Global Challenge Program

Forests for Development, Climate, and Biodiversity

Approach Paper

WORLD BANK GROUP

[left intentionally blank]

TABLE OF CONTENTS

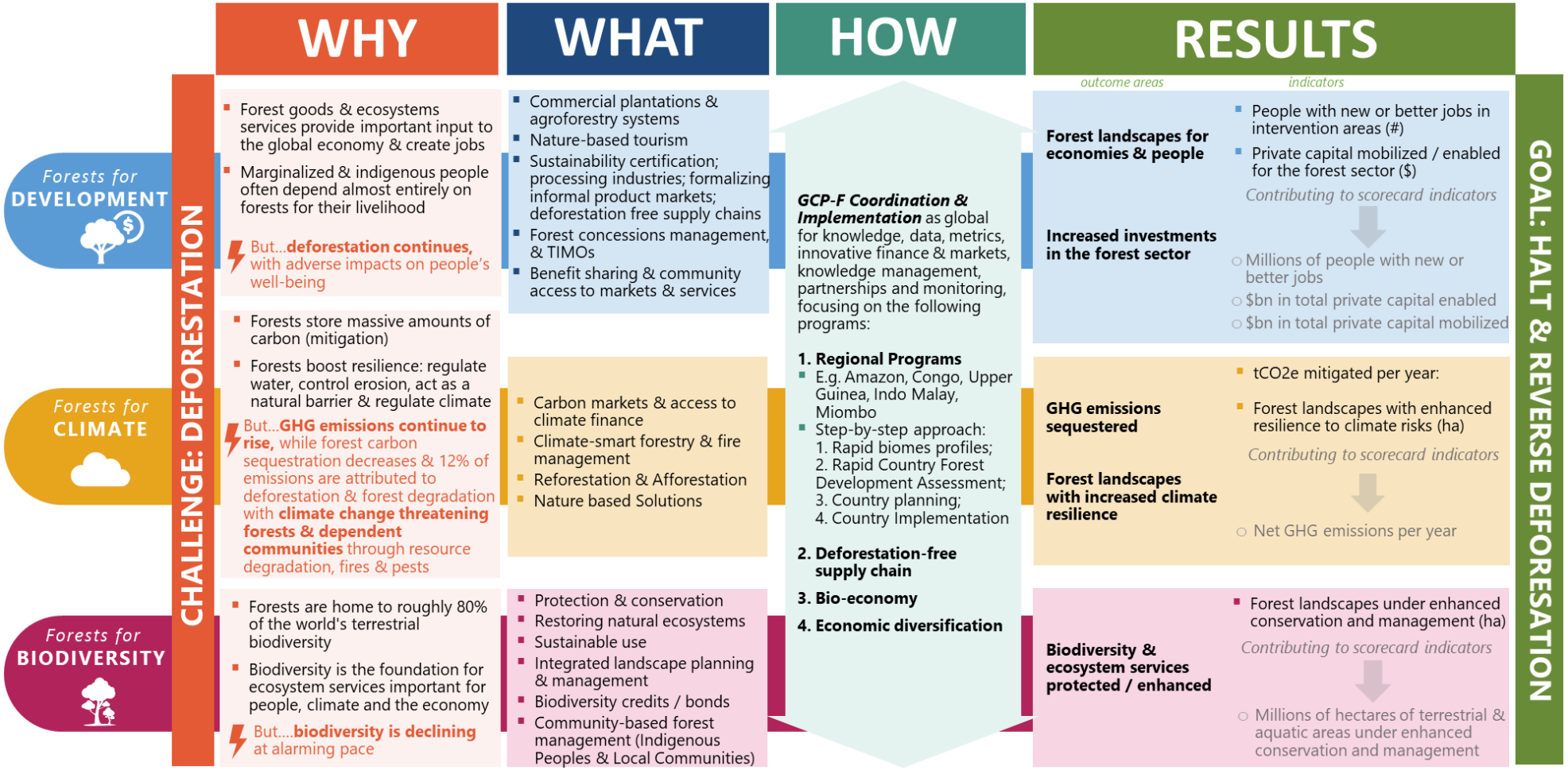
Table of Contents

LIST OF ACRONYMS

ASL	Amazon Sustainable Landscapes
CCDR	Country Climate and Development Report
CIF	Climate Investment Funds
CO2	Carbon dioxide
CPF	Country Partnership Framework
CSO	Civil Society Organization
dMRV	Digital Monitoring, Reporting, and Verification
ECA	Europe and Central Asia
ESG/ESF	Environmental and Social Governance / Environmental and Social Framework
EU	European Union
EUDR	EU Deforestation Regulation
FCPF	Forest Carbon Partnership Facility
FCV	Fragile, Conflict, Violence
FIP	Forest Investment Program
FNS	Food and Nutrition Security
GCP-F	Global Challenge Program “Forests for Development, Climate, and Biodiversity”
GEF	The Global Environment Facility
GHG	Greenhouse Gas Emissions
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IFI	International Finance Institution
IPLC	Indigenous Peoples and Local Communities
ISFL	Initiative for Sustainable Forest Landscapes
LAC	Latin America and the Caribbean
MDB	Multilateral Development Bank
MIGA	Multilateral Investment Guarantee Agency
MOU	Memorandum of Understanding
MPA	Multi-Phased Approach
NBS	Nature-Based Solutions
NGO	Nongovernmental Organization
ODA	Official Development Assistance
PES	Payments for Environmental Services
PoP	Program of Programs
REDD+	Reduced Emissions from Deforestation and Degradation
SCALE	Scaling Climate Action by Lowering Emissions
SDG	Sustainable Development Goals
SME	Small and Medium Size Enterprises

TA	Technical Assistance
WBCF	Wood-based Cellulose and Fiber
WBG	World Bank Group

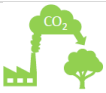
OVERVIEW OF THE GCP



I. Introduction

1. **Urgent action is needed to address the growing and interconnected crises of poverty, climate change, and biodiversity loss.** Sustaining the world's forests plays an essential role in addressing these challenges and building resilient, inclusive economies on a livable planet.

Forest Landscapes' Contribution to People and Planet

	**Climate Change** Carbon sequestration, carbon storage, substitution of carbon-intensive products
	**Biodiversity** Water, land erosion, pollination, soil fertility, flood control
	**Economic Impact** Growth, employment, improved livelihoods

2. **Current conservation-only approaches can only do so much to dampen illegal deforestation. Better governance, better management, better business, and improved inclusion are key to managing forest capital and unlocking forest economies built around standing forests that work for people, climate, and nature.** The Global Challenge Program: Forests for Development, Climate, and Biodiversity (GCP-F) seeks to shift the paradigm. Conservation will remain a vital part of sustainable forest management, but the GCP-F will broaden the approach to put people at the center by generating meaningful economic opportunities and mobilizing significant private sector resources to develop cross-sectoral forest-based economies. The GCP-F will also support the identification of alternative economic opportunities to reduce pressure on forests to enhance conservation outcomes. The solutions to nature loss and the climate crisis span multiple socio-economic sectors: food, land use, and water; infrastructure; energy and extractives. How these key sectors plan, invest, and produce matters for development. The GCP-F seeks to engage them all to create sustainable forest-centered economies through better and more inclusive planning, management and business.

II. Why a GCP on Forests?

3. **Forest ecosystems play a vital dual role: they underpin close to a half of global economic activity and livelihoods, while providing critical climate change mitigation services and protecting biodiversity.** More than half of global gross domestic product (or US$44 trillion in 2020) relies moderately or highly on ecosystem services.[i] Approximately 1.6 billion people depend on forests for subsistence, livelihood, employment, and income. Forests cover 31 percent of the Earth's landmass and, second only to oceans, are the earth's major natural storehouse of carbon, accounting for 861 gigatons.[ii] Healthy forest landscapes also provide a host of benefits, including clean water, erosion prevention, crop pollination, soil fertility, and flood control.

4. **Deforestation and forest degradation, which currently account for 12 percent of global greenhouse gas (GHG) emissions,[iii] continue despite decades of global commitments, engagement, and investments in the sustainable management and conservation of agricultural commodity production.** Agriculture is by far the largest driver of deforestation and ecosystem conversion globally, particularly in the tropics. In 2022, 4.77 million hectares of agriculture-based commodity-driven deforestation was recorded—an increase of 5.6 percent compared with 2021. Land-use change and weak governance are

key underlying drivers of deforestation and have led to the loss of forest cover the size of Ethiopia since 2000.

5. **Land degradation affects an estimated 3.2 billion people worldwide, with 40 percent of the world's poorest living on degraded land.**[iv] Forest loss also has serious ramifications for public health. More than 30 percent of new diseases reported since 1960 are attributed to land-use change, including deforestation.[v]

6. **The mounting challenge for preserving global forest resources is magnified by an increasingly complex demand framework**. Macroeconomic trends (growth in population, GDP, and income per capita in emerging markets; e-commerce; urbanization; shifting consumer preferences), increased climate awareness, and innovation will all contribute to a dramatic increase in global demand for forest products in the coming decades. To protect the environment and generate Global Public Goods, such as carbon storage, clean air and water, natural habitat, and livelihoods, these products will need to be sourced sustainably from natural and plantation forests.

7. **While this new demand for forest products could be perceived as an additional burden on forest conservation by some, others value the opportunities that it provides. Increasing the direct economic value of standing forests and making them competitive with alternative land-uses, particularly agriculture, can enhance landscapes and livelihoods.** This is especially the case in areas with low agricultural productivity and, thus, where the conversion of land is less profitable. Establishing sustainable forest economies along commercial value chains, including wood production, trade, and processing, not only offers the prospect of halting deforestation and relieving pressure on natural forests, but also the opportunity to mobilize the necessary investments needed to restore and regenerate degraded land, create jobs, and increase forest and tree cover overall.

8. **Against the complex set of challenges for sustainable forest landscape management stand huge investment and resource mobilization needs.** More than US$536 billion per year, four times the amount invested today for a total of US$8.4 trillion by 2050, will be needed to meet climate change mitigation, biodiversity conservation, and land restoration targets. The investments needed to establish the necessary commercial forest plantations and naturally regenerated production forests are estimated at US$40 billion per year, with a further US$25 billion needed annually to establish associated forest product industries.

9. **These financing needs contrast with the ability of many countries and companies to mobilize the necessary resources to invest in the sustainable management and conservation of forests.** High political risks, weak governance, and low economic performance impact credit ratings and give rise to higher costs of public debt and domestic resource mobilization through taxes, tariffs, and fees. This not only makes it difficult to mobilize resources for public investments, but also yields a less favorable business environment for the private sector, which is critical to scaling investments in the sector.

10. **Building on the convening power of a One World Bank Group (WBG) approach**, the objective of the GCP-F aims to overcome these challenges by developing integrated and inclusive approaches to forest management and scaling investments that deliver for development, climate, and biodiversity. The GCP-F seeks an innovative, action-oriented approach that will accelerate and increase financial flows for investment in forest landscapes and the people that rely on them, and that can be replicated across regions.

11. **The GCP-F aims to catalyze a paradigm shift in financing global forest-related investments by mobilizing financing at scale to meet future investment needs.** Central to this paradigm shift are three key, strategic elements: (i) improving governance, including by strengthening state command-and-control regulations and institutions; improving inclusion by, among other things, promoting transparent land markets and land regularization as well as co-management, and improving access of forest communities to government services and financial inclusion; (ii) establishing private sector-driven forest-based economies where economic opportunities and job creation serve as a catalyst for forest conservation and restoration; and (iii) leveraging additional financing to enable a One WBG approach to tailor financing packages that respond to clients' investment needs. Working with partners and stakeholders within the development community, the GCP-F can leverage credibility, proprietary market intelligence and insights, and high environmental and social standards. The provision of appropriate de-risking instruments, such as guarantees, combined with a competitive financing package and an enabling regulatory environment, will be required to help mobilize private capital at scale.

