sound economic sense.** Sustainable land management can contribute to climate change adaptation, mitigation and sustainable development goals at the same time.<sup>29</sup> Research<sup>30</sup> highlights that natural climate solutions can provide over one-third of the cost-effective climate mitigation needed up to 2030 to stabilize warming to below 2°C, and also help reduce the consequences of physical climate risks. Technological solutions such as no-till farming, and the use of heat and drought tolerant species can also help farmers maintain and increase productivity despite changing climates.
14. The shift to more sustainable forms of agriculture and forest management combined with strong forest protection, could deliver over US\$ 2 trillion per year of economic benefits, generate millions of jobs – mainly in the developing countries – improve food security and deliver over a third of the

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<sup>26</sup> The European Commission defines Nature-based Solutions as “solutions inspired and supported by nature, designed to address societal challenges which are cost-effective, simultaneously provide environmental, social and economic benefits, and help build resilience” (European Commission, 2016; Raymond et al., 2017a). The IUCN defines them as “actions to protect, sustainably manage, and restore natural or modified ecosystems, that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits”. (IUCN website)

<sup>27</sup> Secretary-General’s Climate Action Summit – Track #6: Nature-Based Solutions May 2019.

<sup>28</sup> ISAA brief 54: Global Status of Commercialized Biotech/GM Crops in 2018: Biotech Crops Continue to Help Meet the Challenges of Increase Populations and Climate Change.

<sup>29</sup> IPCC (2019). [\*Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems: Summary for Policy Makers.\*](#)

<sup>30</sup> Griscom, B.W. et al. (2017), [\*Natural Climate Solutions.\*](#)

climate change solution. At the same time, the restoration of forests, degraded lands, and coastal zones, can help strengthen the resilience to climate impacts.<sup>31</sup>

15. **Systems-wide approaches to sustainable use of land and natural resources can be shaped and implemented under the leadership of a government – within its political and administrative boundaries – by industries, or by local actors, including civil society organizations. All approaches call for partnerships and concerted efforts at different levels** (Figure 1). To be efficient and effective, these options require inclusion of and concerted efforts among relevant actors, particularly rural producers (both man and women), local communities, indigenous people and relevant women’s organizations (see Box 1 for a practical example of a state-level approach).<sup>32</sup>
16. When the approach is led by local rural communities including women, indigenous people and/or civil society organizations, who are primary agents of land use change, they can help rebuild resilience.<sup>33</sup> Local actors can also help bring to the fore a livelihoods and tenure security approach to natural resource management that values both monetary and non-monetary uses of natural capital, the stock of natural resources that provides flows of goods and services, including for nutrition and food security objectives, as well as for cultural heritage and forest stewardship purposes. This is particularly the case for women, who are often “locked out” of formal, market-based trading systems. Gender-specific priorities (whether e.g., tenure security, value chain development, improved participation by women in local forest governance and in benefit-sharing) can also be highlighted more transparently in an inclusive and bottom-up approach to planning and implementation. To achieve change, local communities, women, indigenous people and/or civil society organizations, jointly with governments and the private sector, need to coordinate efforts. Dedicated support is typically needed to achieve this end.
17. The scale and context of the intervention, whether local, district, sub-national, national or transboundary, often helps determine who needs to be present in decision-making platforms. The management approach of ‘subsidiarity’, which states that natural resource management decisions should be devolved to the lowest appropriate governance level for implementation, can also be considered as appropriate for some contexts and certain program objectives.
18. In light of the presence of trans-jurisdictional drivers and pressures of climate change, maintaining healthy ecosystems to achieve sustainable rural development may entail taking action that go beyond national borders providing an imperative to identify solutions through a regional approach. Strong collaboration among countries that are facing similar development and climate change challenges offers a useful platform for a coherent and synergistic approach to implement sustainable solutions at the regional level.

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<sup>31</sup> NCE (2018), [Unlocking the Inclusive Growth Story of the 21st Century: Accelerating Climate Action In Urgent Times](#) based on AlphaBeta (2016). Valuing the SDG prize in Food and Agriculture: Unlocking business opportunities to accelerate sustainable and inclusive growth; Champions 12.3 (2017), *The Business Case for Reducing Food Loss and Waste*; Griscom, B.W. (2017), Natural Climate Solutions. Proceedings of the National Academy of Sciences of the United States of America.

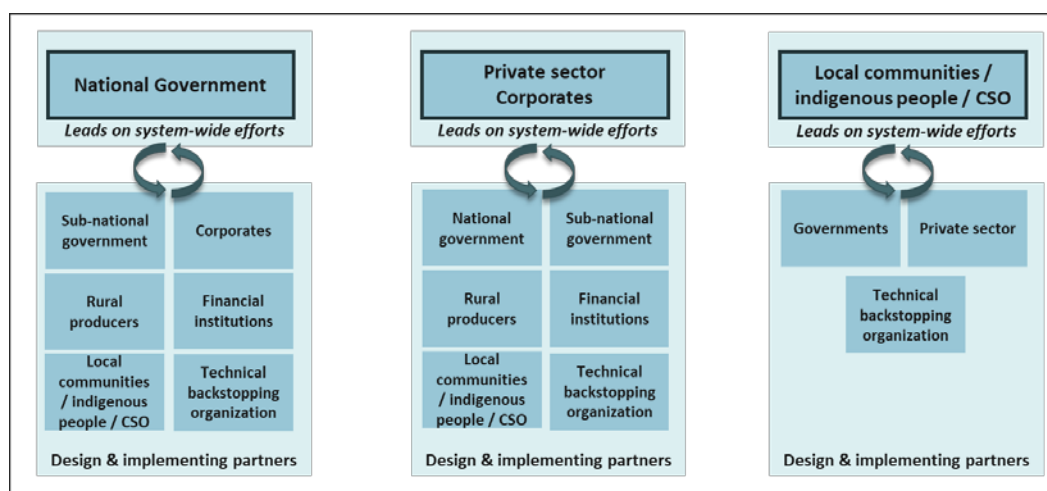
<sup>32</sup> Based on e.g. Tropical Forest Alliance (2019), [A Commodity-First Approach to Identifying Landscapes for Private Sector Engagement](#); [Stickler C. et al \(2018\)](#), [Nepstad D. et al. \(2018\)](#).

<sup>33</sup> UNDP (2016), [A Community-Based Approach to Resilient and Sustainable Landscapes](#).

19. **Evidence to date points to the relevance of partnerships and the shortcomings of ‘unilateral’ approaches.** For instance, the Tropical Forest Alliance (2019)<sup>34</sup> highlights the following:

- Limited private sector-engagement: civil society-led approaches have not aligned with areas of relevance to the private sector - e.g. priority sourcing landscapes; hence, they have faced difficulties in building a business case for private sector engagement.<sup>35</sup>
- Limited impact: private-sector led-approaches have focused on individual supply chain action and advanced sustainable production, but this appears to have had limited impact. A deeper, broader engagement with local institutions and leadership helps maximize the likelihood that policy procedures and governance will be directed towards a long-term solution.

**Figure 1. System-wide Solutions for the sustainable use of land and other ecosystems can be deployed through various models, in partnership with multiple stakeholders**



20. **A series of critical elements need to be in place to achieve the objectives and harness the full potential of sustainable, multi-sectoral, system-wide approaches.** Evidence emerged from experience gained to date in the development and implementation of land systems approaches highlights guiding principles and lessons to consider, including:<sup>36</sup>

- Multi-stakeholder process and governance platform through which different needs and ambitions are voiced and considered – including those of producers, local communities, and indigenous people – to articulate a shared vision, define the roadmap for implementation and assign roles and responsibilities.
- Meaningful engagement with and buy-in of the government and all relevant stakeholders and alignment of incentives.
- Policy alignment among government levels and/or across sectors.

<sup>34</sup> Tropical Forest Alliance (2019) analysis focused on approaches targeted at addressing deforestation in tropical forest-rich regions.

<sup>35</sup> Within the scope analyzed by Tropical Forest Alliance (2019), of ~95 identified landscape approaches, only 19 target top commodity producing regions.

<sup>36</sup> Sources: authors’ elaboration based on Stickler C. et al (2018), [The State of Jurisdictional Sustainability: Synthesis for Practitioners and Policymakers](#); and Nepstad D. et al. (2018), [Leveraging Agricultural Value Chains to Enhance Tropical Tree Cover and Slow Deforestation \(Leaves\)](#).

- Time-bound quantitative performance targets to ensure that actors across sectors within the intervention area are striving towards the same goals. The timely achievement of such targets can be incentivized through performance-based financing strategies.
- Transparent, accessible and reliable monitoring and verification system enabling the evaluation and communication of progress against targets.
- Positive incentives for those corporates and producers that are making the transition to sustainable production systems.
- Design based on solid evidence on the context-specific natural and cultural conditions, including traditional, local and scientific knowledge.<sup>37</sup>
- Implementation at the landscape scale to consider the synergies and consequences across interconnected ecosystems.<sup>38</sup>

### Box 1. Case study: Mato Grosso State's Produce, Conserve and Include

**Context-specific challenge:** Mato Grosso State has a total land cover of 90 million hectares distributed in three major biomes: Amazon rainforest, Cerrado (tropical woodland) and Pantanal (Wetland). During the last 30 years deforestation in Mato Grosso's Amazon Biome reached a total of 14.5 million hectares, with 80% of the clearing happening during the period of 1988 to 2004.<sup>39</sup> Data from Cerrado Biomes is available only after 2001, but since then a total loss of above 4.5 million hectares of Cerrado happened, with 53% occurring from 2001 and 2004. Currently, 24 million ha are pastureland, with two thirds (around 16 million hectares) considered unproductive and degraded.<sup>40</sup> This situation created large scale depletion of natural capital affecting the ability of local communities to sustainably manage biodiversity and water resources and set the foundation for a resilient development.

