GREEN CLIMATE FUND | Simplified Approval Process

SIMPLIFIED APPROVAL PROCESS (SAP) TECHNICAL GUIDELINES

Forest and Land Use

INTRODUCTION

DEFINITION

The publication provides technical guidance for the preparation of SAP proposals. The thematic area of forest and land use encompasses forests and other multiple land-cover types where forests are a prominent component of the landscape (see Figure 1). This can range from natural forests, where ecosystems are not directly impacted by human activities (e.g. primary forests) to more intensively transformed landscapes – such as secondary growth forests, degraded forest landscapes, agroforestry systems and trees outside forests, sustainably managed forests and forestry plantations.

LINKS TO CLIMATE CHANGE

Forests play an important role in both adaptation and mitigation as they provide local ecosystem services relevant for adaptation as well as the global ecosystem service of carbon sequestration, relevant for mitigation.[1] Forest conservation and restoration of degraded ecosystems are a large part of the solution to climate change and the Paris Agreement[2] explicitly recognizes the role of forests in the mitigation of climate change.

Tropical deforestation is a major contributor to current global climate emissions, accounting for one quarter of global greenhouse gas emissions.[3] Deforestation and forest degradation drivers are varied and context specific. However, the conversion of forests to use for commercial agriculture and the general expansion of agriculture accounts for a significant share of tropical deforestation.

On forests and adaptation, two different but interrelated conceptual approaches need to be acknowledged. Firstly, as forests are living ecosystems, climate change imposes additional impacts on forest landscapes and their dynamics. Changes in the extent, structure and composition of forests over time are expected. For instance, extreme climate events such as drought, as well as heat, storms and extremely rainy years, could increase the tree mortality of

1. Locatelli B., Evans V., Wardell A., Andrade A. & Vignola R. (2011). *Forests and climate change in latin America: linking adaptation and mitigation. Forests, 2(1), 431–450.* https://doi.org/10.3390/f2010431.

2. See: https://unfccc.int/resource/docs/2015/cop21/eng/l09r01.pdf

3. *Intergovernmental Panel on Climate Change (IPCC). (2014). Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.* Available at www.ipcc.ch/report/ar5/syr/.

4. Aleixo I., Norris D., Hemerik L., Barbosa A., Prata E., Costa F. & Poorter L. 2019. Amazonian rainforest tree mortality driven by climate and functional traits. Nature Climate Change, 9(5), 384–388. https://doi.org/10.1038/s41558-019-0458-0.
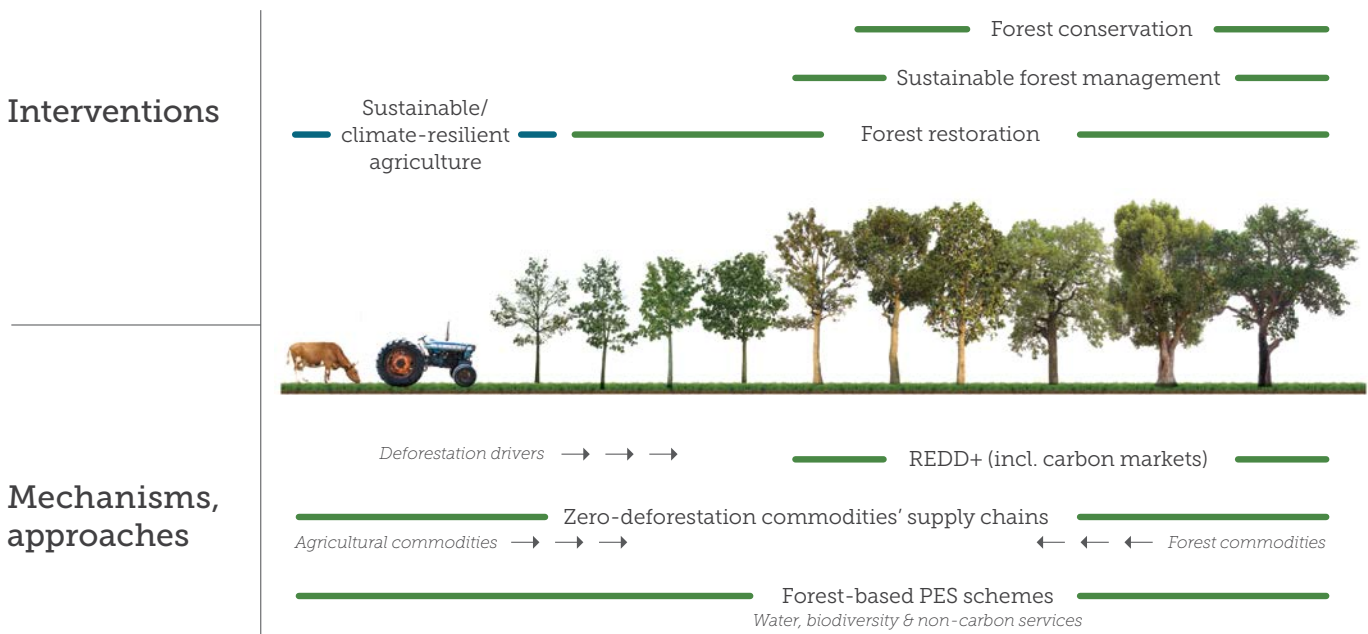
5. Wolosin M. & Harris N. (2018). Tropical Forests and Climate Change: the Latest Science Ending Tropical Deforestation : a Stock-Take of Progress and Challenges. Working Paper. Washington, DC: World Resources Institute. Available at wri.org/ending-tropical-deforestation.