12. **The private sector is well placed to complement governance initiatives by supporting sustainable, inclusive forest-based business models through the scalable use of innovative financing instruments and** technical assistance (TA)**.** Available financing instruments include green and blue bonds, sustainability-linked loans, nature-based solutions (NBS) funds, carbon credit markets, de-risking mechanisms, guarantees, equity, and blended finance to mobilize private capital. The GCP-F will also focus on creating and promoting the use of new instruments, such as biodiversity and other ecosystem service credits. To address the misaligned policy incentives prevailing today and to create enabling environments for enhanced investments, these financing tools will be complemented and underpinned by robust capacity building, policy, and institutional reform programs.

13. **In an era of fiscal restraint, there is also an opportunity to repurpose a large share of subsidies used for agriculture in ways that could significantly boost forest cover and generate economic benefits.** Countries around the world spend about US$635 billion annually on supporting agriculture. Yet this is often done in ways that directly and indirectly promote expansion of land use and result in deforestation.

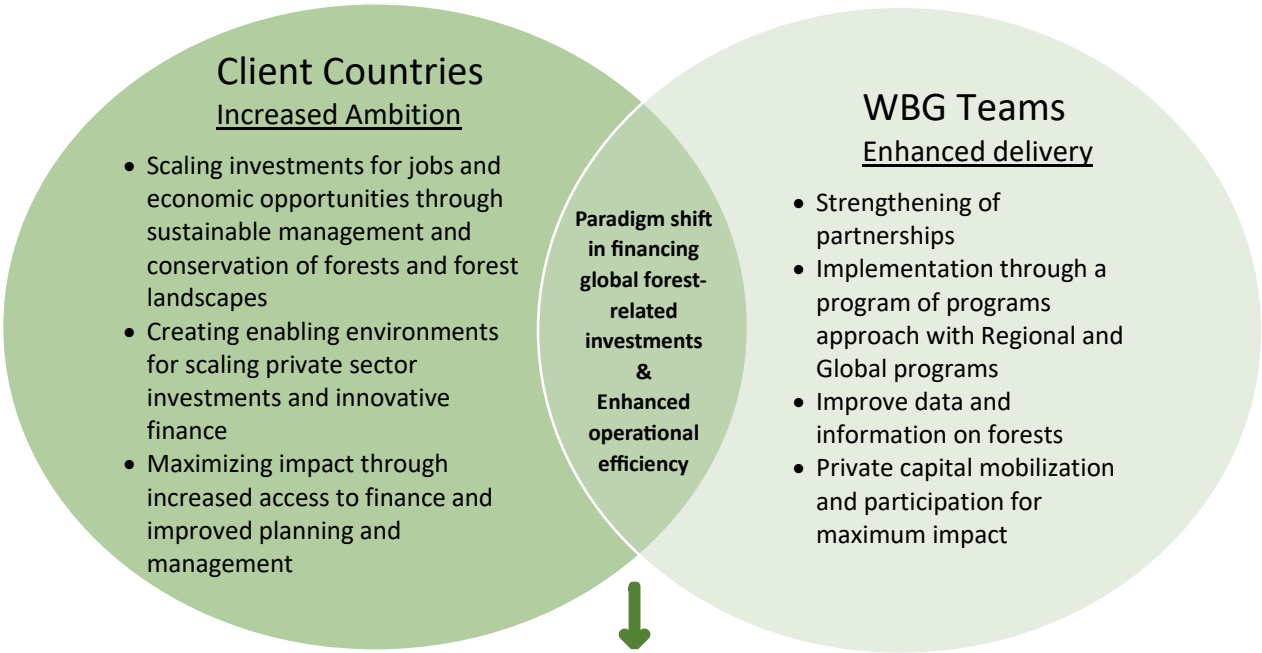
14. **Direct impacts emerge when governments subsidize commodities produced on forest frontiers, such as soy, cocoa, beef and timber.** These subsidies encourage farmers to expand production into forests even when they lack legal sanction. Subsidies also have cross-border impacts. Agricultural subsidies in richer countries drive deforestation in the tropics, where frontier commodities are produced. For instance, livestock subsidies in wealthier countries increase demand for feedstock which, in turn, drives deforestation in regions where soybeans are produced. Overall, agricultural subsidies are responsible for the loss of 2.2 million hectares of forest per year.

15. **The goals defined for this GCP-F are rooted in the global commitments and conventions on, or relevant to, forest landscapes to which the WBG has traditionally served as a strong partner and global financing institution.** The GCP-F has the ambition to contribute toward achieving the goals set out under the key global commitments relevant to forest landscapes, not least the New York Declaration on Forests to end deforestation by 2030.[vi] While the proposed actions under the GCP-F support all 10 sub-goals defined for this declaration, the most important for the WBG as an international finance institution—and the GCP-F—is Subgoal 8: "Provide Finance for Forest Action".

16. **This course of action will directly align the GCP-F with two of the eight global challenges articulated in the World Bank Evolution Roadmap, namely Protecting Biodiversity and Nature, and Climate Change Adaptation and Mitigation.** Indirectly it will also contribute to addressing the challenges

of Food and Nutrition Security, Water Security and Access, Energy Access, Pandemic Prevention and Preparedness, as well as Fragility and Conflict. By focusing on development, climate, biodiversity, and sustainable job creation, it also links with several Sustainable Development Goals (SDGs), including No Poverty (1), Clean Water (6), Clean Energy (7), Decent Work and Economic Growth (8), Responsible Production and Consumption (12), Climate Action (13), and Life on Land (15). There are also many synergies between the six GCPs (see paragraph 67).

Figure 1: Value Proposition of the GCP Forests for Development, Climate and Biodiversity



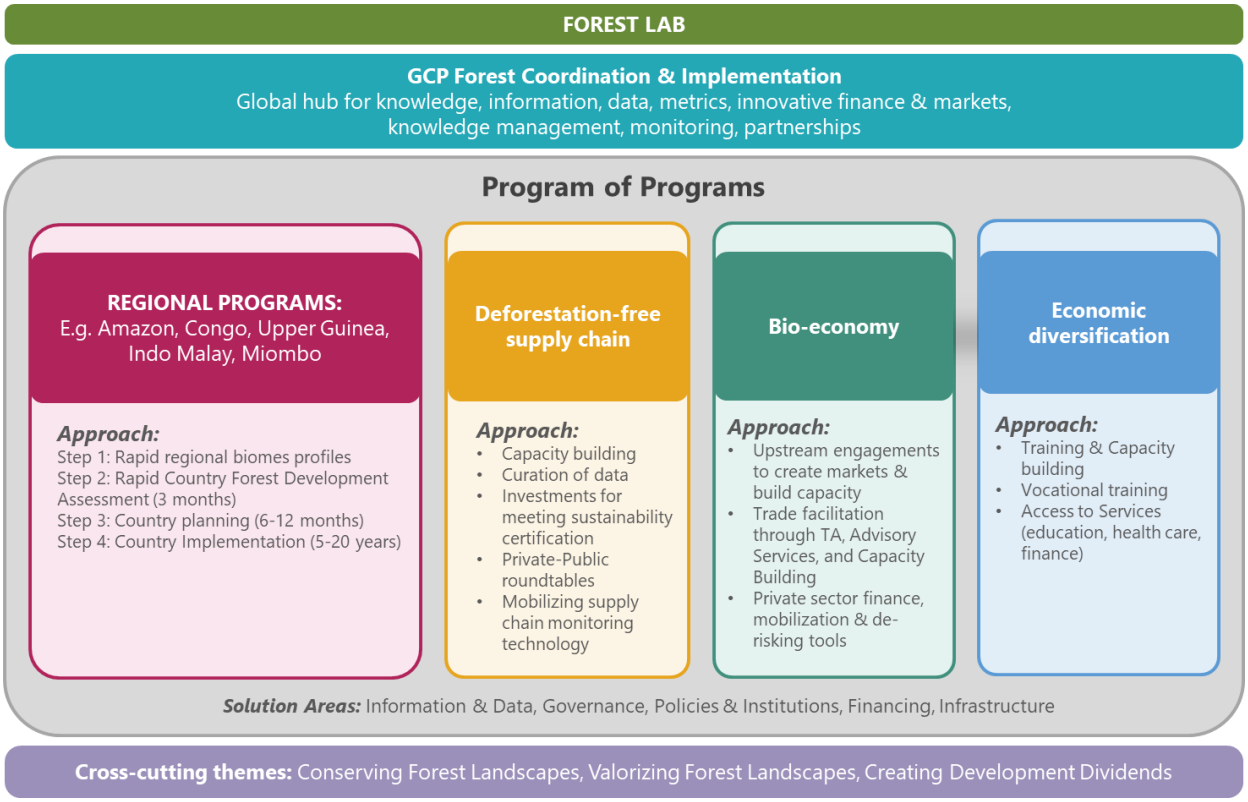
17. **The Value Proposition of the GCP-F is established through a mutually reinforcing strengthening of countries' ambitions in sustainably managing and conserving forests and forests landscapes, and the WBG's commitment for an enhanced delivery framework, including brokering regional and international partnerships.** At the core of this value proposition lies the ambition to create enabling environments for accelerated private sector investments and mobilization of innovative finance to support development of forest economics to create employment, economic opportunities, economic growth, and enhanced livelihoods. Figure 1 summarizes this Value Proposition.

III. What will the GCP-F do?

18. **The GCP-F objective is to scale sustainable forest landscape and ecosystem solutions to enhance development, climate, and biodiversity outcomes.** Reforming policies and institutions, improving governance, closing knowledge gaps, working with partners, and more efficiently channeling public and private financing will maximize its impact. The GCP-F will catalyze better planning, better management,

and better inclusion through improved coordination of the private and public sectors, leveraging their respective comparative advantages.

Figure 2: Forest Lab



19. **The strategic implementation framework brings together the 'what' and the 'how' to deliver this GCP-F objective through:** (a) three cross-cutting technical themes underpinning the overall objective; (b) four solution areas in which actions are needed; (c) a series of regional and global programs which outline the prioritized areas of focus under the GCP-F, delivered via a program of programs approach. Efficient and cohesive One WBG implementation will be supported by inclusive governance and management arrangements including a Forest Lab (see Figure 1 above).

20. **To achieve this, the GCP-F will put its clients – public and private sector alike – at the center of its activities.** Through a One WBG approach, the GCP-F will create tailored solutions that respond to clients' needs. Countries at different stages of development will require differing tools and interventions. Improving governance will play a role in each program. Upper middle-income countries are best positioned to undertake innovative models of forest conservation, restoration, and financing, while low-income and lower middle-income countries may first require interventions to help create enabling conditions that can lead to scaling investments. As the global and local benefits of forests are often not internalized by governments, communities and businesses, this approach will integrate these aspects into cohesive country engagements and business models where the whole will be bigger than the sum of its parts.

21. **Local engagement will be critical to the success of this approach.** Enabling Indigenous Peoples and local communities to actively participate in decisions over sustainable forest landscape management is key. Self-determined development trajectories provide greater opportunities for lasting success which simultaneously creates vibrant economies and conserves nature. Integrating local markets with regional and international economies will create opportunities for the private sector to anchor their value-chains in the local development context.

22. **At the corporate level, and as the GCPs move into implementation, GCP leadership teams will be responsible for designing and putting forward project proposals that meet the GCP criteria.** They will recommend projects for 'tagging' under the GCP at an early stage of project preparation. Until the process is fully institutionalized, the tagging of GCP projects will be done by the WBG Corporate GCP Secretariat[vii] to ensure compliance with the GCP criteria and jointly decided by the corporate and GCP Sponsor VPs. After an initial trial period, a decision on a more formalized governance structure will be made based on the varied experience across the six GCP teams and with the objective to embed GCP decision making into existing structures and processes as much as possible. Once selected, GCP-related projects will follow existing ADM processes based on the institution and product type. IT enhancements are under consideration to aid this process. For the time being and as long as needed, the Secretariat will maintain a regular cadence of check-ins with GCP teams to help push the program towards a "steady state".