**Solution:** The Produce, Conserve and Include Strategy is a multi-stakeholder landscape initiative proposed by the state government to meet 21 quantitative, time-bound targets that unite actors and sectors within the jurisdiction with the overarching goal of reaching state-wide zero net deforestation and zero net forest carbon emissions by 2030. Such targets were developed through participatory processes that included actors from public, private, and non-profit sector and are aimed to, among the others, improve livestock and crop productivity, reduce deforestation (both annual rate and minimum 60% of state's native vegetation), and increase socio-economic inclusion of smallholders<sup>41</sup> through e.g. land regularization, technical assistance and enhanced access to finance.

The Produce, Conserve and Include Strategy fostered a promising corporate-government partnership resulting in the launch of the "Verified Sourcing Area" pilot in Juruena county in 2018. The Verified Sourcing Area is an area-based model intended to accelerate production and uptake

<sup>37</sup> Cohen-Shacham E. et al. (2019), [Core Principles for Successfully Implementing and Upscaling Nature-Based Solutions](#).

<sup>38</sup> Cohen-Shacham E. et al. (2019), [Core Principles for Successfully Implementing and Upscaling Nature-Based Solutions](#).

<sup>39</sup> PRODES is the official deforestation monitoring system implemented by the Brazilian National Research Space Institute (INPE) that monitors and publishes deforestation data in a continuous manner since 1988 <http://www.obt.inpe.br/OBT/assuntos/programas/amazonia/prodes>

<sup>40</sup> Out of the total 90 million hectares of Mato Grosso' landscape, 56 million hectares are covered by natural forests scattered in 19 million ha of public protected areas and 37 million ha in private lands. From the 35 million ha used as agricultural and cattle raising areas.

<sup>41</sup> Stickler C. et al (2018), [The State of Jurisdictional Sustainability: Synthesis for Practitioners and Policymakers](#).



of sustainable commodities.<sup>42</sup> Developed in partnership with the local government, civil society, farmer associations and buyers, the pilot in Juruena county is designed to help cattle farmers to increase sustainable production and gain access to markets, helping accelerate economic development in the region without the need to convert forests into farmland.<sup>43</sup> The cattle intensification program is co-funded by Carrefour Brazil and supported by the Government of Mato Grosso as part of its Produce, Conserve, Include (PCI) strategy.

**Outcome/Impacts:** If successful, the Produce, Conserve and Include strategy would keep more than six billion tons of CO<sub>2</sub> out of the atmosphere by 2030—from forests alone.<sup>44</sup> The Strategy is expected to unlock EUR 38 million from private companies for cattle intensification and forest restoration with a potential to leverage another EUR 476 million in investments before 2030.

Mato Grosso has reduced deforestation more than any other state in the Brazilian Amazon and Cerrado (87% and 85% comparing 2004 to 2018) avoiding emissions of more than two billion tons of CO<sub>2</sub>. This progress is quite significant since it was accomplished while soy and beef production continued to grow, and that consolidation of forest corridors and preservation area was implemented through the Rural & Environmental Registry.

## 2. Barriers to sustainable use of land and natural resources

21. **While there is a clear case for land-based responses, seizing their potential to reverse current trends would require overcoming institutional, knowledge, financing and technological barriers.**<sup>45</sup> Such barriers differ across regions, and can hinder the ability of governments, the private sector, rural communities and indigenous people to value and integrate the nature's potential in decision-making and thereby protect land resources and ecosystems. Figure 2 provides an overview of key barriers to sustainable use and management of, and investment in, land and natural resources and ecosystems.
22. Insecure land tenure, unattractive risk-adjusted rates of return, inadequate private and public incentives (including limited market access), lack of access to resources, lack of knowledge and agricultural advisory services are critical obstacles to the adoption of sustainable land management practices.<sup>46</sup> Socio-economic, gender-based, financial and cultural barriers can also limit the adoption of many land-based response options to land and ecosystems-related challenges, as can uncertainty about benefits.<sup>47</sup> Climate and environmental stresses are key drivers of displacement for many poor

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<sup>42</sup> See IDH web site for more information: <https://www.idhsustainabletrade.com/verified-sourcing-areas/>.

<sup>43</sup> See IDH web site for more information: [www.idhsustainabletrade.com/news/vsa-pilot-mato-grosso-brazil/](http://www.idhsustainabletrade.com/news/vsa-pilot-mato-grosso-brazil/)

<sup>44</sup> Stickler C. et al (2018), *The State of Jurisdictional Sustainability: Synthesis for Practitioners and Policymakers*;

<sup>45</sup> IPCC (2019), *Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems: Summary for Policy Makers*; IPCC (2018), *Global warming of 1.5°C - Summary for Policymakers*; Stickler C. et al. (2018), *The State of Jurisdictional Sustainability: Synthesis for Practitioners and Policymakers*.

<sup>46</sup> Furthermore, insecure land tenure and limited recognition of customary access to land and ownership of land can result in increased vulnerability and decreased adaptive capacity. IPCC (2019), *Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems: Summary for Policy Makers*.

<sup>47</sup> IPCC (2019), *Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems: Summary for Policy Makers*.

communities, while may exacerbate existing stresses on resources in receiving areas.<sup>48</sup> Figure 3 shows how, in practice, such barriers can translate into drivers of deforestation. It shows that large-scale agriculture is the main driver of deforestation across all regions. Small-scale cattle ranching is a significant driver of deforestation in Latin America while small-scale agriculture is the main driver of deforestation in African jurisdictions. Infrastructure development and urbanization are other notable drivers of deforestation across numerous jurisdictions.<sup>49</sup>

**Figure 2. Key barriers to the sustainable use of land resources and ecosystem services**

Institutional, regulatory and policy failures	Knowledge and technical capacity barriers	Market failures and financial barriers	Technological challenges	Socio-cultural barriers
<ul style="list-style-type: none"> <li>▪ Institutional inertia and short-termisms</li> <li>▪ Institutional fragmentation and insufficient engagement between stakeholders at different scales</li> <li>▪ Inadequate policies, regulations, and inter-governmental cooperation</li> <li>▪ Limited representation of local communities, indigenous people and women in decision-making process</li> </ul>	<ul style="list-style-type: none"> <li>▪ Low awareness on the business case</li> <li>▪ Inadequate capacity, knowledge and “know-how”</li> <li>▪ Inadequate access to extension services / advisory services or provision of inappropriate services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Mispricing of natural resources, ecosystem services and climate risks (opportunities) including negative externalities</li> <li>▪ Lack of fiscal and/or economic incentives</li> <li>▪ Viability gaps</li> <li>▪ Inadequate access to finance due to e.g.               <ul style="list-style-type: none"> <li>○ Insufficient allocation of financial resources to sub-national governments/authorities from the national government</li> <li>○ Unattractive risk-adjusted returns</li> <li>○ Inadequate creditworthiness</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Unproven technologies, approaches or business models</li> <li>▪ Lack/limited track record</li> <li>▪ Inadequate pre- / post-sale, services for new technologies</li> <li>▪ Market inefficiencies eroding the profitability of new technologies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Behavioral biases, short-termisms and cultural barriers limiting the adoption of new/ improved land-based response</li> <li>▪ Inadequate social inclusion</li> </ul>

23. **Concessional finance is a key tool for tackling institutional and policy failures and create the essential enabling conditions for unlocking the estimated US\$ 300-400 billion<sup>50</sup> of annual resources required to preserve our natural capital.** A variety of financial and non-financial instruments are required to tackle institutional, policy and market failures, and other barriers to the sustainable use of, and investment in, land and other natural resources.

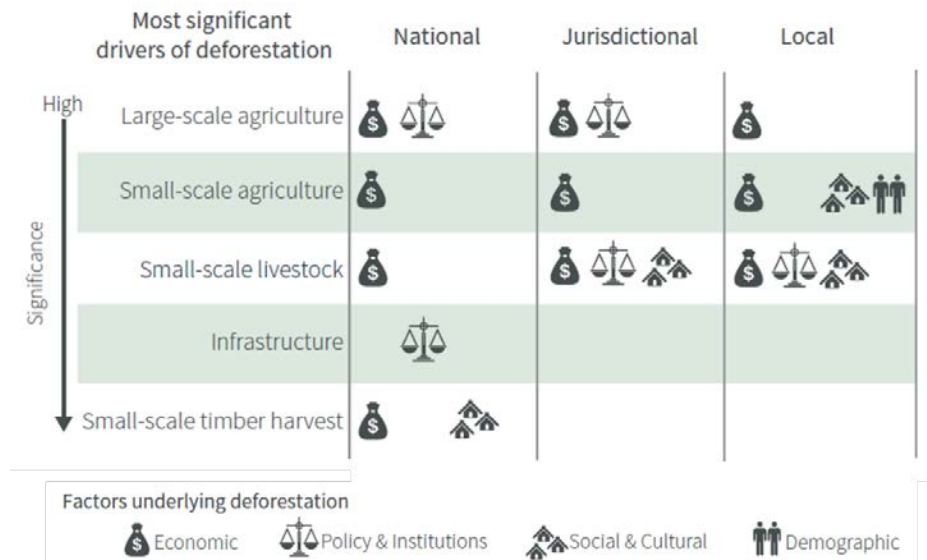
24. **To address these challenges and barriers, the Climate Investment Funds and its partner MDBs propose the establishment of the Nature, People and Climate Investments program.** Grounded in the strategic approach outlined in Section 3, CIF would provide concessional resources through its partner MDBs to accelerate the uptake of sustainable solutions to land and natural resources management. Coordinated climate action of MDBs through CIF would provide the required support and leverage to foster strategic partnerships bringing together multiple stakeholders from national/sub-national governments, private sector and civil society. These partnerships will help mobilize institutional and political support to enable the design and implementation of integrated solutions and sustainable system-wide approaches, and coordinated mobilization of resources from MDBs, other financial institutions and the private sector into strategically-aligned demand-driven transformational investment portfolios.