6. Non-comprehensive set of interventions and mechanisms

tropical forests.[4] This means that forest functions, which are key for the provision of ecosystem services, such as water regulation, carbon sequestration, biodiversity and soil conservation, are also impacted.

Secondly, many vulnerable populations and their livelihoods are forestry- and landscape-dependent and rely on forests as their safety nets, in particular through numerous non-timber forest products. Hence, forests are to be considered as natural assets for increasing climate resilience.

Therefore, the role of forests in addressing climate change goes far beyond their capacity to store and sequester carbon from the atmosphere. Moreover, there is evidence that forests can play an important role in preserving water cycles.[5] It is known, for example, that large-scale deforestation in any of the three major tropical forestry zones of the world – Africa's Congo Basin, South-East Asia and the Amazon – could disrupt the water cycle sufficiently to pose a substantial risk to agriculture in key breadbaskets in such disparate parts of the world as the United States of America, India and China.

Figure 1: Key areas/components of the forest and land use sector following the landscape approach*[6]

Interventions

Forest conservation

Sustainable forest management

Sustainable/climate-resilient agriculture   Forest restoration

Deforestation drivers → → →   REDD+ (incl. carbon markets)

Mechanisms, approaches

Zero-deforestation commodities' supply chains

Agricultural commodities → → →   ← ← ← Forest commodities

Forest-based PES schemes
Water, biodiversity & non-carbon services

* Simplified representation of the landscape structure for visualization purposes.

APPROACH

KEY AREAS / COMPONENTS

The following intervention areas could be part of a SAP project under the forest and land use results area.

- **Forest restoration to foster the enhancement of forest carbon stocks and increase ecosystem resilience.** Almost one-quarter of the world's land area has been degraded over the past 50 years. The resulting damage, in terms of lost ecosystem goods and services, costs governments worldwide an estimated USD 6.3 trillion per year.[7] Restoring natural forests over the whole 350 million hectares of land would remove 42 billion tonnes of carbon by 2100.[8] Moreover, restoring degraded forests generates an estimated USD 7–30 in economic benefits for every dollar invested.[9] However, restoration remains markedly underfunded, and the funding gap has been estimated as approximately USD 300 billion per year.[10] Governments from around the world as well as the private sector have committed to restoring forests through global initiatives such as the Bonn Challenge.

- **Conservation and sustainable management of forest landscapes to ensure ecosystem services provision while increasing resilience.** Establishing protected areas is critical for conserving biodiversity and ensuring the long-term use of forests. Seventeen percent of the world's forests are located within legally established protected areas, with a particularly strong increase in the tropics.[11] Improving climate resilience will require transformational approaches to protected area planning while acknowledging the role of protecting large-scale landscapes and their interrelations with major global processes (i.e. global cycles regulating global and local climate). In this sense, the role of biome-level initiatives (e.g. Congo Basin, Amazon Biome, South-Asia peatlands, Mekong Basin, others) are of particular interest. Important to consider in this endeavor is the role of the local communities and Indigenous Peoples in bringing about lasting efforts to conserve and sustainably manage forest resources and the functioning of ecosystem services. The GCF Indigenous Peoples Policy[12] recognizes the invaluable and critical contributions of Indigenous Peoples to climate change mitigation and adaptation and provides for measures to secure the rights and promote participation of Indigenous Peoples.