Cross-cutting Themes

23. **The GCP-F will address three mutually reinforcing cross-cutting themes:** (i) conserving forest landscapes; (ii) valorizing forest landscapes; and (iii) creating development dividends for people and communities living in and around forest landscapes (see graph on the GCP-F Hierarchy).

- *Cross-cutting Theme I: Conserving Forest Landscapes*

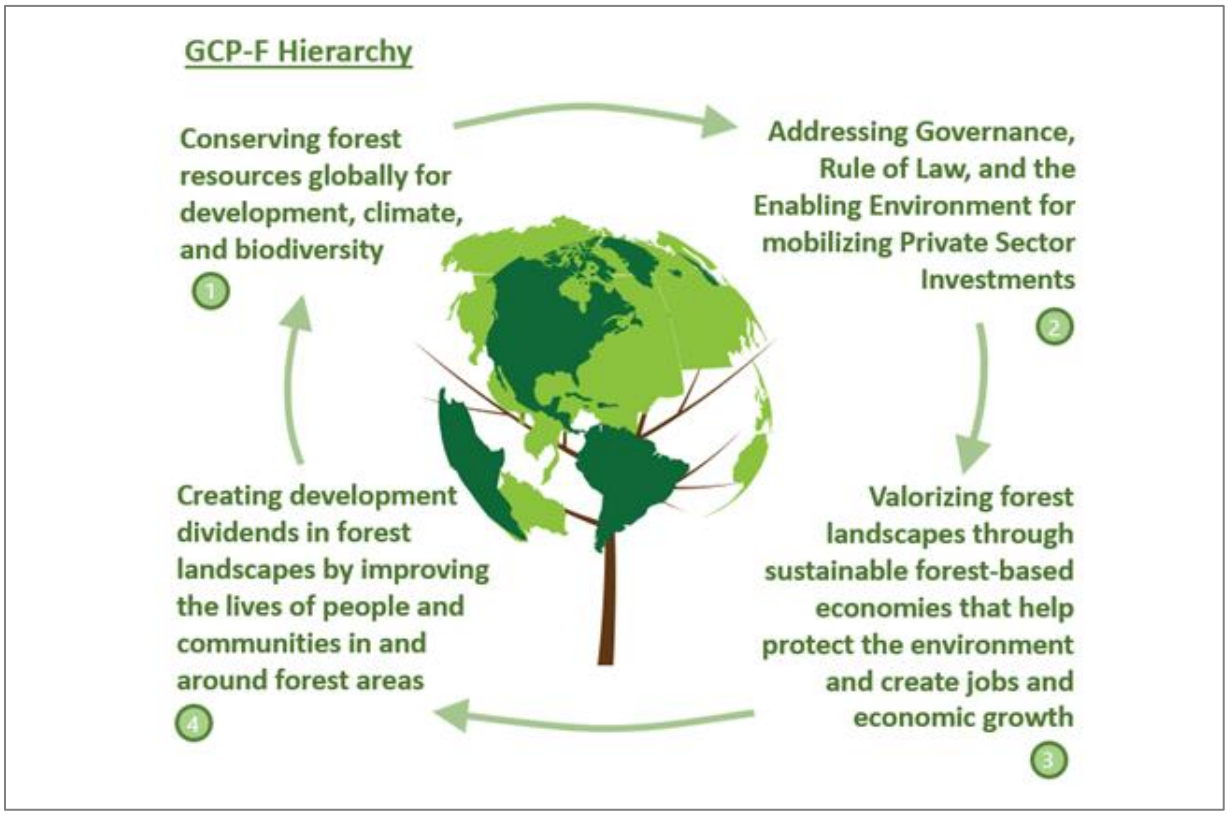
24. **Aligning with the global goal of "*halting and reversing deforestation and forest degradation by 2030*", the GCP-F will support countries in addressing the proximate causes and underlying driving forces of deforestation.** In many cases, this will involve addressing inadequate and fragile governance, reforming policy and regulatory frameworks, and providing TA and capacity building to shape prevailing institutions (see Figure 2 below). Without a strong governance base, engagements aimed at achieving positive forest landscape outcomes have little chance of creating lasting positive impact.

25. **Some of the forest biomes targeted by GCP-F are located in countries and regions experiencing fragility, conflict and violence (FCV).** Illegal activities in and around forests create significant harm to people and forests and natural resource disputes are becoming increasingly frequent. It is recognized that illegal activities undermine development and, in some instance, funds conflict and crime. With a focus on delivering a holistic development agenda, the GCP-F will also work in FCV environments to provide targeted support to break this vicious cycle of resource dependence and low human development as other economic sectors are disrupted by conflict.

26. **Strengthening the governance of forests requires four preconditions: secure forest tenure, technical capacity in state institutions, business know-how and organization including among Indigenous Peoples and local communities (IPLCs), and inclusive decision-making.** The needs of IPLCs must be at the center of any activities around policy and institutional reforms. Representing one billion people and one quarter of the world's forests, local forest 'rights-holders' have substantial decision-

making power and control over forestland, but not necessarily tenure or ownership rights. Those closest to the forest have a vested interest in the long-term conservation of its ecological services and income-generating features. These inclusive approaches will complement support to help strengthen state command-and-control approaches to enforcing forest laws and stopping deforestation.

Figure 3: GCP-F Hierachy



27. **Forests act as a very powerful buffer against climate change and strengthen the resilience of people and their production systems against associated negative impacts.** Recent statistical evidence suggests that the buffering effects of healthy forests are strong. For a "common" drought, intact upstream forests provide complete buffering against the negative effects of drought on yields by retaining soil moisture. For "extreme" drought, the presence of forests halves the impact. Intact forests can also deliver multiple ecosystem services simultaneously, including climate resilience, biodiversity conservation, hydrological services, and soil conservation. This allows the sustainable extraction of wood and non-timber forest products to feed into locally controlled value-chains. Plantations that are established for the economic production of wood and timber can also provide these important ecosystems services, albeit to a lesser extent.

28. **Agricultural expansion, extractive activities (e.g. mining), and infrastructure expansion are the main causes of tropical deforestation.** There is a need for a unique, ambitious, and highly replicable model of cross-sector collaboration among mining, forestry, energy, (potentially water) and agribusiness companies to pilot nature-positive, deforestation-free supply chains, which promote vibrant forest-based

local economies across emerging markets. With appropriate policy support and development partner funding for capacity building and de-risking products, the GCP-F is well-placed to support sectors that are particularly sensitive to political and regulatory risks, and to mobilize significant private sector resources. Global mining and energy companies could serve as anchors in this model—they manage large tracts of land for the purposes of nature conservation and restoration, or nature-based solutions projects, both for climate mitigation and the provision of water services. Global forestry and agribusiness companies could play a key role in ensuring success of such nature conservation and restoration initiatives through (i) bringing specialized expertise in productive land management to generate economic value and local employment; and (ii) sourcing/establishing their supply chains on degraded lands and/or in the productive buffer/ industrial zones that could be established with the explicit purpose of protecting conserved and restored forested areas.

29. **Through its convening power, global partnerships, and trust with client countries, the WBG can provide capacity building and TA for the implementation of trade regulations, such as the EU Regulation on Deforestation-free Products**[1]. Here, the WBG can play a key role in reducing commodity-based deforestation while ensuring that countries can continue building strong sustainable agriculture value chains that support job creation.

30. **Complementing its support to countries for implementing trade regulations, the GCP-F can also support countries in their efforts to reform subsidies as a key policy mechanism to guide behavioral change toward deforestation-free value chains.** Global agricultural subsidies currently amount to US$635 billion annually and often contribute to deforestation. By repurposing these subsidies, countries can boost forest cover, generate economic benefits, and reduce CO_2 emissions without sacrificing agricultural production. The GCP-F can also provide catalytic support to other sectors that have traditionally been known to have negative impacts on forests, such as mining or hydropower. A One WBG approach, through creating synergies between the public and private sector, will seek to promote the design and adoption of mutually beneficial policies.

31. **In addition to the scaled efforts in forest landscape conservation, the GCP-F will support global commitments such as the Global Biodiversity Framework (GBF).** The WBG's vision to mainstream nature considerations across economic policy, development programs, and strategic sectoral investments is in full alignment with the ambitions of the GBF. As the leading multilateral financier of biodiversity, the WBG is committed to supporting countries in adopting nature-positive development approaches, while continuing to create growth and jobs. There is vast potential for the GCP-F to support this agenda, ranging from providing TA and capacity-building support to public and private sector entities to mainstream biodiversity conservation in productive forest landscapes (e.g. through high-conservation-value mapping) to supporting the establishment of Payments for Ecosystem Service schemes.

[1] The EU Regulation on Deforestation-free Products under which any operator or trader who places commodities into the EU market, or exports from it, must prove that the products neither originate from recently deforested land nor have contributed to forest degradation.

Example: Scaling up private sector engagements to restore, protect, and enhance biodiversity.

Connecting nature through biodiversity corridors: The WBG engagement in Brazil with Suzano, one of the largest pulp producers globally, provides a good example for a One WBG approach. Suzano has committed to connect half a million hectares of priority conservation areas in Brazil by 2030, specifically focused on the Cerrado, Amazon, and Atlantic Forest biomes. Working with local and international stakeholders, it plans to connect approximately 1,850 isolated forest fragments mitigating and, where possible, eradicating threats to biodiversity across regions. It will focus on the connection of biomes in regions where it owns forests, as well as protecting existing natural habitats and conservation areas as defined by Brazil's Ministry of Environment. The company is creating a network of protected areas, conserving populations of primates and palm trees, and establishing business models that generate shared value and biodiverse production, with the aim of reducing impact drivers on biodiversity as a result of human action.

Through increased collaboration under the GCP-F, a One WBG can further advance establishing the enabling conditions that the public sector provides – e.g. land tenure, access to markets, contractual reliance (a working legal system), infrastructure, etc - to support expansion of these types of private sector efforts. Lessons learned can be used to replicate similar approaches in the Amazon and other regions, including through the use of innovative lending instruments, blended finance, and guarantees.

- *Cross-cutting Theme II: Valorizing Forest Landscapes*

32. **Restoration is critical to the global goal of halting and reversing forest and biodiversity loss and achieving climate goals.** A key obstacle is that restoration involves long-term social and environmental benefits that are difficult to monetize. Consequently, this area will be a priority engagement for the GCP-F, especially as there is significant potential for low- and middle-income countries to support the delivery of global targets on restoration. Restoring degraded areas and bringing economic value to them requires a holistic approach involving governments, companies, value chains, and the financial sector.

33. **For the private sector, entry points to restore degraded lands include investing** in underlying assets (existing forests, degraded pasture, peatlands, agroforestry), financing restoration activities (through investment funds, timber investment management organizations, project developers, companies), generating and selling environmental outcomes (carbon and biodiversity credits), purchasing these environmental outcomes, and supporting new technologies for wood products (nanotechnology, biodegradable electronics). The development of sustainable plantations can deliver positive impacts on conserving biodiversity and large-scale carbon sequestration through restoration and reforestation of native forest, and through the planting of new trees on degraded land, while implementing good international industry practice E&S standards. The integration of trees into agricultural systems through agroforestry practices can enhance land productivity, improve livelihoods, and diversify farmer incomes. Promoting long-life wood products such a cross-laminated timber can increase carbon sequestration and storage.

Example: Support to private sector investments in productive forest management, with a focus on restoration of degraded lands.

A One WBG approach can encompass SMEs as well as large-scale private sector companies focused on establishing commercial greenfield plantations, with potential for additional income streams through the generation of carbon credits. Plantations can be established to feed into domestic value chains (woodfuels, construction timber, furniture, pulp and paper), as well as for export. Wood used in construction and other applications emits less carbon in its manufacture and transport than other materials that it can replace, such as concrete and steel, and contributes to low-carbon growth and circular economy objectives. Long-lived wood products such as panelboards, furniture, doors, and mass timber buildings continue to store carbon through the product life, as well as having the potential to be recycled at end of life. Here, IBRD can support governments in land title reform and the certification of areas of degraded land, as well as providing support for the establishment of a strong, well-functioning carbon market. IFC and MIGA can provide financing and guarantees, and help crowd-in other private capital, to private sector investors focused on degraded land restoration.