<sup>48</sup> Rigaud K.K et al. (2018). [Groundswell: Preparing for Internal Climate Migration](#). World Bank, Washington, DC. © World Bank. License: CC BY 3.0 IGO

<sup>49</sup> Stickler C. et al. (2018), [The State of Jurisdictional Sustainability: Synthesis for Practitioners and Policymakers](#).

<sup>50</sup> Estimates from Credit Suisse Group AG and McKinsey Center for Business and Environment (2016), [Conservation Finance From Niche to Mainstream: The Building of an Institutional Asset Class](#).

**Figure 3. Key drivers of deforestation<sup>51</sup>**



Note: Each icon symbolizes a range of underlying factors that drives deforestation at global, national or jurisdictional scales. These are: Economic (markets, economic costs/returns of land-use activities, poverty and economic shocks); Policy and Institutions (formal public policies, policy climate, property rights, and regime change); Social & Cultural (public attitudes and beliefs, household, individual or firm behavior); Demographic (population growth, migration and urbanization).

### 3. Concept Proposal

25. **The Nature, People and Climate Investments program aims to deploy concessional resources at scale to improve livelihoods and address climate change through the sustainable use of land and other natural resources.**

26. The program’s objective shall be achieved by deploying sustainable multi-sectoral approaches models most suited to the target context – government/industry or community-led (see Figure 1) – to harness the potential of land resources and ecosystems in climate action and to target context-specific barriers to the sustainable use and management of land resources and ecosystems. It would do so in key areas of relevance for achieving the land and ecosystems transitions, namely: agriculture and food, forests and other ecosystems, including coastal systems, by addressing trade-offs and synergies among stakeholders and between different parts of the prioritized areas and by building collaborative relationships<sup>52</sup>. To these ends, the program shall deploy CIF’s concessional resources to:

- Establish a shared vision for sustainably using and managing land resources through a programmatic multi-stakeholder process, fostering partnerships across government levels, sector agencies, the private sector, local communities and indigenous peoples.

<sup>51</sup> Figure 3 provides an overview of the key drivers of deforestation emerged from a survey of the perceptions of key stakeholders on the most significant drivers of deforestation in 37 jurisdictions. Secondary data sources complemented survey results. See Stickler C. et al. (2018), [The State of Jurisdictional Sustainability: Synthesis for Practitioners and Policymakers](#).

<sup>52</sup> Denier, L., Scherr, S.J., Shames, S., Chatterton, P., Hovani, L. and N. Stam. (2015). [The Little Sustainable Landscapes Book](#). 1st ed. Oxford: Global Canopy Programme.

- Strengthen enabling environments to encourage investments in Nature-based Solutions and enable the adoption of sustainable practices. This will involve scaling-up support to national and sub-national governments to identifying specific socio-economic development and climate and land-related issues to address, measures to promote sustainable livelihoods, build resilience at the local level and conserve, restore and/or enhance natural resources
- Tackle risks and financing barriers and creating incentives for sustainable use of lands and natural resources, including those from coastal systems, by providing risk coverage, and catalytic funding.
- Foster innovation by providing funding support to pilot-test innovative projects and financial models and supporting the uptake of new technologies including the use of data-driven spatial planning tools and agricultural innovations, including biotechnology.
- Support rural communities and indigenous peoples to actively develop and implement projects catering their unique needs through dedicated resources.

### **3.1 CIF's programmatic approach for government-led sustainable, multi-sector land use approaches**

27. **The Nature, People and Climate Investments program proposed envisages three main phases to develop bespoke solutions through participatory land use diagnostics, strategic planning and investments and monitoring and evaluation.** These steps will be undertaken on an as-needed basis, depending on context-specific circumstances and recipient countries' requirements (See Figure 4).

28. The program will be delivered through multi-stakeholder process and governance mechanisms through which different needs and ambitions are voiced and considered, and to articulate a shared vision, define the roadmap for implementation and assign roles and responsibilities. The sustainable land-use approach model utilized would be tailored to context-specific circumstances and take the form of government/industry or community-led as shown in Figure 1. The program's multi-stakeholder approach aligns with the vision of the Partnership for [Just Rural Transition](#) in which governments, companies, and local communities collaboratively seek to mobilize solutions and investments for sustainable food production, stewardship of land, natural resources and ecosystems, and enhancing livelihoods.

#### **Phase 1: Land use Diagnostic**

29. **The diagnostic phase will enable pilot countries to assess and prioritize the climatic and socio-economic issues and trends in land-use changes** of a particular area or multiple areas, including those in coastal and transboundary zones. It would also investigate how such issues could evolve under changing climate conditions. This Phase 1 will be enabled by CIF grants.

30. The robust, data-based and participatory diagnostics will consider drivers and trends of deforestation and degradation of lands and other ecosystems, exposures of economic activities, livelihoods and ecosystems to climate risks. It will also consider existing low-emissions and/or climate-resilient rural development plans (jurisdictional strategies and action plans, REDD+ strategies, sustainable development plans, or any other equivalent planning documents), their relative level of implementation, and effectiveness, efficiency and sustainability. It will also build on ongoing and planned MDB operations in the country's relevant sectors and shall build on other funding sources and initiatives in a manner that is complementary and leverages further financial support. The diagnostic will identify those institutional, policy, regulatory, and socio-economic structures or other barriers incentivizing or hindering the adoption of sustainable practices and private investment into catalytic projects.

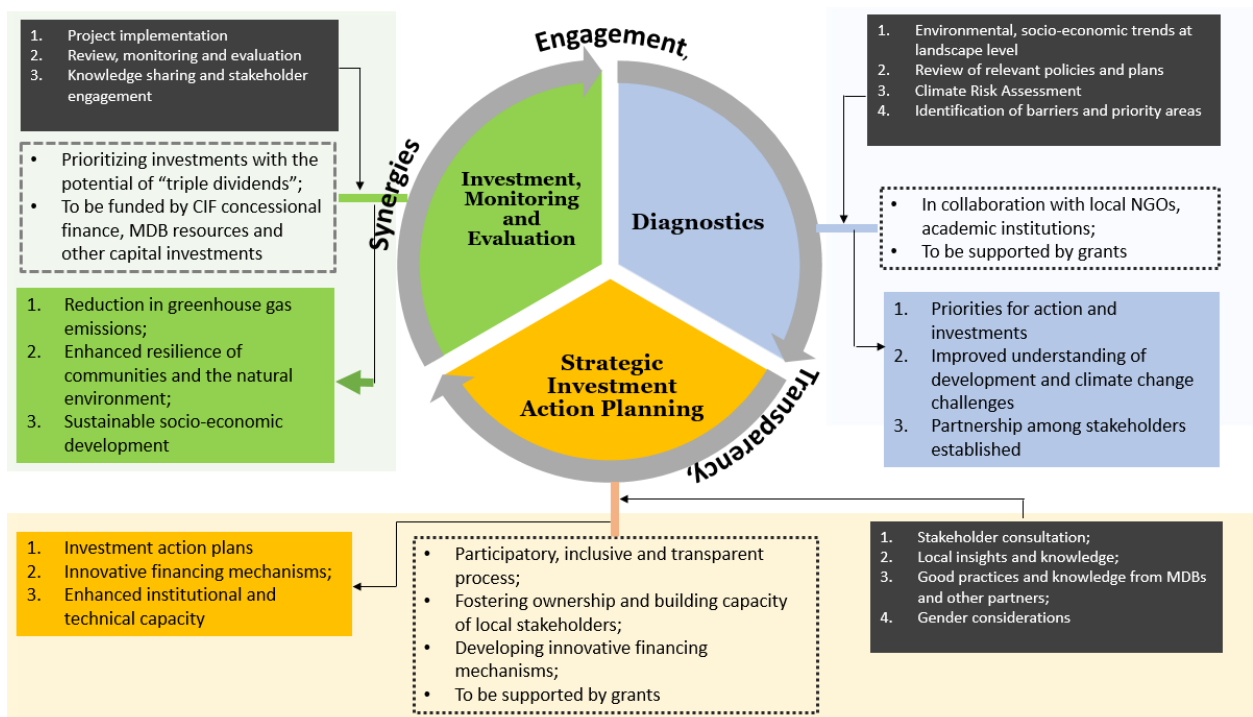
31. In cases where high-quality climate-informed rural development vision and/or action plans have not been yet established, the implementation of a participatory, gender responsive and culturally pertinent diagnostic is expected to be completed within six to 12 months, including the generation of quantitative data. In cases where there is an active engagement in this area, the diagnostic will be faster and focus on identifying necessary support to translate the existing commitments into an investable portfolio of catalytic actions and on addressing critical financing gaps and barriers that would need to be overcome to accelerate implementation and leverage private investment. Financing under this phase will cover all activities needed to compile existing information, complete baseline studies, and provide assessments and diagnostic that will identify priority areas to include in the Investment Plan, as well as to ensure the active and substantive participation of all relevant stakeholders.

### **Phase 2: Preparation of Investment Plan**

32. **The Investment Plan will outline how the challenges identified through the diagnostic will be tackled through policy, institutional and technical assistance interventions and investments.** The Investment Plan, led, and owned by the government and supported by relevant stakeholders of the recipient country, would define a common vision and strategic approach for the areas to be targeted, which will become the basis for identifying a range of priority investment pipeline. It will build on existing nationally-driven climate-related plans or Long-Term Strategies, with a view of ensuring alignment with country priorities, prioritizing the use of concessional resources and support enhanced climate action.

33. The Investment Plan will be supported by both the public and private sector units of the participating MDBs. It shall be inclusive, transparent and participatory, involving: sectoral ministries, including Ministry of Finance and Planning and Ministry of Women's/Indigenous Affairs; provincial, relevant government authorities; development partners working in the country, including UN and bilateral development agencies; representative NGOs, indigenous people organizations, women's organizations and local communities; private sector; and other stakeholders.

**Figure 4. An integrated approach to sustainable land use**



34. Work can be done engaging the regional, provincial, county or any other appropriate units of government to ensure that plans and actions proposed at the local level are consistent with and embedded within local regulatory and budgeting processes – or that local processes are reformed to promote more consistent and sustainable land use approaches. This ensures that the plans, practices and policies are sustained beyond the project cycle funding.
35. The Investment Plan should also take into consideration transboundary priorities and the countries’ commitment to international or multi-country initiatives. For example, the countries in the Sahel Region recognized the need for cooperation among countries and they have developed the Climate Investment Plan for the Sahel Region 2018-2030 (CIP-SR) (Annex B). The Sahel Region’s Investment Plan emphasizes the importance of adopting an ecosystems approach in providing livelihoods and achieving sustainable development objectives as part of a response strategy to improve resilience of Sahel population. The proposed *Nature, People and Climate Investments Program* could for example support the Sahel countries in implementing an integrated approach to promoting sustainable land use management and livelihoods and maintaining the integrity of ecosystems.
36. Recipient countries governments should establish, or identify an existing, crosscutting multi-stakeholder steering committee to assist in program planning, implementation, monitoring and evaluation, which should include representatives of relevant government authorities, indigenous peoples, women and women’s organizations and local communities, NGOs, private sector and other members of civil society such as youth organizations. Having a strong participatory stakeholder engagement is an important mechanism to achieve continuity in the implementation and follow-up of the investment plan and give it credibility.

37. More specifically, the program will request all Investment Plans to include a section and focus on how to ensure that gender considerations are part of the plan (including gender equality and women empowerment).

### **Phase 3: Development, implementation and monitoring of catalytic investment projects**

38. **This component focuses on developing and implementing catalytic investment pipelines identified and prioritized by countries in the Investment Action Plans.** The *Nature, People and Climate Investments Program* will provide catalytic support at the pre-investment and investment phase of the project, depending on context-specific circumstances. At the pre-investment phase, interventions supported could include, among others: i) prefeasibility and feasibility studies; ii) technical, financial, economic, social, environmental and legal due diligence; iii) financial, institutional and legal structuring; iv) financial models; v) risk analysis and matrices; v) preparation of contracts, bidding and selection procedures; and vi) evaluations of the legal frameworks and other studies necessary to determine the technical, financial, environmental, economic and social feasibility required for the preparation and implementation of the project.
39. Interventions to be supported by the Program will contribute to climate change adaptation and mitigation while promoting sustainable livelihoods, food production, and enhancing other ecosystems services. Figure 5 provides an illustrative list of activities that could be considered for funding under the program. Priority will be given to strategically-aligned interventions that are both ambitious and transformational<sup>53</sup> and where concessional climate finance is needed to overcome barriers to meaningfully achieve Program objectives.
40. Proposed projects will be screened to ensure that co-benefits are maximized, and trade-offs minimized. Interventions primarily targeting greenhouse gas emission reductions or carbon sequestration should also aim to build climate resilience of local communities including through the strengthening of livelihoods, food security, and tenure security including for women. For example, land rehabilitation and soil conservation could explore opportunities for communities to increase income by planting suitable cash crops or establishing agroforestry systems. Similarly, actions mainly aimed at poverty and climate vulnerability reduction need to exploit opportunities and technologies that contribute to reducing greenhouse gas emissions.
41. For example, scaling up livestock in a bid to increase household income may be implemented in conjunction with technologies to convert livestock waste to energy as well as efficient feeding practice to avoid over-grazing of land. The program will promote restoration and reconnection of damaged or fragmented habitats areas within and around production systems. In addition, the design, construction, operation and maintenance of relevant infrastructure components need to be climate-resilient with potential impacts of climate change duly considered. Support for natural infrastructure investment can be cost-effective for delivering services and strengthening and empowering communities through participation in project, thus enhancing sustainability and long-term viability of the project.<sup>54</sup> The program will help enhance local adaptation options to prevent distress migration or displacement ensuring viability of ecosystems and livelihoods of its people.<sup>55</sup>

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<sup>53</sup> Viguri, S. and López, M. (2019). Designing for transformation: a practice-oriented toolkit for mainstreaming transformational change in program and project preparation processes. CIF-ADB-IDB Group

<sup>54</sup> World Bank and World Resources Institute (2019), Integrating Green and Gray: [Creating Next Generation Infrastructure](#).

<sup>55</sup> Kanta Kumari R. et al. (2018), [Groundswell: Preparing for Internal Climate Migration](#). World Bank.

42. As part of a comprehensive approach to sustainable management of land and natural resources it is important to consider all stages of supply chains. The program will support initiatives to create and strengthen the enabling environment to catalyze open and accessible markets for climate-adapted goods and services. Examples include identifying, assessing, and supporting “buy-local” campaigns, and help support demand for indigenous, local, and regional products and related employment and training opportunities.

**Figure 5. Examples of potential interventions and instruments**

	Enabling environment	Enabling investments
TYPES OF INTERVENTIONS	<p><b>Land and natural resources management frameworks</b></p> <ul style="list-style-type: none"> <li>Participatory development of jurisdiction-wide spatial plan, land-use zoning</li> <li>Development of jurisdictional monitoring, reporting and verification systems</li> <li>Development of standards/certification for sustainable production</li> </ul> <p><b>Land-use institutional and governance systems</b></p> <ul style="list-style-type: none"> <li>Strengthening institutional capacity across governments levels</li> <li>Strengthening of governance frameworks from national, sub-national to community level, including through the establishment of multi-stakeholders bodies ensuring representation of relevant actor groups (e.g. producers, local communities, indigenous people)</li> </ul> <p><b>Land-use policy and regulation</b></p> <ul style="list-style-type: none"> <li>Support to policy/regulatory reforms e.g. land-zoning laws, land tenure and access rights and enforcement mechanisms</li> <li>Introduction of incentive schemes</li> </ul> <p><b>Public budgeting</b></p> <ul style="list-style-type: none"> <li>Integration of climate considerations and landscape-wide needs in budgeting processes and guidelines including those at sub-national level</li> <li>Support subsidies reforms</li> </ul> <p><b>Capacity building</b></p> <ul style="list-style-type: none"> <li>Developing tools and approaches to build the capacity for integrated landscape approach for local communities</li> <li>Improving financial literacy of government’s agencies to better engage with private investors/financiers</li> <li>Support government actors in preparing bankable projects and creating an environment conducive to private investments in integrated land management</li> <li>Providing bespoke training to grow the ecosystem of small and medium-sized enterprises including through targeted incubation and aggregation</li> <li>Promoting markets for climate-adapted goods and services</li> </ul>	<p><b>Agriculture and food systems</b></p> <ul style="list-style-type: none"> <li>Climate-smart agricultural techniques e.g., agroforestry, intercropping, conservation agriculture, crop rotation, integrated crop-livestock management</li> <li>Climate-smart agricultural technologies e.g. decision-support tools, remote sensing, GIS, drones, mobile monitoring systems, water harvesting and water-efficient irrigation systems, drought resilient seeds/plants</li> <li>Post-harvest storage systems</li> <li>Prevention and management systems for extreme events</li> <li>Innovative food products capable of increasing nutritional value and reduction of carbon footprint</li> </ul> <p><b>Forests and other ecosystems</b></p> <ul style="list-style-type: none"> <li>Reforestation / forest restoration</li> <li>Restoration of high-carbon ecosystems</li> <li>Community-based natural resource management systems</li> <li>Development and testing of innovative nature-based solutions</li> <li>Sustainable timber value-chain development</li> <li>Support to forestry companies working with local communities on issues such as out growers schemes and Free and Prior Informed Consent</li> <li>Creation of enterprises employing nature-based products and services e.g. tourism and non-timber forest products</li> </ul> <p><b>Coastal systems</b></p> <ul style="list-style-type: none"> <li>Restoration, afforestation of costal wetlands / mangroves</li> <li>Watershed and reservoir management systems</li> <li>Piloting of innovative nature-based / ecosystem-based solutions to restore ecosystems, protect built environment, and improve livelihoods</li> <li>Improved preparedness of coastal communities through early warning systems</li> </ul>
INSTRUMENTS	<ul style="list-style-type: none"> <li>Grants for technical assistance, capacity building, and policy dialogues</li> </ul>	<ul style="list-style-type: none"> <li>Grants for project preparation, technical assistance and capacity building</li> <li>Performance-based incentives</li> <li>Concessional debt</li> <li>Guarantees / hedging / credit enhancement</li> <li>Junior equity / Mezzanine</li> </ul>