34. **Demand for forest products is projected to grow dramatically in the coming decades.** To reduce pressure on natural forests to meet these demands, the GCP-F will create the enabling environment and provide financing for investments in timber plantations, reforestation, enrichment planting, agroforestry, and other restoration efforts that require joint public and private sector approaches. Informed upstream planning, preparation of public and private investment pipelines, building strong institutions with targeted TA and capacity building, and the curation of robust data can help optimize private and public sector investments. This will balance restoration, protection, and sustainable forestry management activities to achieve compelling investment returns while aiming for high environmental, social and governance/framework (ESG/ESF) standards. Activities under the GCP-F will be screened to seek alignment with the E&S requirements and standards adopted by the WBG, including the ESF and the IFC/MIGA Performance Standards.

35. **Per WBG policies, activities under the GCP-F will be required to align with WBG E&S requirements, including the ESF and the IFC/MIGA Performance Standards, as applicable.** These requirements support green, resilient, and inclusive development by strengthening protections for people and the environment and promoting integrated environmental and social risk management. They also place an emphasis on strengthening national environmental and social management systems and institutions and supporting client capacity building.

36. **These requirements and standards supports green, resilient and inclusive development by strengthening protections for people and the environment and making important advances in areas such as labor, inclusion and non-discrimination, gender, climate change, biodiversity, community health and safety, and stakeholder engagement.** They promote integrated environmental and social risk management. They also place an emphasis on strengthening national environmental and social management systems and institutions and supporting Borrower capacity building.

37. Application of the ESG/ESF to forestry operations will include standards related to labor and working conditions, resource efficiency, community health and safety, land acquisition and involuntary resettlement, high-value biodiversity management, indigenous peoples, participatory and inclusive stakeholder engagement, and governance.

38. **Carbon markets have tremendous potential to meaningfully advance climate action by monetizing the value of halting and preventing deforestation.** To achieve climate mitigation and adaptation impacts, carbon markets must be appropriately structured. Like any effective market, they need to be transparent and trustworthy, aligning the incentives of buyers and sellers. As outlined in the World Bank Engagement Roadmap for Carbon Markets (see Annex 1 for overview), a One WBG approach is uniquely suited to address the concerns over the integrity of carbon markets, facilitating their scaled application. With the right institutions and policies in place, carbon markets can attract needed the private sector financing for restoration activities and commercial wood operations.

39. **Despite the potential benefits, results from forest concessions in tropical forests remain dismal, constrained by weak local governance and global timber market failure to reward sustainable forest management.** The GCP-F will support countries in building enabling environments, institutions, policies, and regulations, as well as their enforcement, to ensure a level playing field and competitiveness in the allocation and management of concessions. Building on the financial innovation capacity of the WBG, a mix of WBG products can be applied to de-risk transactions and mobilize additional private sector financing. Effective de-risking can lead to scaling investments and expanding the addressable market of the development community.

40. **To support the shift to a more climate-smart, circular economy, the GCP-F will promote the use of sustainably produced wood products, a renewable, reusable, and biodegradable resource that stores carbon through its lifecycle.** Wood products can be used to substitute plastic packaging, construction materials, such as cement and steel, minerals in batteries, oil-based synthetic fabrics in textiles, unsustainably produced cotton, and more. The use of forest materials not only helps address climate change, but also addresses the key drivers of biodiversity loss, such as plastic pollution, land-use change to reduce mining footprint, and water overextraction across mining, food and beverage, agribusiness, and textile sectors. The use of wood in this manner can create significant economic value, both globally and locally, through opening opportunities for forest-rich countries to create local processing and manufacturing capacity to produce paper, packaging, construction materials, wood-based textiles, battery factories, etc. There will be trade-offs and a need for a blend of forest protection, use, and sustainable land management to improve the livelihoods of rural people, while contributing to a clean and prosperous circular economy.

- *Cross-cutting Theme III: Creating Development Dividends in Forest Landscapes*

41. **Connecting forest communities to local and regional markets and ensuring their access to public services—not least education, health, and infrastructure—improves economic opportunities.** In the long term, economic development and income growth has commonly led to an improved stewardship of forest ecosystems, including the restoration of previously degraded land. With economic development, demands on forest ecosystems also shift from direct dependence on forest products to an appreciation of ecosystem services, such as watershed functions and recreational values. Through the One WBG approach, the GCP-F will draw attention for the need of such complementary investments in and around forest resources and broker an enhanced resource flow with positive impacts on forests in the medium to long term.

42. **Through leveraging the WBG's experience in working in fragility, conflict, and violence (FCV) regions, the GCP-F will aim to support sustainable forest landscape management in FCV areas.** In longer-term FCV situations, one critical aspect is to enable IPLCs, women, youth, and vulnerable groups to gain

access and influence planning to protect forest lands and demonstrate the viability of community-based and other bottom-up approaches to forest landscapes management.

Example: Partnering public and private sources of funding can leverage respective strengths to create sustainable supply chains in FCV countries.

IFC and Nespresso have partnered to scale up shade tree planting at the farm and wet mill levels in East Africa. Only indigenous tree species are selected, and Nespresso sources the seeds from reliable suppliers. The project supports (i) improving farmers' livelihoods and strengthening their resilience to the impacts of climate change, (ii) agroforestry and reforestation at the landscape level by rejuvenating degraded land, reducing the likelihood of erosion, increasing the potential for biodiversity, and (iii) fortifying farming ecosystems and farmer communities. In parallel, the World Bank-managed BioCarbon Fund has provided grant funding to implement farmer training and wet mill operations in the Oromia Region of Ethiopia that align with improved sustainability practice.

43. **Through country-level work, the GCP-F will strengthen the participation of IPLCs, women, youth, and other vulnerable groups allowing them to gain access and influence planning to protect and manage forest lands and demonstrate viability of community-based natural resource management and other bottom-up approaches to development and forest landscapes management.** Some of the poorest and most vulnerable segments of the population live in fragile natural resource environments and often lack access to markets and public services. In the short term, these communities can receive income support through land rehabilitation and forest work schemes. Amid deepening climate and nature crises, deliberate efforts to extend the social safety net to forest dependent people can help keep them out of poverty, especially in the short-term. In the medium- to long-term, making sure these communities can participate in a country's development trajectory by gaining access to services and markets is an important aspect for the GCP-F. Incorporating conflict sensitivity throughout the project cycle will help secure forest resources that may be subject to ownership disputes, used to fuel or fund conflict, or that may otherwise foster instability.

44. **The GCP-F recognizes that sustainable, locally controlled forestry rooted in the empowerment of IPLCs is central to global efforts to reduce deforestation to mitigate climate change.** There are huge opportunities for investing in management approaches that can achieve an adequate return on investment while advancing environmental and developmental goals. Yet, it is recognized that positive examples remain rare and often require external support before they can stand on their own. This may be because forest rights-holders and prospective investors don't understand each other's needs and motivations – a gap the GCP-F will aim to address. Enabling and investing in locally controlled forestry is important for creating resilient economies that are able both to sustain and generate returns from forest resources while leading to responsible, long term sustainable forest landscape management outcomes, including the protection of biodiversity, improved livelihoods, multiple forest products and services, local enterprises, and benefits to society.

Solution Areas

45. **The implementation of the three cross-cutting themes will be facilitated through several solution areas related to (i) information and data; (ii) governance, policies and institutions; (iii) finance, banking, and de-risking; and (iv) infrastructure.** The GCP-F will help leverage a wide range of instruments to facilitate activities that address forest management at a significant scale to make a global impact.

- *Information and data*

46. **Improving data and information on forests will be a core part of the GCP-F work, especially during early engagement at the country and regional levels.** Information needs range from basic ecosystem data, such as growth and yield, extension of ecosystem and associated de- and reforestation dynamics, species distribution, flora and fauna, and data on people and their economic activities. Understanding and measuring the value of natural capital, forest landscape assets, and ecosystem services is fundamental to sustainable conservation, restoration, and management of forest landscapes. The GCP-F will build on the work of the Global Program on Sustainability (GPS) and flagship analytical products such as Changing Wealth of Nations (CWON). These programs develop and curate data and tools that measure the contributions of natural resources to the economy and allow these to be used in policy dialogue and decision-making.

47. **A strong emphasis on leveraging digital technologies will be made to support forest ecosystem monitoring, planning, and activity implementation.** This will involve improving monitoring, data and analytics, knowledge base, landscape/watershed planning tools, early warning systems for fire prevention and management, digital measurement, reporting and verification (dMRV) systems with end-to-end digital infrastructure and services. This will support digital transactions, ESG/ESF systems to promote more sustainable investments, knowledge resources, and estimating impacts on biodiversity and ecosystems, climate mitigation and adaptation, and socio-economic development impacts.

48. **Global services will be developed.** Modern data and analytics will be used to leverage earth observation, sensors, crowdsourcing, AI-facilitated cloud analytics and insights, visualization, and decision-support tools. Modern knowledge and learning can also leverage digital advances, partnerships for knowledge, financing instruments and digitally-enabled frameworks for investments that can provide economies of scale for streamlined support of relevant activities at the subnational, national, and regional levels (both within and outside the GCP-F).

- *Governance, policies, and institutions*

49. **Addressing the poor governance and high political risk in many Bank client countries will be an important area of work for the GCP-F.** This area will include support for strengthening the state and private agencies that govern forests, improving participatory planning and tenure security for forest areas, enhancing the management of public and private financial flows, and strengthening accountability and enforcement structures to address illegality and insecurity. This area will also work to build a better understanding of the political economy of reforms, especially for forest programs operating in an FCV context. Support for regulatory and policy reforms will underpin country and regional strategies and support decision-making to enhance conservation, address the drivers of deforestation and forest degradation, and promote innovative approaches to conservation and sustainable management based on emerging national, regional, and global good practices. At the landscape level, improving consultation and upstream dialogue can generate a shared understanding of challenges and opportunities, and a vision for the future. This vision orients the development of a strategic roadmap that leverages all appropriate investments, identifies institutional capacity-building, maximizes implementation synergies, and builds in cross-learning and innovation. These actions are not only the foundation for successful forest landscape conservation and better outcomes for forest communities but are also a key driver for private and innovative financing (e.g. environmental bonds, sustainability-linked loans, carbon and other ecosystems

service credit markets, de-risking mechanisms such as guarantees). The GCP-F will also support the develop of other innovative financial instruments, such as biodiversity and other ecosystem service credits. This provides opportunities for leveraging MIGA's comparative advantage for projects and programs seeking private funding. MIGA support can help attract and mobilize international capital with better terms for the implementation of forest sector projects and programs. By improving the bankability of investment projects, the GCP-F can help unlock further funding for forest and agriculture programs and increase commercial confidence for investors and lenders in the sector.

50. To strengthen forest management and associated value chains in FCV settings, the GCP-F will be guided by the following intervention approaches:

a. Enhance countries' capacity (human, institutional, and technical) of forest and forest landscape management, especially supporting on IPLC and SME in their roles as key stakeholders along the value chains.
b. Improve public service delivery in forest regions to support the participation of IPLCs and SME in the market economy.
c. Accelerate the transition of informal value chains into the formal economy to create incentives for (re-) investments in sustainable forest management practices and reducing opportunities for illegal rent seeking that often finances conflict and violence.
d. Scale access to finance, including climate finance (e.g. forest-based carbon finance), for all operators along forest-based value chains, including de-risking financing instruments. Catalyzing forest-based climate finance will provide additional incentives for forest investments in FCV environments.
e. Investing in medium- to long-term engagement strategies for FCV situation building on the experience and learning from past and current engagement in FCV, facilitation of South-South Knowledge Exchange, collaboration and cooperation between FCV situation, building on IPLC and civil society engagement.
f. fostering the strengthening of governance through transparency and approaches that are tailored to local priorities and needs leveraging the potential of new technical solutions (like AI, digital advances in forest monitoring and value chain tracking, etc)

- *Financing*

51. **All GCPs draw upon strengthened financial resources mobilized through the Evolution Roadmap**. For example, the process and criteria developed under the Framework for Financial Incentives (FFI) will apply to GCP projects as much as they apply to any other project. Projects that are tagged as GCPs and that create positive cross-border externalities, can potentially benefit from the volume and/or price-linked incentives under the FFI. In line with this approach, projects will be considered for volume incentives, and if these are deemed insufficient, they will also be considered for price incentives depending on the availability of resources in the Livable Planet Fund. The GCP teams will also leverage carbon markets, existing trust funds, financial intermediary funds and blended financing through IDA and the Private Sector Window. Specific to the GCP-F, the Bank's managed PROGREEN fund will serves as an accelerator for mobilizing investment financing.