### 3.2 CIF’s programmatic approach for private sector-led sustainable use of land and natural resources

43. **The Nature, People and Climate Investments program** aims to drive deep behavioral changes in the sourcing and production practices of corporates and the other actors in their supply chains. It would do so by leveraging the increasing pressure that agribusiness and other corporates are facing in



ensuring the sustainable sourcing of commodities and in managing climate-related risks<sup>56</sup> to engage them and their supply chains in the development and implementation of sustainable land use approaches. It would also seek to leverage financial institutions' increased awareness and appetite for investments in natural capital<sup>57</sup> or their interest in managing natural capital-related risks.<sup>58</sup>

44. The program's investment strategy for private sector-led system-wide models develops from the lessons learned to date on landscape approaches,<sup>59</sup> including the use of e.g. sustainability certifications and corporate zero deforestation pledges as approaches for reconciling increasing agri-production with environmental conservation, social inclusion and climate goals.
45. The program's private sector-oriented investment strategy could work at the individual corporate and sectoral/industry levels with a view of holistically addressing key drivers and pressures on land resources and ecosystems in a given area. It would encompass the following main activities:
  - a. The participatory development of landscapes "roadmaps" through the engagement and collaboration of relevant stakeholders including government representatives, producers, rural communities and indigenous people. Roadmaps will help develop a shared vision and targets at a relevant scale for corporates' supply chain. Where applicable, sectoral "roadmaps" will build on exiting efforts such as Nationally Appropriate Mitigation Actions and/or National Adaptation Plans and seek to go beyond to deliver systemic changes.
  - b. The development and implementation of corporate-level "roadmaps" and business models aligned with a broader system-level "roadmap". Such corporate roadmaps will recommend feasible technologies and approaches for shifting operations and supply chains towards a more sustainable pathway.
46. Corporate-level "roadmaps" can stem from a country's investment action plan and related funding envelope or be developed under CIF's private sector window. If developed under CIF's private sector window, the program's strategy ensures the involvement of national/sub-national governments in both the design and implementation phase of these roadmaps (see Figure 1).
47. To maximize private capital mobilization potential for sustainable use of land and natural resources, the program would seek to build on existing private sector initiatives such as the Coalition for Private

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<sup>56</sup> See for instance the market and regulatory-related developments associated with the recommendations of the [Task Force on Climate-related Financial Disclosure](#).

<sup>57</sup> This is evidence from, for instance, a forthcoming survey realized by The Nature Conservancy and Environmental Finance, and the growing impact investment market that has already been targeting sustainable land management and land restoration projects and conservation of biodiversity e.g. the [Land Degradation Neutrality Fund](#) or the [Sustainable Ocean Fund](#).

<sup>58</sup> This is for instance evidence by financial institutions' interest in strengthening their environmental and social risk management systems including through the piloting and use of dedicated tools such as the [Exploring Natural Capital Opportunities, Risks and Exposure \(ENCORE\) tool](#) or the [Global Forest Watch Pro tool](#).

<sup>59</sup> Tropical Forest Alliance (2019), [A "Commodity-First" Approach to Identifying Landscapes for Private Sector Engagement](#); Nepstad D. et al. (2018), [Leveraging Agricultural Value Chains to Enhance Tropical Tree Cover and Slow Deforestation \(Leaves\)](#). Nepstad D. et al. (2018) highlights, for instance, that sustainability certification for international standards, REDD+, government command-and-control regulation, and corporate zero deforestation pledge have all made relevant positive contributions to the broader goal of reconciling increases in agricultural and livestock production with environmental conservation and social inclusion. However, no single approach has emerged as capable of driving change at the scale and speed that is necessary.

Investment in Conservation that is a global multi-stakeholder initiative focused on the enabling conditions that support a material increase in private, return-seeking investment in conservation.<sup>60</sup>

### 3.3 Supporting Indigenous People and Local Communities by scaling-up the Dedicated Grant Mechanism

48. **The *Nature, People and Climate Investments Program* will seek to establish a dedicated financing window for local communities and indigenous people.** The dedicated window will build on CIF's Dedicated Grant Mechanism (DGM), an effective model for increasing Indigenous People and Local Communities' engagement in sustainable forest management and climate policy and action. CIF's experience has shown that Indigenous People and Local Communities supported by the DGM have strengthened their own capacities, shared their knowledge with each other, and developed valuable experience in sustainable forest management, all of which increase the role they can play in global efforts to reduce deforestation and curb climate change.
49. The Learning Review<sup>61</sup> found that the DGM is leading to broader and potentially more transformational effects than initially predicted, with benefits both for Indigenous People and Local Communities and the wider community involved in the DGM and REDD+. Substantive outcomes to highlight are better governance, higher recognition, increased efficiency, improved land rights, and better natural resources management and income generation. The DGM is also resulting in more ownership and trust and transparent governance between all stakeholders involved. Review of DGM activities have also shown the benefits that have come from its requirements for a certain percentage of women in its governance mechanisms, and as leaders/ promoters of sub-projects that come for funding (i.e., with a certain share of DGM sub-projects reserved for projects identified and led by women).
50. The *Nature, People and Climate Investments Program* will strive to ensure that Indigenous People and Local Communities in all participating countries would have direct access to funds to implement a DGM program. Building on the lessons learned and based on the demand from Indigenous People and Local Communities, this new phase of the DGM would expand its objective to not only focus on forestry and REDD+ issues but will also promote the multi-sectoral approach that is needed to achieve climate goals and sustainability. It will also explore opportunities to foster partnerships with other initiatives working on providing direct access to climate funding to Indigenous People and Local Communities.

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<sup>60</sup> The Coalition is formed by a group of 70 investors, banks, project developers, NGOs and research institutions. It has developed a series of investment deal blueprints of relevance for delivering on the *Nature, People and Climate Investments Program's* objective; these are targeted to forest conservation and restoration, sustainable agriculture intensification, sustainable coastal fisheries, green infrastructure for coastal resilience and green infrastructure for watershed management. For more information, please see the Coalition [web site](#).

<sup>61</sup> ITAD (2018), [Learning Review of the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities in the Forest Investment Program \(FIP\) of the Climate Investment Funds \(CIF\)](#)

## 4. Rationale for Concessional Finance through the Climate Investment Funds

### 4.1 The comparative advantages of CIF's business model and partnership with MDBs

51. **CIF's business model is particularly well-suited to deliver on the *Nature, People and Climate Investments program's* objectives and thereby provide integrated solutions to address the wide-ranging barriers to low-emission and climate-resilient development.** CIF's proven business model<sup>62</sup> – characterized by country-led, multi-MDB, programmatic and participatory approach and flexible and predictable concessional finance at scale – has demonstrated its effectiveness in overcoming institutional inertia, enabling multi-stakeholder partnerships, and successfully changing risk perceptions among investors, leading to acceptable risk-adjusted returns.<sup>63</sup> These are critical elements required to design and implement sustainable solutions at scale and speed.
52. **CIF's programmatic participatory approach is critical to the successful implementation of sustainable land and natural resources management.** The programmatic approach is a distinctive feature of CIF's business model. It brings systems-level thinking, takes an integrated and long-term perspective, and anchors the development of strategic investments around a country's socio-economic development objectives. It fosters inter-ministerial and cross-sectoral collaboration, breaking down sectoral silos and encouraging inclusive decision making.
53. Engagement, coordination and collaboration of stakeholders from different administrative levels and sectors are critical to any sustainable initiatives. In particular, the process for prioritizing investments targeting the root causes of vulnerability and high GHG emission activities would require a participatory approach involving various stakeholders from the government, the private sector, development partners, non-government actors, and local communities.
54. **The scale, concessionality and flexibility of CIF's finance have demonstrated to be key in, successfully overcoming institutional inertia, aligning incentives and supporting policy reforms.**<sup>64</sup> This feature of CIF is particularly pertinent for addressing institutional, policy and financing barrier to sustainable use of land and natural resources. Concessional finance, including grants, are important to strengthen high-level government commitments, incentivize reforms to policy and institutional frameworks and create environments conducive to investments.
55. **CIF's partnership with MDBs enables the implementation of coherent large-scale investment packages for cross-sectoral interventions.** MDBs have the financial resources, expertise and networks

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<sup>62</sup> ITAD et al., (2019), [Evaluation of Transformational Change in the Climate Investment Funds](#) – Final Evaluation report submitted by ITAD in association with Ross Strategic and ICF. CIF's business model is characterized by the following five main features: Country-led programmatic participatory approach enabling the design and implementation of strategically linked investments aligned with national priorities and building on existing efforts and strategies; Delivery of financing through multiple coordinated Multilateral Development Banks (MDBs) working together to support the implementation of coherent large-scale investment packages for cross-sectoral interventions responding to countries' priorities and objectives; Large-scale coherent investment packages helping move markets, stimulate private investments and drive policy reform; Scaled-up, predictable, and flexible envelope of concessional resources; Consideration of system transformation and social inclusion at the outset

<sup>63</sup> For evidence, please see e.g. ITAD et al. (2019), [Evaluation of Transformational Change in the Climate Investment Funds](#) - Final Evaluation report and ICF (2018), [Evaluation of the Climate Investment Funds' Programmatic Approach](#).