52. **Against this background, one of the core tasks of the GCP-F will be to leverage innovative, financial instruments and de-risking tools that can be replicated at scale at the national and regional levels.** The world needs climate solutions that are cost-effective, equitable, and can be implemented rapidly. A host of financial instruments can be applied commensurate to the needs of a country / region. These will include a mixture, as appropriate, of public sector financing, concessional financing, grants, private sector loans and equity (including sustainability linked debt/bonds), de-risking tools, blended finance, guarantees, and private capital mobilization.

53. **Carbon markets have a significant role to play in attracting private sector financing and investments into forest landscapes.** The WBG can play a leading role in advancing carbon finance opportunities for its clients. The GCP-F will build on the WBG's extensive experience with the Forest Carbon Partnership Facility (FCPF) and the Initiative for Sustainable Forest Landscape (ISFL), supporting over 30 countries in producing high-integrity carbon credits through jurisdictional-scale REDD+ programs and utilizing robust accounting methodologies. Leveraging these efforts, the GCP-F will scale up and integrate carbon finance into key operations, supporting client countries and private sector companies to generate and sell high integrity carbon credits, channeling climate finance to impactful projects, and ensuring that people and communities share in the benefits. This includes providing access to a suite of financial products linked to carbon, such as carbon-linked loans and bonds, guarantees to mitigate risks associated with carbon, and carbon instruments to reduce financing costs.

54. Against this background, the GCP-F will assist forest countries through a range of carbon related TA and financing options, including:

- Developing country strategies and roadmaps to access result-based climate finance and international carbon markets.
- Establishing the related country frameworks, including regulations, methodologies for generating high-quality emissions reductions, robust systems for measurement, reporting, and verification (MRV), and end-to-end digital infrastructure to support transactions.
- Designing comprehensive climate finance solutions to optimize utilization of concessional resources, structuring de-risking mechanisms, and facilitating access to private sector finance. For example, (i) guarantee coverage for carbon credits can be provided at an early stage to demonstrate proof of concept, (ii) more traditional WBG financing and advisory services can support the further development of the regulatory environment, creating more attractive commercial conditions for private investors, and (iii) sustainability-linked loans can incentivize investors to adopt best practices in sustainable management of resources.

- In the absence of a predictable regulatory environment, the One WBG approach will explore coverage of the carbon credit market by deploying a mix of political risk insurance products. This approach is needed to both de-risk the nascent regulatory environment for 'first movers' and help create and enhance the environment for those that follows.

GCP-F's support to carbon markets and financing

The WBG has been instrumental in developing forest-based carbon markets. This experience can be leveraged to further advance the market, especially with a view toward generating high-integrity carbon credits. The GCP-F can be instrumental not only in addressing regulatory risks impacting rights to carbon credits and their tradability, but also in mitigating forest-based carbon credit risks for investors, such as low market liquidity, scarce financing, and an inadequate risk management framework.

Against this backdrop, the GCP-F aims to:

- Strengthen the regulatory infrastructure, leveraging existing initiatives such as the Partnership for Market Implementation (PMI)
- Broaden the market by engaging with partner institutions
- Design products and services to de-risk participation and scale carbon markets
- Support private sector companies engaged in the generation of carbon credits through NBS

Due to the nascent nature of carbon credit markets, carbon developers face various risks, notably political and regulatory uncertainties in host countries. MIGA has been engaged with carbon developers and investors in agro-forestry and re-forestation projects to cover such political risks. Additionally, as per the World Bank Engagement Roadmap for Carbon Markets, MIGA is developing an innovative guarantee instrument to mitigate regulatory and policy risks faced by buyers of FCPF excess carbon credits in the voluntary carbon markets.

IFC has approved an approach for engaging in carbon markets that aims to grow its investment, mobilization, and advisory activities with private sector players in this evolving space. The approach seeks to help companies and countries decarbonize, while mitigating potential reputational risks through selectivity, careful due diligence, and promotion of high-integrity market standards. In the short-term, the strategy envisages selective engagement in voluntary carbon markets through direct investments as well as support to thematic carbon funds and a carbon-linked debt mobilization facility. In the medium to long-term, activities will span collaboration across the WBG on a strategy for attracting private-sector buyers to purchase credits from WBG programs, as well as connecting with the international carbon market laid out in Article 6 of the Paris Agreement.

55. **Other innovative financing solutions to be explored by the GCP-F include** the conceptualization of an innovative financing mechanism to mobilize non-ODA resources at scale to provide result-based, long-term incentives for conservation and sustainable forest management, as well as the design of blended finance solutions adapted to the specific needs of sectors contributing to this GCP's objectives.

- *Infrastructure*

56. **Successful conservation, supporting resilience, creating markets, and generating a development dividend in forest landscapes requires investments in infrastructure**. While this includes the traditional "*brick and mortar*" infrastructure, e.g. for market access and trade, these needs very much extend into areas such as nature-bases solutions, information and communication technology, digitalization, AI, and other modern infrastructure. While the GCP-F will not see its priority in mobilizing the investments for this infrastructure itself, its role will be to serve as the key advocate and broker for the need of these

investments and for creating the necessary attention of governments and investors for their respective roles and investment needs.

Regional and Global Programs (Program of Programs)

57. **The GCP-F will prioritize attention on regional programs in the largest tropical forest biomes to boost early engagement, complemented by global programs on deforestation-free supply chains, bio-economy, and economic diversification – areas that deserve global attention given their complexity and global relevance that cannot be addressed at the regional or country level alone**. Results and outcomes achieved will not only inform country and regional level programs, but a constant multi feedback mechanism between the regional/country level work and the thematic engagement areas will be established through the GCP-F.

- *Regional Programs*

58. **Regional Programs in the largest tropical forest biomes are critical to achieving results for development, climate and biodiversity.** At the start, the GCP-F will focus on these tropical forest biomes as early engagement opportunities, starting with the Amazon and Congo Basin. Other areas such as Upper Guinea, Indo Malay, and Miombo woodlands would follow the proof of concept. The GCP-F will engage in a stepwise sequencing of actions, which will start at the regional, biome level that then feeds into country level assessments. Using desk-based analytics to create biome profiles, the WBG will then engage in a country-level diagnostics focused on rapid country forest development that compile critical information on sustainable forest landscapes. This will set the stage for a forest landscape sector planning that will engage all relevant stakeholders to develop multi-year engagement strategies, coordination mechanisms, and investment plans that can be matched with the comparative advantage and interest of different stakeholders. Subsequently, the GCP-F will support country teams with the implementation of resulting investment programs.

- *Global Program on Deforestation-free Supply Chains*

59. **The Global Program on Deforestation-free Supply Chains will emphasize the restoration of degraded lands and the creation of economically productive buffer zones around protected forests to create economic value and opportunities for local communities to protect forests and ecosystems.** To address the growing demand for forest products driven by economic development and population growth, the GCP-F will support collaborative efforts from the public and private sectors by creating an enabling environment and providing financing for investments in timber plantations, reforestation, enrichment planting, and agroforestry. The GCP seeks to generate economic value for companies and local communities while conserving and restoring forests and building the business case for comprehensive restoration efforts. By leveraging its convening power and global partnerships, the One WBG can provide capacity building and technical assistance related to trade regulations, (including on EU's Deforestation-free Products) to reduce commodity-driven deforestation and at the same time spur development.

- *Global Program on Bio-economy*

60. **The Global Program on Bio-economy will create markets for forest-based, circular bio-economies grounded in sustainably produced wood products.** The GCP-F will promote a circular economy by advocating for sustainably produced wood products. These renewable resources can substitute for plastics, construction materials, and synthetic fabrics, addressing climate change and biodiversity loss. The strategy supports economic growth globally and locally by encouraging forest-rich countries to develop local processing and manufacturing capacities. Achieving a circular economy while enhancing rural livelihoods requires a careful balance between forest protection, utilization, and sustainable land management. One example of such engagement is IFC's support to LD Cellulose, a wood-pulp plant in Minas Gerais, Brazil, that produces wood-based cellulose fiber (WBCF) used to make textile fabrics. WBCF have a lower GHG footprint than oil-based synthetic alternatives (e.g. polyester) and lower water usage than cotton. They don't shed microplastics in the water, lend themselves more easily to recycling, and are biodegradable.

- *Global Program on Economic Diversification*

61. **The Global Program on Economic Diversification will strengthen local manufacturing and production capacity.** Economic diversification is crucial for forest-dependent communities to ensure resilience and reduce their dependence on forests alone. Facilitating the connection of people and communities near forests to local and regional markets, along with ensuring access to public services like education and health, can enhance economic opportunities for communities. Long-term economic development and income growth typically lead to better stewardship of forest ecosystems, including the restoration of previously degraded land. The One WBG approach allows the GCP to highlight the need for complementary investments around forest resources and facilitate an increased resource flow with positive impacts in and around forests.

IV. How will the GCP for Forests work?

62. **A critical aspect of this GCP-F is to leverage complementarities of IBRD/IDA, IFC, and MIGA to offer more comprehensive TA, financing, and de-risking solutions.** The GCP-F will build on decades of experience providing support to clients in developing and implementing large-scale investments in forest landscapes that achieve multiple benefits for development, climate, and biodiversity**.** It will work with client countries and private sector players by engaging in upstream analytical and policy work and downstream investment work through a host of financing instruments. The approach will support the effective design of landscape programs that optimize the development trade-offs to improve the livelihoods of people in a sustainable manner.

63. **One of the WBG's comparative advantages is its convening power and unique ability to mobilize global experts and stakeholders across relevant sectors and disciplines.** This framework will enable the various parts of the WBG to contribute with separate, bilateral, and multilateral joint work toward a common multi-sectoral, multi-institutional approach to forests, starting with relevant country/regional dialogues. A common approach to environmental and social risk assessments and management will be explored to streamline and align due diligence. The work is expected to contribute significantly and jointly to relevant Corporate Scorecard indicators for the WBG.

64. **The GCP-F will employ a new and innovative implementation modality** that will encompass critical elements as outlined below:

- *Forest Lab*

65. **The WBG can have a substantial positive impact on forests, but it cannot drive this change alone. To leverage its role, the GCP-F will establish a Forest Lab** that will serve as a platform to connect with external stakeholders, seek advice and guidance, strengthen relationships with external partners and initiatives, and serve as an incubator for innovative ideas and instruments. The Forest Lab will be set up as a key driver for advancing innovative approaches, especially financing solutions, to drive investments in sustainable forest landscapes. As such, the Forest Lab will include representatives from a very diverse set of actors, ranging from – for example – governments to private financing institutions, private sector companies, non-governmental organizations (NGOs) and civil society organizations (CSOs), think tanks and research institutions, as well as partners from intergovernmental institutions and other international financial institutions (IFIs).

- *One WBG Implementation and Coordination*

66. **The GCP-F proposes to create a One WBG staffed GCP-F Implementation and Coordination Team**. This team will facilitate the implementation of the GCP-F by serving as a hub for knowledge, information, data, metrics, innovative finance and markets, knowledge management, monitoring and impact evaluation, and partnerships. The team will also oversee and coordinate the GCP-F's work on the enabling environment for scalable and replicable engagement in sustainable forest landscapes in different jurisdictions.