<sup>64</sup> ITAD et al. (2019), [Evaluation of Transformational Change in the Climate Investment Funds](#) - Final Evaluation report.

required to convene and coordinate stakeholders and attract private or public sector co-financing for delivering sustainable solutions at scale and speed.<sup>65</sup>

56. **MDBs can catalyze private capital towards solutions for sustainable land and natural resources management by blending CIF concessional resources with their own.** MDBs have a demonstrated track record in using concessional finance to develop private sector markets, foster innovation, and crowd in private finance in some of the most challenging settings.<sup>66</sup> By using concessional finance to address key barriers (including gaps in public goods such as data and information; knowledge, technical and institutional capacity; credit worthiness; market and value chain risk; and business viability), MDBs can unlock private capital towards projects targeting underserved beneficiaries and the drivers of unsustainable use of lands and natural resources.<sup>67</sup> Accessing significant tranches of concessional climate funds can enable MDBs and recipient countries to take on early stage risk and tackle cost barriers to demonstrate economic viability and crowd-in investment.<sup>68</sup>
57. **CIF and MDBs have gained experience and developed knowledge for the successful development and implementation of projects dealing with natural resources management.** Through the interventions developed under its Forest Investment Program (FIP) and Pilot Program for Climate Resilience (PPCR), CIF has generated a decade's long worth of experiences and lessons that can be drawn upon to address the multifaceted pressures on lands and other natural resources. Lessons reiterate the urgency for (i) sustaining cross-sectoral approaches to development planning, (ii) the importance of seeking synergies between development outcomes with climate action; (iii) inclusive and participatory implementation and monitoring; (iv) need to 'fill the missing middle' for performance-based payments for REDD+ activities, and for (v) scaling up CIF-proven cost-effective solutions to the changing climate. They also call for reinforced strategic partnerships, complementarity and cross-fertilization with other global climate funds.
58. The CIF's business model provides a unique opportunity for the *Nature, People and Climate Investments Program* to scale-up climate finance and complement ongoing initiatives that are focusing on similar efforts to achieve sustainable development and improved ecosystem services (Annex A). Its programmatic approach, the opportunity to leverage the strength and experiences of multiple MDBs, and the ability to offer flexible, concessional finance and absorb certain level of risks are unique characteristics of the program. This can provide momentum to test-out pioneering approaches and arrangements that could be useful for other similar initiatives to learn from.
59. **CIF's business model supports social inclusion advancing the voice, skills, and livelihoods of women, indigenous peoples and local communities.** CIF's Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM), has been commendable in its efforts to engage with and empower indigenous people and local communities to lead on decisions that impact them directly.<sup>69</sup> This innovative feature has been underscored as one of the key comparative advantages of CIF's Forest

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<sup>65</sup> ITAD et al. (2019), [Evaluation of Transformational Change in the Climate Investment Funds](#) - Final Evaluation report.

<sup>66</sup> See for instance: Joint DFIs (2018), [DFI Working Group on Blended Concessional Finance for Private Sector Projects](#), Joint Report, October 2018 Update.

<sup>67</sup> Joint-DFIs (2018), [DFI Working Group on Blended Concessional Finance for Private Sector Projects](#), Joint Report, October 2018 Update.

<sup>68</sup> ITAD (2019), [Evaluation of Transformational Change in the Climate Investment Funds](#).

<sup>69</sup> ITAD et al., (2019), [Final Evaluation Report - Evaluation of Transformational Change in the Climate Investment Funds](#); ITAD (2019b), [A Learning Review of the Dedicated Grant Mechanism \(DGM\) for Indigenous Peoples and Local Communities in the FIP of the CIF](#).

Investment Program among other forestry funds.<sup>70</sup> CIF's operational experience with DGM is of particular relevance for the implementation of socially inclusive landscape solutions and to harness indigenous knowledge to this end.

60. Over its decade-long experience, the CIF's Forest Investment Program, Pilot Program for Climate Resilience, and the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities have tackled the multifaceted drivers of climate change with a focus on most vulnerable and critical ecosystems at the landscape level that have potential to generate multiple benefits for community, ecosystems and broader climate resilience. Through multiple interventions in policy reforms, collaboration across multiple sectors, inclusion of different stakeholders including indigenous peoples, women and male and female youth, adoption of programmatic, large scale financing that allows flexibility, the CIF has helped advance a transformational development path and a business model that has received recognition and uptake by development partners and multilateral development banks.

#### **4.2 Concessional finance though CIF provides a strategic tool to address barriers to sustainable uses of natural resources**

61. **The target use of concessional finance can help overcome those barriers hindering public and private investments for the sustainable use of land and other ecosystems.** As described in Section 2, there are a range of barriers to the sustainable use of land and other ecosystems. A combination of grants for advisory services and capacity building, cost and risk bearing instruments with varying degree of concessionality (e.g. junior equity, subordinated debt, partial credit guarantees), and/or performance-based incentives might be required to take investments in the sustainable use of land and natural resources off the ground and mobilize private capital – particularly so in non-investment grade contexts.

62. Investments that strengthen the climate resilience of livelihoods and drive low-carbon development for rural communities at scale, require upstream interventions working across sectors with different stakeholders, and within the wider context of local, national and transboundary governance. Grants, for instance, are needed to: (i) provide technical assistance and build the capacity of national governments to adopt such an approach and institutionalize data systems for monitoring, reporting, and evaluating land use management and governance systems; (ii) meet the upstream financing required for investment planning and project preparation in sectors that directly contribute to enhancing the sustainability of rural landscapes; (iii) strengthen the capacity of local actors, especially women and women's organizations, in prioritizing, implementing and maintaining such interventions; (iv) develop tools to tackle the barriers of knowledge faced by local and national financial institutions to enhance their participation in integrated adaptation and mitigation projects; (v) support multi-stakeholders monitoring/verified sourcing areas to supply larger trade chains; (vi) support knowledge sharing from innovative programs such as climate, social and green bonds.

63. Concessional resources are particularly needed in challenging and complex contexts and for promoting synergies among different land and natural resources use demands. A systems-wide approach offers a more viable option compared to a sector-by-sector approach, but it may involve longer implementation period and complicated processes requiring the need for concessional finance to pilot test and demonstrate the approach. Investments targeted at strengthening the climate

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<sup>70</sup> ICF (2014), [Independent Evaluation of the Climate Investment Funds](#). Volume 1. Evaluation Report.

resilience of rural communities, land resources and ecosystems, for instance, can have long-term or uncertain returns and call for access to local currency solutions. Concessional capital can help improve the risk-return profile of such investments or hedge currency risk thereby enabling enhanced access to finance in local currency.

#### 4.3 Innovating how concessional finance is delivered on the ground

64. **CIF's business model holds a proven comparative advantage in enabling innovation.** Over the past ten years CIF has helped MDBs to develop and test new products and learn lessons that were later replicated with their own resources and/or with resources from other partners.<sup>71</sup> CIF has helped MDBs “learn by doing” in relation to blended finance structures,<sup>72</sup> and mitigate risks to the deployment of unproven clean technologies in politically unstable markets. CIF can continue pushing the boundaries in climate finance and tackle areas previously underserved by traditional financial instruments. To this end, it would need to ensure high risk appetite and tolerance.
65. Under the *Nature, People and Climate Investments program* CIF will seek to enhance MDBs' ability to innovate how concessional finance is delivered on the ground to cater for the needs of developing countries and conserve land resources and ecosystem services. CIF would seek to support MDBs in the design and implementation of innovative financing strategies aimed at e.g., accelerating recipient countries' ability to deliver on their climate and sustainable development targets; tackling barriers to private investments that have not yet been addressed and/or that could be addressed more effectively and efficiently; or mobilizing capital toward areas that have not yet been able to attract commercial capital at all or at scale. Figure 7 provides examples of blended finance structures that will be explored under the program. Innovative insurance-based mechanism models as the one developed to conserve the Mexican coral reef and gender-based incentive mechanisms (i.e. financial incentive based on gender outcomes structured so that to help reduce gender gaps) will also be considered.<sup>73</sup>

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<sup>71</sup> ITAD et al., (2019), [Final Evaluation Report - Evaluation of Transformational Change in CIF](#).

<sup>72</sup> ITAD et al., (2019), [Final Evaluation Report - Evaluation of Transformational Change in CIF](#).

<sup>73</sup> See The Nature Conservancy [web site](#) for more information on the world's first insurance policy on a coral reef.