67. **The GCP-F will leverage innovation approaches (in data/analytics, finance, and partnerships) as well as improve access to evolving global good practices in various aspects of forest and related ecosystem management**. There will be a strong focus on open platforms for data, knowledge, and learning. The Team will coordinate activities, serve as an entry point for internal collaboration, develop and implement a communication plan and strengthen partnerships with other GCPs, clients, external partners, NGOs and CSOs, global organizations and the private sector.

68. **The GCP-F Coordination Team will also seek to streamline approaches and processes. This would include dialogue related to financing, investment preparation, environmental and social frameworks, data/analytics, monitoring, documentation, and cross-learning,** all of which can contribute significantly to accelerating implementation of programs at scale to invest in forest-related activities. GCP-F will pay particular attention to developing a common approach to, and standard methods and procedures for, addressing environmental and social safeguard issues that typically arise in the delivery of forest projects will be developed. The common approach is expected to improve the efficiency of the review and management of the environmental and social risks of GCP-F projects. The common approach could also be applied by partners, such as MDBs.

Program of programs: Regional and Country Implementation

69. **The GCP-F's delivery approach will constitute a 'program of programs' (PoP), bringing together the regional programs for the largest tropical forest biomes with the global programs ensuring targeted attention on deforestation-free supply chains, bio-economy, and economic diversification**. Given its

head start in initiating a cross-country, multi-disciplinary, and multi-stakeholder initiative, the Amazon biome will play a particular role as an incubator for such biome-level approaches as targeted through the GCP-F. In other regions, the PoP will equally be rooted in and emerging from the ongoing portfolio that country teams have been building over the past years and extending it by catalyzing additional levers for private sector investment, bringing a holistic development agenda to forest regions.

70. **GCP-F delivery will be sequenced with the initial phase focused on selected priority regions with a high potential for leveraging the One WBG approach.** One of the forerunners is the **Amazon Incubator for One World Bank Operation in Forest Landscapes** (see box below) which already has its initial structure in place and is well rooted in the regional country dialogues and Country Partnership Strategies. Other forerunner regions are the Congo Basin, Guinean Shield, and Mekong where the GCP-F will leverage the potential of a strong WBG portfolio. Other regions and engagements, such as Europe, Central Asia (ECA) and South Asia, will serve as "learning examples". After the initial phase, the GCP-F will extend its engagement to other regions, using lessons learned from GCP-F operationalization in the initial phase. As mentioned previously, these PoP engagements at the regional level will be rooted in the ongoing portfolio that has been established over the past years, with an increasing focus on forest landscapes and the multiple development benefits they deliver.

Amazon Incubator for One World Bank Operation in Forest Landscapes

In the LAC Region, WB, IFC and MIGA have initiated a collaboration to deepen engagement in the Amazon with the overall objective of increasing the standing forests and protecting the biome. The new program - entitled Sustainable Amazonia - is focused on three inter-connected pillars: a Green Amazon, a Prosperous Amazon, and a Livable Amazon. This deeply multi-sectoral program is centered on a sizable increase in country programs and a new focus on regional cooperation, in line with the direction of the overall Evolution Roadmap. Cutting across eight countries and one overseas territory and covering more than 6.5 million square kilometers, investment needs in the next 5 years are estimated at US$50 billion for the entire basin. This will require a rapid increase in new lending in these pillars at speed and scale; deepening partnerships with national, state and municipal governments (70% of people in the Amazon live in cities), as well as with bilateral and philanthropic donors and MDBs; and focusing on the Amazon as a priority area in core analytics (e.g., CCDR and CPFs). Regional cooperation will be needed, as the challenges faced in the Amazon spill across national boundaries. Regional programs include joint public and private investments, technical assistance, and knowledge exchange to implement the recently released Roadmap on voluntary carbon markets, pursue concessional and blended finance, work with development finance institutions (such as national banks), and mobilize private sector capital from regional and global Financial Institutions. Jointly with the Inter-American Development Bank Group (IDBG), the WBG will pursue the mobilization of Amazonia bonds.

See also Annex 2 for a more detailed description of the Sustainable Amazonia approach.

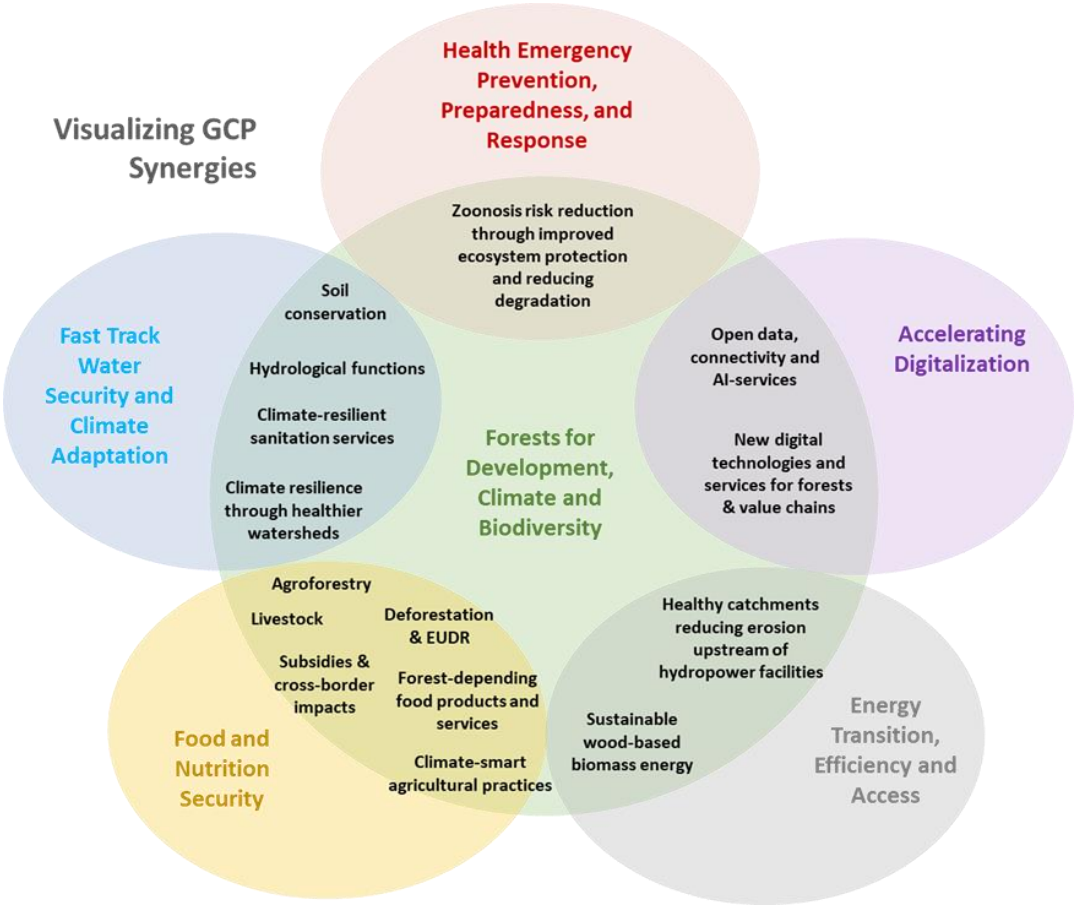
71. **The GCP-F approach to developing and scaling lending in and around forest landscapes will be different from previous engagement strategies as it will be led through One WBG country diagnostics bridging across public and private sector.** As a process and action-oriented approach, the GCP-F engagement will include other partners, and jointly identify gaps and opportunities for investments in forests with a joint action plan for implementation. At the heart of the engagement is the aim to deliver a holistic development agenda around forests that casts a wider strategic view than activities solely focused on the resources itself that commonly characterized previous engagements. Additionally, with a view towards future forest-based carbon finance transactions, the GCP-F will generate investments that

will bring countries into a robust position to trade high-integrity carbon credits in the future. These so-called "missing-middle" investments address the large investments needs that many countries have before they can generate high-integrity carbon credits.

GCP-F as a complement to other engagements

72. **The GCP-F is expected to unlock a virtuous cycle of public sector investments, creating an enabling environment for private sector investments that will lead to increased levels of domestic resource mobilization for public sector investment.** This virtuous cycle will be complemented by indirect domestic resource mobilization through the elimination of harmful subsidies, expected to have a double-positive effect: saving billions in public resource financing and supporting a transformation toward a fiscal incentive system that does not reward bad forest-resource stewardship.

Figure 4: Visualizing GCP Synergies



73. **The GCP-F is expected to significantly contribute toward setting a global "wholesale" framework on forests to support critical national and regional operations.** This should *benefit the poor* through increased green/blue jobs, ecotourism, and sustainable forest-dependent livelihoods, as well as

moving toward a livable planet, including reducing land degradation, conserving biodiversity, enhancing ecosystem services, improving climate resilience, and contributing to net GHG mitigation by reducing forest loss and enhancing sinks through green (terrestrial forests) and blue (mangrove forests) carbon.

74. **The GCP-F is closely linked to other GCPs and the Coordination and Implementation team will foster these linkages during its implementation, building on the initial collaboration established during the conceptional design stage of the GCPs.** While all GCPs are in some way linked to the GCP-F, the first-tier linkages are with the GCPs for Food and Nutrition Security, Fast Track Water Security and Climate Adaptation, and Energy Transition, Efficiency, and Access. GCP-F will work closely with these GCPs in relation to deforestation free and sustainable food production, water supply management through watershed restoration and sustainable management and reforestation, and contribute to renewable sources of energy (see Annex 3 for more details). Second-tier linkages exist with the GCPs Health Preparedness & Response and Accelerating Digitalization. Digitalization in particular has the potential to connect smallholders to markets and other public services, and to establish sustainable value-chains, including through the tracking of commodities and third-party sustainability certification. Sustainable forest and landscape management will also contribute to curbing the probability of pandemic outbreaks (see Figure 3).

Partnerships and Financing

75. **The GCP-F both requires and enables an inclusive approach, not only strengthening synergies within the WBG, but also with other partner institutions.** These partnerships are expected to include:

- *Knowledge Partnerships* (e.g., related to forest data/analytics, knowledge/learning/outreach) to help improve access to emerging best practice in forest management.
- *Financial Partnerships* (with co-financing and parallel financing from other IFIs/MDBs, bilaterals, private sector, philanthropies, academia, CSOs, export credit agencies, impact investors, etc).
- *Strategic Investment partnerships* (for critical locations and partnerships with regional organizations that can synergize financing from financial and knowledge partnerships (e.g., with the Amazon Cooperation Treaty Organization to work with the member nations on forests). The GCP-F will be strongly linked to the ongoing Forest and Climate Leaders Partnership and the associated Country Packages of investment and collaboration to which the WBG has been a strong partner since their emergence at COP 26 in Glasgow. There are also strategic partnerships at the regional level, for example with the Central Africa Forest Initiative (CAFI) for the Congo Basin / Central African forest biomes. Beyond pure financial collaboration, Strategic Partnerships are also established with MDBs, such as with IADB on the Amazon Initiative.

V. Results and Program Management

76. **The GCP-F is dedicated to advancing sustainable development, preserving biodiversity, and tackling climate change challenges by leveraging and protecting forests**. Its primary development objective is to halt and reverse deforestation on a mission to help communities and economies thrive, while delivering climate outcomes and preserving nature. Targeted outcomes reflect the three main results areas of the GCP-F: a) *Forests for Development*: Forest landscapes for economies & people;

Increased investments in the forest sector; b) *Forests for Climate*: GHG emissions sequestered; Forest landscapes with increased climate resilience; and c) *Forests for Biodiversity*: Biodiversity and ecosystem services protected/enhanced.

77. **The targeted outcomes directly contribute to delivering on WBG's vision to create a world free of poverty on a livable planet.** The pathways to delivering the results are presented in the Results Chain in the Overview. They hinge on a *One WBG Task Team* approach in which teams across IBRD/IDA, IFC, and MIGA will jointly engage with clients and partners to gain a deeper understanding of the challenges and opportunities. Subsequently, scalable and tailored solution packages will be designed, utilizing instruments across the WBG to address gaps in knowledge, capacity, and financing.