**Figure 7. Examples of innovative blended finance facilities and instruments for sustainable use of lands and natural resources<sup>74</sup>**

Instrument/Facility	Description	Key Innovative Features
<p><b>Landscape Funding Facility</b> A multi-faceted approach to overcome investment barriers to sustainable landscapes investment</p>	<p>A fund/facility with several windows, focused on a set of priority countries/landscapes/supply chains –</p> <ol style="list-style-type: none"> <li>1. Provide resources to fund landscape preparation costs</li> <li>2. Deploy TA, guarantees, debt, equity through local financial institutions with performance mechanisms and incentives (criteria on sustainable landscapes) within inception phase</li> <li>3. Provide equity and debt to existing smaller equity and debt funds with existing strong project pipelines and stakeholder relationships (fund of funds model)</li> </ol>	<ul style="list-style-type: none"> <li>• Focuses where other investors (voluntary carbon project developers, philanthropies, private) are not active or unable to reach scale</li> <li>• Leverages a broad toolbox of financial instruments and approaches to overcome barriers and drive new investment</li> </ul>
<p><b>Climate Smart Lending Platform</b> Data-driven approach to support climate resilient farming practices</p>	<p>Mainstreams climate-smart agriculture metrics into the credit scoring systems of local financial institutions, creating strong incentives for farmers to adopt climate-smart agricultural practices.</p>	<ul style="list-style-type: none"> <li>• Uses an impact reporting tool to report and reward based on achieved performance</li> <li>• Can unlock the potential of local financial institutions to support transitions to climate-resilient farming practices.</li> </ul>
<p><b>Smallholder Forestry Vehicle</b> To attract commercial investors into smallholder forestry</p>	<p>Packages tree production partnership contracts with thousands of smallholder farmers and sells them to investors, providing farmers and forestry companies with access to low-cost, long-term finance while enabling institutional investors to access sustainable forestry investments.</p>	<ul style="list-style-type: none"> <li>• Demonstrates a novel model to attract commercial investors in to smallholder forestry.</li> <li>• If successful, high replication potential in many other countries worldwide.</li> </ul>
<p><b>Responsible Commodities Facility</b> To demonstrate use of green bonds to move production to degraded land</p>	<p>Provides financial incentives to produce soy in existing cleared and degraded land in order to discourage further expansion of agricultural land.</p>	<ul style="list-style-type: none"> <li>• Use of green bonds to move production to degraded land.</li> <li>• Use of a blockchain registry, a land-bank and monitoring and traceability systems to improve transparency, compliance and full traceability of production</li> <li>• Involvement of an Environmental Committee with representatives from the producers, commodity buyers,</li> </ul>

<sup>74</sup> These instruments are examples of those that emerged from the work that the CIF Administrative Unit has undertaken with Climate Policy Initiative in 2019. These and other innovative instruments were discussed with partner MDBs during a dedicated prototyping workshop that the CIF AU organized with Climate Policy Initiative in September 2019. CPI (2019), forthcoming. *Innovative Climate Finance Instruments - Lessons and Opportunities for the CIFs*.

		local NGOs, and financial partners groups will oversee operations.
<b>Blockchain Climate Risk Crop Insurance</b> To leverage advanced technology for crop insurance	A weather-indexed crop insurance infrastructure to help smallholder farmers in Sub-Saharan Africa increase resilience to the impacts of climate change, via insurance that is transparent, affordable, and pays out quickly.	<ul style="list-style-type: none"> <li>• Digital platform wherein crop insurance policies are plugged into smart contracts on a blockchain and indexed to local weather</li> <li>• Expands the provision of insurance to the most vulnerable farmers.</li> <li>• Creates templates for blockchain-based insurance products giving third parties the tools to create their own customized insurance product, thereby enabling them to offer weather-indexed crop insurance at scale.</li> </ul>

## 5. Theory of Change and Outcomes

66. **The proposed program and its investment criteria are shaped across the four key dimensions of transformational change in climate investments** namely: (i) relevance; (ii) systemic change; (iii) scale; and (iv) sustainability.<sup>75</sup> Progressive changes need to occur across all four dimensions to a greater or lesser extent for transformational change to occur. By creating the appropriate enabling environment to encourage close collaboration among governments, private sector and communities, the proposed program is expected to catalyze transformational changes to conserving land resources and ecosystems services while promoting sustainable livelihoods and providing significant contribution to mitigating and adapting to climate change. This is in line with the results of the independent evaluation of the CIF where transformational changes have been referred to as *“Strategic changes in targeted markets and other systems, with large scale, sustainable impacts that shift and/or accelerate the trajectory toward low-carbon and climate-resilient development.”*<sup>76</sup>

67. The *Nature, People and Climate Investments program’s* Theory of Change presented in Figure 8 illustrates how the program will contribute to CIFs’ overarching impact of *‘improved low-carbon and climate-resilient development’* at the highest level of the results chain. The results pathways developed for this program’s Theory of Change are based on the principle that: *“Investments based on an integrated system-wide approach can reconcile competing uses of land and other natural resources to unlock the potential of nature for climate action. This would lead to improved health of land and other ecosystems, reduced greenhouse gas emissions, and enhanced sustainability and climate-resilience of livelihoods and business, thereby mobilizing additional public and private funding.”*

<sup>75</sup> ITAD et al., (2019) Evaluation of Transformational Change in the Climate Investment Funds

<sup>76</sup> ITAD et al., (2019) *Evaluation of Transformational Change in the Climate Investment Funds*



68. The expected outcomes of the proposed Program are as follows:

#### Institutional

- **Strengthened enabling environment for the sustainable use of land and other ecosystems,** including:
  - **Institutional capacity of governments to plan and sustainably manage competing activities and interest at a system level, and mainstream climate considerations into rural development:** integrated land use planning and implementing climate-smart practices requires expertise and experience including skills in climate risk assessment, consultation with stakeholders, mobilizing resources, promoting innovation and improving production process and value chain. This institutional and capacity development is relevant to achieve long-term transformational impacts and ensure the sustainability of the intervention.
  - **Conducive policy and regulatory frameworks to promote integrated land use approaches:** Governments will be able to provide suitable policies and foster enabling environments that will minimize trade-off, optimize synergies and increase uptake of climate change mitigation and resilience investments through a multi-level approach and support interventions at community, local government and landscape level in the context of wider decentralized governance, that includes the voices of disadvantaged groups, including women, at multiple scales as an input to national and local planning.

#### Socio-economic

- **Improved sources of livelihoods for rural communities and indigenous peoples, both women and men:** Rural communities and indigenous peoples improve local livelihoods and sustain them while making efficient use of land and ecosystem services and contributing to reduction in GHG emissions.
- **Increased adoption of sustainable supply chains and/or clean production processes:** Enhanced uptake of environment-friendly and climate-smart and sustainable practices.
- **Increased access to capital and budgeting for the sustainable use of land and other natural resources.** Public and private investments focusing on integrated approaches are expected to deliver climate resilience and mitigation benefits. The Program provides a business case, the incentives and tools for investing in a multi-level approach that promotes mitigation, adaptation and socio-economic development; enables unique forms of partnership between public, private sectors, indigenous peoples and CSOs.
- **Business case for private sector investments in sustainable land and natural resources demonstrated**
- **Fostered innovation:** Enhanced support for early-stage ventures, technologies and business models with high impact potential.

#### Bio-physical

- **Improved management of natural resources.** The program is expected to improve forest, land and ecosystems' health, and to enable an integrated and multi-stakeholder engagement to address key pressures on and barriers to conserving land and ecosystems services. Local stakeholders with improved understanding of the importance of healthy ecosystems take the leadership as stewards of natural resources they depend on.

69. The Theory of Change for an integrated approach to investing in natural capital and low-carbon development requires a departure from linear logic models, recognizing that transformational change outcomes and impacts in climate action are inherently complex, multi-sectoral, and multi-faceted.

The interlinkages between local spatial, ecological, social and economic conditions within and across landscapes demand a broad, flexible framework for modeling change pathways. Simultaneously, the theory of change framework should allow space for disruptive factors, adaptive learning processes, and management of uncertainty to play important roles in driving the final outcomes and impacts targeted (see Figure 8).