78. **To monitor and assess progress toward achieving the targeted outcomes, the GCP-F will track performance of the following results indicators.** As illustrated in the Results Chain, these indicators directly feed into five of the WBG's scorecard indicators and will contribute to the recently increased climate finance target of 45 percent. They also directly speak to WBG indicators on GHG emissions and healthy ecosystems. In addition, the GCP-F result metrics link to the scorecard's context indicators on natural capital, protected areas, jobs, and private investments. The indicators are:

- People with new or better jobs in intervention areas, of which (%) for women and youth
- tCO_2e mitigated per year
- Forest landscapes under enhanced conservation and management (hectares)

79. **As illustrated in the Results Chain, these indicators directly feed into five of the WBG's scorecard indicators and will contribute to the recently increased climate finance target of 45 percent**. They also directly speak to WBG indicators on GHG emissions and healthy ecosystems. In addition, the GCP-F result metrics link to the scorecard's context indicators on natural capital, protected areas, jobs, and private investments.

80. **Results data will be gathered at different stages of program implementation and data collection will be built into existing monitoring systems at the country, regional, and program levels.** The GCP-F will leverage open data, earth observation, citizen science, sensors, and AI to monitor, report and visualize results. It will build on individual project monitoring to obtain portfolio-level insights on GCP-F implementation. A monitoring and evaluation plan will be developed for the GCP-F to provide the framework and roadmap for measuring and reporting results. It will also lay out plans for periodic reviews that will serve to assess progress, identify successful strategies, and gather lessons for enhancing GCP-F's impact.

VI. Knowledge and Learning

81. **The WBG will work closely with clients to ensure that the GCP-F interventions are both evidence-based and evidence-producing.** The GCP-F will build research and improved data collection into operations throughout the project cycle, using a portfolio approach to learning. Existing evidence will be curated and shared with projects during the design phase to help identify high-impact, transferable, and scalable lessons. These lessons, along with new implementation insights, will be used both for adaptive management of ongoing interventions, and to facilitate new investment design and capacity building on emerging lessons.

82. **Targeted and timely impact evaluations will be designed to help fill critical evidence gaps, assess the development outcomes of interventions, and identify the most effective approaches to achieving specific outcomes.** The impact evaluation should make smart use of digital tools and be aligned with client and overall GCP-F needs.

83. **The GCP-F will also support client data systems and leverage modern digital tools and technologies to improve the collation, analysis, and visualization of data related to forest ecosystems.** This will help create a range of modern interactive knowledge products on various aspects of modern forest management in a climate-smart ecosystem context to deliver results on biodiversity, climate, and development. It will include relevant data on administrative and geospatial (e.g., earth observation, in-situ) aspects to facilitate analytics.[viii]

84. **The GCP-F will leverage innovative learning and outreach channels to maximize sharing of lessons learned and dissemination of best practices.** This will include in-person and virtual discussions, roundtables, webinars, e-learning, videos, web resources, blogs, social media, data hackathons, etc., to facilitate interaction with targeted groups (government officials, development partners, potential financiers, the private sector, academia, women, indigenous communities, youth, and the general public). AI will be leveraged to facilitate language translation, summarization, and customization, in addition to filling data gaps and developing complex insights from the monitored data.

VII. Potential for Pipeline Development

85. **The GCP-F anticipates a rapidly growing pipeline in the coming years, enabled by cross collaboration across the WBG to leverage additional financial resources for increased investments.** The conceptional development of the GCP-F is already guiding country dialogue and the complementary technical assistance and advisory services portfolio that are designed to eventually inform the associated preparation of lending engagements in many regions. For example, in LAC , the GCP-F aims to increase the speed and scale of support, leveraging the WBG's convening power to bring additional and well-coordinated resources. IBRD, IDA, IFC and MIGA work is being deployed in partnership with client countries, donors, civil society, Indigenous Peoples, multilateral, regional and national development banks, and the private sector. In the Amazon in particular, the WBG is building on a strong and established multi-sectoral program currently referred to as 'Sustainable Amazonia' (see Annex 2 for details). There are also new opportunities to scale up, such as the Belem Declaration through which all eight Amazon countries have recently reaffirmed their commitment to work together in a unified vision to protect the Amazon through enhanced regional cooperation. To maximize impact across all regions, a combination of innovative financial solutions/instruments will be required, including government finance, WBG loans, blended finance solutions, grants, REDD+ financing, guarantees, and private sector investments. Additional investments across all regions will follow as the GCP-F is operationalized. An accelerated growth of the GCP-F pipeline is expected across the WBG over the next 5 years, with future WBG investment volumes expected to substantially surpass previous lending levels across the forestry value chain sector.

Annex 1: High Integrity, High Impact: The World Bank Engagement Roadmap for Carbon Markets

Executive Summary

Carbon markets could be a game changer in advancing climate action. But they have to be trustworthy, transparent, result in real climate mitigation and bring tangible benefits, especially for developing countries, if they are to make a real difference. Like any effective market, incentives need to be well-aligned, both buyers and sellers need confidence in the quality of the product and the price it will get, and that the transactions themselves are sound and sustainable.

If done right, carbon markets can serve as a crucial mechanism for financing decarbonization efforts and significantly enhance financial flows to developing countries. By assigning a financial value to carbon reduction and removal, carbon markets encourage private sector engagement in projects that might otherwise struggle to secure funding, especially without a clear price signal.

The World Bank Group (the Bank) has been supporting countries by providing technical assistance and financing to enable countries to generate, and now to sell, high integrity carbon credits in the forests and other sectors, and bring benefits to people and communities see a snapshot of our work in box 1. This has been an effort over twenty years in the making—building the institutional structures and capacity, at the country and global levels, to help bring greater transparency and reliability to the global market.

Through this support countries have generated unimpeachable credits—namely, of high quality and high integrity—and developed country systems to share benefits and fairly compensate people and communities. In just 15 countries—Chile, Costa Rica, Cote d'Ivoire, Democratic Republic of Congo, Dominican Republic, Fiji, Ghana, Guatemala, Indonesia, Lao PDR, Madagascar, Mozambique, Nepal, Republic of Congo, and Viet Nam—these efforts are expected to produce over 270 million high integrity carbon credits over the next five years, which could earn between $1.3 billion and $3 billion for the countries and communities.

To unlock the potential of carbon markets, the global community needs to do more. The Bank has ambitious plans, internally, and with others. Our Engagement Roadmap for Carbon Markets is designed around three key results:

1. First, supporting countries to generate a robust supply of high integrity credits to unlock financing from carbon markets, building on the promising results and achievements across 15 countries to conserve and sustainably manage forests. These countries have been able to generate credits beyond contracted volumes, allowing them the option to sell those high integrity carbon credits and earn income from the international market.

2. scale programs that include emission reduction results-based payment components to channel climate finance. Building on the successful forestry model, the Bank will expand efforts by supporting programs that focus on the energy transition, on mangrove restoration, soil organic carbon, regenerative agriculture, among others. These efforts are enhanced by Bank programs that build capacity in countries to set up the institutions, market infrastructure and regulations to generate and sell high quality carbon credits.

3. Third, ramping up efforts to shape a sound, well-functioning and trusted global carbon market. Partnering with stakeholders, the Bank is ramping up its efforts to unlock the most building this market is not an end to itself: climate, people and communities will be front and center in our approach, ensuring that they benefit from efforts to build a livable planet.

For a full version of the World Bank's Engagement Roadmap for Carbon Markets, please go here.

Annex 2: Sustainable Amazonia – Strengthening and Expanding WBG Engagement in the Amazon

Urgent action is needed to support the eight countries harboring the Amazon forests in their efforts to protect the biome, sustainably leverage its natural resources to provide economic opportunity, and improve living standards of local populations. The GCP-F aims to increase the speed and scale of support for the region, leveraging the WBG's convening power to bring additional and well-coordinated resources to address the challenges. IBRD, IDA, IFC and MIGA instruments and tools will be deployed in partnership with client countries, donors, civil society, Indigenous Peoples, multilateral, regional and national development banks, and the private sector. This multi-sectoral program currently referred to as "Sustainable Amazonia," brings a new development vision anchored in three pillars (a Green Amazon, a Prosperous Amazon, and a Livable Amazon) complemented by regional interventions.

What is at stake?

The Amazon biome, at 6.7 million square kilometers and twice the size of India, is the world's largest contiguous tropical forest and home to 47 million people. It contains an estimated 150-200 billion tons of carbon (above and below ground).[2] Crucial to the continent's socioeconomic development and vital to the global economy, climate, and hydrological stability, it has the highest species density and carries 20% of the world's freshwater. Over 400 Indigenous Peoples representing 2.2 million people live in or depend on forests in the Amazon. About 40% of Amazonians live below the poverty line. Half of all households do not have access to basic sanitation services. Urban Amazonian populations face high levels of poverty, lack of infrastructure investment, and insufficient basic services, digital access, education, and healthcare.

Today, the Amazon Forest is at high risk of reaching a tipping point. Over the past century, average temperatures in the forest have risen by 1-1.5℃, and since 1970, more than 15% of the Amazon rainforest has been lost. Water and forest degradation are advancing rapidly, driven mainly by deforestation for cattle ranching, agriculture, illegal mining, and logging. Crime, including environmental crime, is prevalent. Scientists have warned that deforestation and climate change are driving the biome toward a tipping point – characterized by widespread forest die-off and conversion into a degraded savannah – where most of its hydrological and climate services would be lost.

What has happened so far?

The IBRD has been a key partner on sustainable development and forest conservation in the Amazon for decades. Currently, the IBRD has national lending programs in seven Amazon countries: Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, and Suriname, amounting to nearly $4 billion, with another $5 billion in the pipeline, with funding from IBRD, IDA and trust funds. Approximately half of the projects focus on creating an enabling business environment by ensuring competitiveness and promoting access to finance, or focus on critical investments in basic infrastructure, improving the resilience of health systems, and enhancing learning and education. The other half focus on areas such as improved forest landscape management, land tenure security and multisectoral land use planning, resilient food systems, and the promotion of climate-smart agriculture.

[2] Science Panel for the Amazon. https://www.theamazonwewant.org/wp-content/uploads/2022/06/220717-SPA-Executive-Summary-2021-EN.pdf.

A new approach

Going forward, a One WBG approach will drive efforts in the Amazon for greater impact. The work by the Bank on land tenure security, multisectoral land use planning, and creating a favorable business enabling environment for sustainable forestry and agribusiness practices, is key to ensuring a framework for IFC and MIGA to then support private sector investments for sustainable forestry, agribusiness, and other sectors in these markets. Under the GCP-F, the WBG will seek to strengthen and expand links between IBRD's policy work and the needs of IFC's and MIGA's private sector partners to mobilize private sector capital at scale to spur forest-based economic growth in the Amazon. Lessons learned from these policy and financial interventions can then be used to develop and tailor programs in other regions.

All eight Amazon countries recently reaffirmed their commitment to work together under the Belem Declaration, a unified vision to protect the Amazon that calls for enhanced regional cooperation.[3] Multiple donors, private partners, NGOs, and national and state governments have recently increased their support to Amazon countries and indicated their intentions to further scale up their financing and activities. In August 2023, the WBG signed an MOU with the IDB Group, focused in part on strengthening collaboration in the Amazon. Several promising private initiatives are also emerging, and innovative financing models must be brought into play more vigorously. Achieving rapid impact at scale will require building on existing successful programs, promoting the implementation of the global programs developed by the GCP-F, leveraging international and national resources, and strengthening collaboration mechanisms among Amazon countries and partners. Upcoming meetings for the G20 in Brazil and the UN Biodiversity COP in Colombia in 2024, as well as the UN Climate COP in Brazil in 2025, provide a unique opportunity for a One WBG, leading a global program on forests, to play a stronger role in bringing the international community together to drive impact in the Amazon.

Estimated costs required to protect the Amazon over the next five years are $50 billion, and the global benefits the Amazon provides in ecological services are estimated to be worth more than $300 billion per year. Concentrated action by a One WBG and strategic leveraging of concessional resources – for example through the GEF, PROGREEN, the CIFs, GCF, SCALE, and the proposed Livable Planet Fund, in addition to nature-based carbon payments – will make the economic case for investment in the Amazon even stronger and pool resources more strategically to the region.

Pillars of a New Program: Sustainable Amazonia

Preserving the Amazon requires country-anchored programs with action across three pillars: (i) safeguarding natural assets for a healthy forest biome (a Green Amazon), (ii) supporting sustainable nature-smart and inclusive economic development (a Prosperous Amazon), and (iii) improving living standards of its population (a Livable Amazon). The first pillar targets the urgent halting of deforestation, whereas pillars two and three aim to improve living conditions and economic opportunities for the Amazonian population. These three pillars align with the three cross-cutting themes of the GCP-F, namely conserving forest landscapes, valorizing forest landscapes, and creating development dividends.

[3] Presidential Declaration on the occasion of the Amazon Summit – IV Meeting of Presidents of the State Parties to the Amazon Cooperation Treaty. August 8, 2023. https://www.gov.br/mre/pt-br/canais_atendimento/imprensa/notas-a-imprensa/declaracao-presidencial-por-ocasiao-da-cupula-da-amazonia-2013-iv-reuniao-de-presidentes-dos-estados-partes-no-tratado-de-cooperacao-amazonica.

- **Green Amazon – Safeguarding Natural Assets:** Curbing deforestation and environmental degradation requires immediate action to foster conservation and prevent expansion of agricultural activities into forests. Curbing deforestation provides the opportunity to increase carbon sequestration and preserve biodiversity. Actions under this pillar will include putting undesignated lands under protection, improving water management and protection of rivers, strengthening rights over communal lands, improving forest management and oversight, clarifying land property rights, increasing law enforcement to stop illegality, strengthening protected areas, and improving integrated and multisectoral land use planning.

- **Prosperous Amazon – Nature-Smart and Inclusive Economic Development:** This pillar aims at reducing incentives for deforestation by creating an enabling environment for the private sector to advance the sustainable use of forest resources and to prevent and reverse deforestation. This includes boosting productivity, increasing technical support for producer organizations, and scaling up private sector investments in bioeconomy. Actions under this pillar will support (i) transformation of existing economic activities to move away from deforestation practices, strengthen sustainability, and create the necessary monitoring, tracing, and certification mechanisms to ensure access to and competitiveness in deforestation-free markets, (ii) identification and restoration of degraded land to allow for productive plantation forestry and sustainable agriculture, including reduction of food loss and waste along the supply chain, (iii) reduction of illegal activities, (iv) helping Indigenous Peoples safeguard their traditional ways of life and earn additional income, (v) a focus on opportunities for women and girls, and (vi) support to carbon credit markets and payments for ecosystem services.

- **Livable Amazon – Serving People:** Effective forest governance requires complementary actions to enhance the living standards of all Amazonians. Investments in basic infrastructure and in health, education, and digital connectivity are urgently needed for traditional communities and farmers living in remote areas as well as for residents of urban areas. Improving living conditions and digital connectivity for women and girls will be an important component of the program. Furthermore, many rural and remote Indigenous Peoples have seen their living standards degraded by illegal activities in and around their communities, e.g., mining and deforestation have contaminated the water and reduced local capacity for growing crops and fishing. Actions that protect the quality of water and land, address the impacts of their degradation (e.g., health impacts), and restore what has been degraded will be central to improving the living standards of the most vulnerable Amazonians.

What is next?

Under the GCP-F, the WBG will bring regional leadership, vast global technical and operational experience, and financing to support the Sustainable Amazonia program. To maximize impact, a combination of innovative financial solutions/instruments will be required, including government finance, WBG loans, blended finance solutions, grants, REDD+ financing, guarantees, and private sector investments.

- **A new IBRD pipeline** centered on the three pillars of the program and using the Bank's instruments is already being developed, with specific new requests and new preparation underway in Brazil, Colombia, Ecuador, and Peru. This is in addition to ongoing trust-funded analytical work, Investment Project Financing, and sub-national Development Policy Financing. The new Amazon pipeline will likely be molded into three sub-regional aggregations: (i) a Brazil Amazon program, that may include a Multiphase Programmatic Approach (MPA) cutting across

multiple states in the Legal Amazon; (ii) a Western Corridor program, blending a range of instruments in Colombia, Ecuador, Peru, and Bolivia; and (iii) a Guiana Shield program, with a focus on Guyana and Suriname. To supplement IBRD and IDA lending, concessional finance will be mobilized, including from existing umbrella TFs and FIFs (like PROGREEN, SCALE or the CIFs), external funds (like GEF or the GCF), and future sources (like the Livable Planet Fund).

- **A new regional program** will build on the success of ongoing operations, including the World Bank-led and GEF-financed Amazon Sustainable Landscapes (ASL) Program, to scale-up existing impacts and add new dimensions, such as identifying regional solutions to cross-border challenges and deepening engagement on economic opportunities and living standards. Notwithstanding the sovereign rights and responsibilities of each country, the challenges cannot be tackled with country-level actions alone. A new regional program across all three pillars and driven by one WBG will expand partnerships, working with all relevant government ministries and supporting jurisdictional and national emissions reductions programs and carbon finance at scale. A program well anchored in country engagements will also increase resource efficiencies. Regional efforts will focus on coordination, monitoring and evaluation, and knowledge exchange in collaboration with existing initiatives and regional organizations.

- **New innovative private sector investments** will focus on forest restoration, reforestation, the bioeconomy, and sustainable agriculture. Financing instruments will include loans, equity, bonds, guarantees to de-risk private sector investments, and blended finance. A specific focus will be made on market-based financing to complement existing lending instruments, for example through performance-based instruments linked to conservation and sustainability outcomes; scaling REDD+ jurisdictional finance; debt-for-nature swaps; and bonds with KPIs linked to forests, climate, and biodiversity. One example of WBG collaboration in this regard is how MIGA and the World Bank-managed FCPF are working together to attract international investors. In this case, MIGA is working closely with the FCPF team to develop an approach to cover private sector agreements related to forest carbon under its breach of contract and expropriation political risk insurance products.

- **New debt and equity support** is currently envisaged by IFC for several forestry companies and funds to support reforestation and sustainable plantation forestry to meet the growing demand for wood, restoring degraded land, alleviating deforestation pressures, and connecting biodiversity corridors. An improved authorizing environment, for example following IBRD policy engagement, will allow IFC to be more active in high-integrity carbon markets and expand its climate portfolio, in partnership with other impact investors. In the Brazilian Amazon, IFC is working on a joint development agreement pilot with a Brazilian securitization firm and pioneer in securitized agricultural receivables to support small-scale fruit and nut (such as Acai) harvesters and their cooperatives to finance sustainable agroforestry supply chains. Replicable and scalable, such support for a sustainability-compliant capital markets instrument can drive capital to climate and enable sustainable development and socioeconomic inclusion.

- **New financial incentives for Indigenous Peoples and local communities** are possible building on previous engagements in climate and carbon finance, for example through the FCPF and the FIP. The WBG is well positioned to develop and implement new mechanisms to support Indigenous Peoples and forest-dependent local communities who have long been stewards of the Amazon biome and are key allies for the success of the new WBG approach. This will require adapting

current incentive mechanisms to ensure that the needs of IPs and local communities are met justly and equitably, while also ensuring good governance and avoiding negative impacts.

Annex 3: GCP-F and Linkages with other GCPs

A. Food and Nutrition Security (FNS)

- With agricultural expansion being the key driver of deforestation worldwide, the change in food production system is essential in slowing and eventually halting deforestation.
- Deforestation Free Value Chains and EUDR
- New technologies in support of climate-smart agricultural intensification can produce increased output without the need to expand land-area needed for agriculture.
- Agricultural policies e.g., subsidies must be repurposed to disincentivize deforestation and land use change/degradation for agricultural purposes.
- Key commodities of focus: Soy in LAC, Cocoa and Coffee in AFR, Oil Palm in EAP/AFR.
- IFC and MIGA have diverse FNS engagements that avoid deforestation and incentivize suppliers to maintain forests beyond legal requirements.
- Agricultural production, especially more intensive agriculture, often relies on irrigation, which needs sustainable forest and land management in associated watersheds (see above link with GCP Fast Track Water Security and Climate Adaptation).
- Food security and nutrition is heavily dependent on functional forest ecosystems and its associated ecosystem services, not least pollination, hydrological services, and soil conservation.

B. Fast Track Water Security and Climate Adaptation

- Better land/forest management complements the rivers agenda through flood control, improved water quality, and sediment reduction for storage.
- Expansion of irrigation for agriculture (mostly conversion of rain-fed agriculture to irrigated) is more efficient and climate-smart, as it can result in reduced need for expanding agriculture beyond land already in use, while increasing food production. Irrigation agriculture relies on secure and steady water supply which requires upstream sustainable management of watershed, especially forest landscapes in those watersheds. Payment for Environmental Service (PES) schemes have proven successful in incentivizing the application of sustainable and management practices.
- Irrigated agriculture also reduces methane emissions due to less standing water (from rain-fed or flooding fields).

C. Energy Transition, Efficiency, and Access

- Increase in electrification and energy access has a positive impact on forests as it reduces demand for wood-based biomass energy to fulfill energy needs.
- In turn, a formalized and modernized regulatory framework for wood-based biomass energy value chains creates value-added and income opportunities for local people and communities while applying sustainable management standards.
- Hydropower infrastructure relies on forests and on integrated watershed management by controlling sedimentation and soil erosion, and flood prevention.
- Enhancing energy efficiency will also curb the demand for wood-based biomass energy, contributes to a modernized value chain, and will significantly reduce pollution-related aspects of the use of wood-based biomass energy.

Endnotes

[i] FAO. 2022. *In Brief to The State of the World's Forests 2022. Forest pathways for green recovery and building inclusive, resilient and sustainable economies*. Rome, FAO. https://doi.org/10.4060/cb9363en.

[ii] Pan et al. 2011, https://doi.org/10.1126/science.1201609.

[iii] IPCC. 2019: Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems [P.R. Shukla, J. Skea, E. Calvo Buendia, V. Masson-Delmotte, H.-O. Pörtner, D. C. Roberts, P. Zhai, R. Slade, S. Connors, R. van Diemen, M. Ferrat, E. Haughey, S. Luz, S. Neogi, M. Pathak, J. Petzold, J. Portugal Pereira, P. Vyas, E. Huntley, K. Kissick, M. Belkacemi, J. Malley, (eds.)]. In press.

[iv] IPBES. 2019. Global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. E. S. Brondizio, J. Settele, S. Díaz, and H. T. Ngo (editors). IPBES Secretariat, Bonn, Germany. https://doi.org/10.5281/zenodo.3831673

[v] FAO. 2022. *In Brief to The State of the World's Forests 2022. Forest pathways for green recovery and building inclusive, resilient and sustainable economies.* Rome, FAO. https://doi.org/10.4060/cb9363en

[vi] Originally launched in 2014 at the United Nations Secretary-General's Climate Action Summit, the New York Declaration on Forests (NYDF) brings together governments, companies, Indigenous Peoples and local communities, and nongovernmental organizations committed to forest action to tackle the climate and biodiversity crises. The Declaration sets out 10 goals to stop natural forest loss by 2030, restore 350 million hectares of degraded landscapes and forestlands, improve governance and the rights of forest communities, increase financial flows to forests, and reduce carbon emissions from deforestation and forest degradation.

[vii] Please also see GCP Chapeau Paper by OBCP WBG Corporate GCP Secretariat

[viii] For example, to improve the knowledge base on the role that forests and natural assets play in alleviating poverty and building up resilience, the GCP-F can help strengthen the production of high-quality socioeconomic and agricultural data on forest-dependent households and communities, building on previous work with other international partners (FAO, CIFOR, IFPRI) and through the 50x2030 initiative and the Resilient Futures initiative.