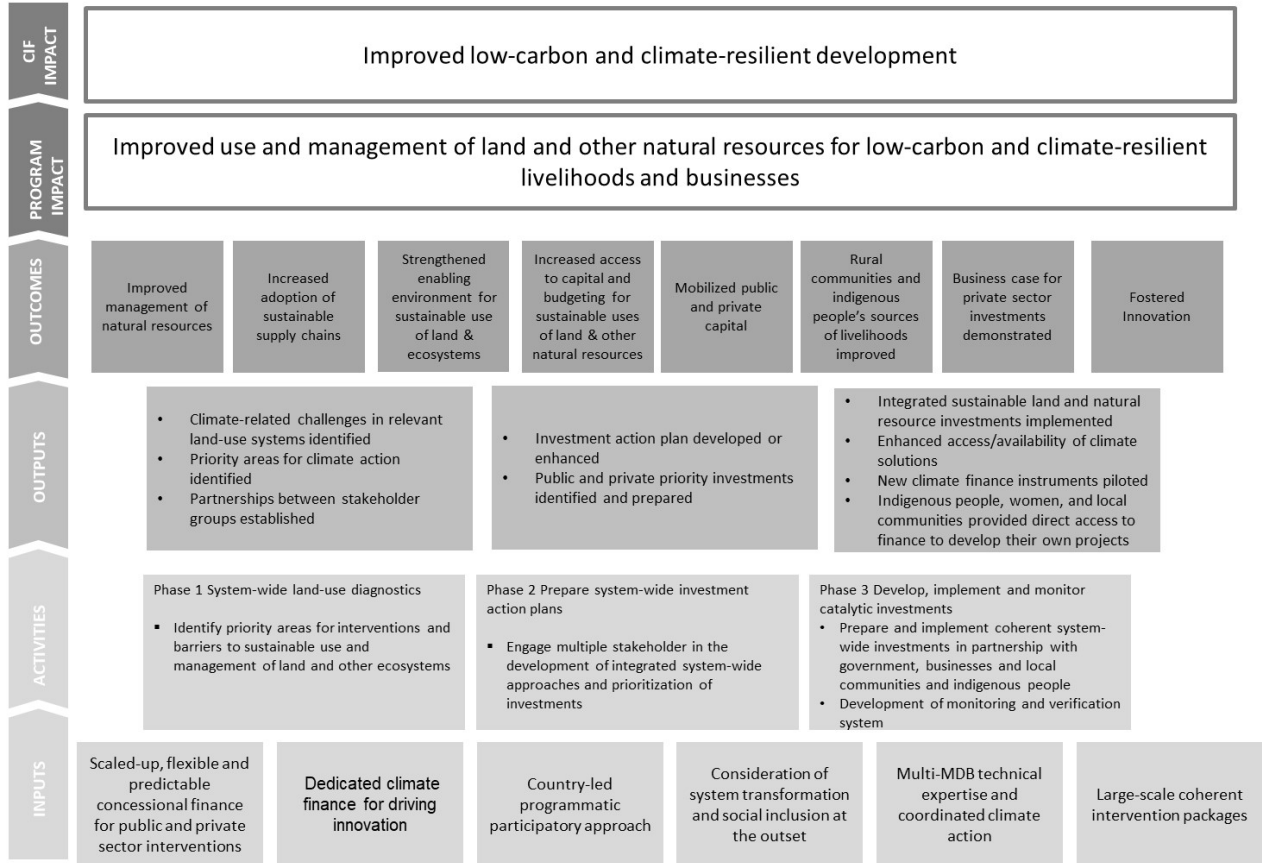
70. The Theory of Change was developed based on the assumptions that there is enough demand and enough interest in the deployment of innovative and/or proven climate technologies across the supply chains of targeted industries; the services and technologies provided through the Program are of good quality, and represent a good return on the investment; confidence in investing in sustainable land uses is stable or increases; the regulatory environment is favorable to the Program and does not worsen; the adequate enabling conditions (such as political commitment) remain over the time of Program implementation or improve.
71. The risks that may have to be taken into consideration include: the choice of Program partners and their ability to deliver; technologies which may not deliver the expected results; lack of interest or engagement from the Program stakeholders; public opinion turning against the solutions promoted by the Program; and any social or environmental damage that may arise from the Program's implementation.
72. Areas of Intervention: Nine thematic areas of intervention that were originally identified through the CIF *Transformational Change Learning Partnership*<sup>77</sup> (Financing, Governance and Engagement, Institutions, Knowledge and Information, Markets, Natural Capital, Policies, Practices/Mindsets, and Technologies and Infrastructure) have also been included within the theory of change framework. An integrated approach to investments in sustainable land and natural resources management may cover any of the nine arenas, although *Natural Capital, Financing, Governance and Engagement, Policies, and Practices/Mindsets* are likely to be the most prominent arenas of intervention within the proposed Program.
73. Further Work: Due to the complexity and specificity of causal pathways toward integrated climate-resilient and low carbon development, the current Theory of Change remains a broad, flexible framework intended to encompass a wide variety of contexts. Models for more robust, detailed investment- and country-based development pathways may require their own theories of change to be further developed at a later stage.

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<sup>77</sup> For more information, please see CIF web site [here](#).

**Figure 8. Theory of Change Framework**

<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• Choice of partners and their ability to deliver</li> <li>• Technologies do not lead to the expected results</li> <li>• Lack of interest / engagement from key stakeholders</li> <li>• Public opinion turns against the solutions promoted by the program</li> <li>• Unintended social or environmental consequences</li> </ul>	<p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• There is enough demand and interest among stakeholders</li> <li>• Services and technologies supported are of good quality and provide a good return on investment</li> <li>• Confidence to invest at the landscapes level is stable or increases</li> <li>• The regulatory environment does not worsen</li> <li>• The enabling conditions remain or improve</li> </ul>
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## 6. Annex A – Selected initiatives promoting sustainable use of land and natural resources

Initiative/Partnership	Targeted countries	Investment lending at scale	Types of financing	Works exclusively thru MDBs	Investment Plan / Pipeline creation	Dedicated funding mechanism for IPLCs**	Capacity and knowledge building
<b>CIF's Nature, People and Climate Investments Program</b>			Grants, non-grant (loans, guarantees, equity)				
<b>Green Climate Fund<sup>78</sup> Land-use, forests &amp; ecosystems</b>			Grants, non-grant (loans, guarantees, equity), RBPs*				
<b>GEF (GEF-7) Food Systems, Land Use and Restoration Impact Program and Sustainable Forest Management Impact Program<sup>79</sup></b>			Grants				
<b>World Bank Global Partnership for Sustainable and Resilient Landscapes, "PROGREEN"</b>			Grants				
<b>World Bank Forest Carbon Partnership Facility (FCPF) -Readiness Fund</b>			Grants			Capacity building	
<b>World Bank Bio Carbon Fund - Initiative for Sustainable Forest Landscapes (Bio CF - ISFL)</b>			Grants and RBPs*				
*RBPs: Results-based Payments for REDD+ **IPLCs: Indigenous People and Local Communities							

<sup>78</sup> Based on the draft GCF (2019), [The Strategic Plan for the GCF: 2020–2023](#). GCF/B.24/Inf.01, October 11, 2019. The GCF is currently funding a USD 500 million REDD-plus pilot program for results-based payments for reducing emissions from the forestry sector.

<sup>79</sup> Note: the table focuses on GEF's climate change focal area. GEF's biodiversity and land degradation focal area is also relevant for sustainable landscape related matters.

Sources: GEF [web site](#); GEF (2018), [Summary of Negotiations of the Seventh Replenishment of the GEF Trust Fund](#); GEF (2019), [Program Framework Document](#).

## 7. Annex B – The Climate Investment Plan for the Sahel Region

74. The Sahel Region spreads from the Atlantic Ocean to the Horn of Africa in an area of about 10 million km<sup>2</sup>. It comprises 17 countries with similar geo-climatic characteristics (Benin, Burkina Faso, Cameroon, Cape Verde, Ivory Coast, The Gambia, Guinea Conakry, Djibouti, Ethiopia, Eritrea, Mali, Mauritania, Niger, Nigeria, Senegal, Sudan and Chad). Being one of the world's largest semi-arid and arid areas largely dependent on agriculture as the main economic activity, the region is extremely vulnerable to climate change undermining both the living conditions of the population and ecosystems.
75. Land degradation is already a major issue affecting the region with negative consequences in agriculture. Unsustainable agricultural practices and climatic shocks and stressors such as droughts and changes in rainfalls have been contributing to this issue, which could worsen under changing climate scenarios. Sub-Saharan Africa, for instance, has a land degradation rate of 67% with 25% classified to be very severely degraded, and 4% to 7% unrecoverable. The impact of climate change on agriculture in Africa is estimated between -2% and -9% of Gross National Product depending on the scenarios used (Fischer et al., 2005). Climate change is creating additional challenges. Increasing coastal erosion (1 to 2 meters per year in Senegal and Djibouti and more than 20 to 30 meters per year in the Gulf of Guinea), for instance, is leading to the gradual disappearance of infrastructure adjacent to the coasts and protective cords as well as the degradation of coastal ecosystems (mangrove stands and coral reef).
76. Faced with this situation of exposure and vulnerability, the States of the Sahel Region, led by the Climate Commission of the Sahel Region and in collaboration with basin and regional organizations, developed the Climate Investment Plan for the Sahel Region 2018-2030 (CIP-SR). The CIP-SR reflects the long-term ambitions of the Sahel States to address climate vulnerabilities and integrate climate change into their development planning process by supporting and promoting regional and international cooperation for the mobilization of a stronger and more ambitious climate action by all stakeholders. Among other priorities, the Plan lays out specific response strategies to improve resilience of Sahel population and the natural resources and ecosystem to which it depends on, and to enhance carbon sequestration. Key areas of intervention which requires strong coordination and collaboration among Sahel countries include, among others: (i) restoration and rehabilitation of degraded lands; (ii) integrated water resources management; (iii) sustainable management of agricultural and pastoral systems. The CIP-SR is elaborated through six strategic axes, 23 programs and 69 sub-programs, with a total estimated cost of USD 397 billion.
77. Given the focus of the CIP-SR to address the Sahel region's climate change challenge in providing sustainable livelihoods while maintaining a healthy ecosystem, the CIF's Nature, People and Climate Investments Program provides a unique opportunity to respond to some of the needs for financial, technical and institutional support in implementing the CIP-SR.