- **Deforestation-free commodity supply chains contributing to forest conservation and to reducing emissions driven by land-use change.** Today two thirds of rainforest clearance that takes place is for the purposes of clearing land for the production of commodities that are traded globally and end up in half the products in our supermarkets. Globally traded commodities, such as palm oil, beef and leather, soy, timber and paper, embody the emissions that result from deforestation and forest degradation. Although several global initiatives (e.g. Tropical Forest Alliance, New York Declaration on Forests, etc.) promote zero-deforestation supply chain commitments, private companies are not on track to meet the ambitious commitments agreed by many private companies.[13] Catalytic investments from both the public and private sectors are expected to drive transformational change in reducing dependency on commodities linked to deforestation.

- **Upscaling results-based payments from reducing emissions from deforestation and forest degradation (REDD+)**[14]. REDD+-related incentive schemes can have a synergetic impact when coupled with other sources of funding and investment – including the private sector – under a coherent and complementary approach. In the carbon market, GCF could offer private-sector investors different instruments to reduce the uncertainty of future demand from these and other markets that can emerge in the years to come (e.g. first loss guarantee, carbon market risks guarantee, contingent loans/grants for performance risks, forest bonds and other types of innovative financial instruments). Specific guidance on REDD+ is included in the REDD+ simplified approval process (SAP) guidelines.[15] REDD+ can be understood as being instrumental in achieving progress on the above-mentioned key areas/components.

Project proposals under SAP should be formed by the following guidelines, building on the SAP funding proposal preparation guidelines.[16] For projects related to other thematic areas, such as agriculture and food security, ecosystems and ecosystem services and water management, refer to the specific guidelines for those thematic areas, in addition to the information provided on forestry and land use.

7. Ding H., Faruqi S. & Carlos Altamirano J. 2017. Roots of Prosperity: the Economics and Finance of Restoring Land. Washington, DC: World Resources Institute.

8. Lewis et al. (2019). Regenerate natural forests to store carbon. Nature, 568(3–6), 25–28. Available at https://helpwaihi.files.wordpress.com/2019/04/d41586-019-01026-8.pdf.

9. Verdone M. & Seidl A. (2017). Time, space, place, and the Bonn Challenge global forest restoration target. Restoration Ecology, 25(6), 903–911. https://doi.org/10.1111/rec.12512.

10. Ding H., Faruqi S. & Carlos Altamirano J. 2017. Roots of Prosperity: the Economics and Finance of Restoring Land. Washington, DC: World Resources Institute.

11. Food and Agriculture Organization of the United Nations (FAO). 2018a. The State of The World´s Forests – Forest Pathways to Sustainable Development.

12. Decision GCF/B.19/05

13. Bellfield H. & Burley H. 2019. Annual Report 2018. The Countdown to 2020. Available at www.globalcanopy.org.

14. REDD+ refers to the activities included in decision 1/CP.16, paragraph 70 "(a) Reducing emissions from deforestation; (b) Reducing emissions from forest degradation; (c) Conservation of forest carbon stocks; (d) Sustainable management of forests; (e) Enhancement of forest carbon stocks".

15. Refer to the REDD+ SAP Guidelines.

16. Please refer to here: https://www.greenclimate.fund/documents/20182/194568/Simplified_Approval_Process__SAP__funding_proposal_preparation_guidelines__A_practical_manual_for_the_preparation_of_SAP_proposals.pdf/0e3c3e7d-199a-6a70-6839-ea4e31d09ff8

PARADIGM SHIFT POTENTIAL

A paradigm shift for climate change occurs when there is a fundamental change in the way one perceives and responds to a climate-change issue. In this sense, for a comprehensive understanding of the required paradigm shift in the forest and land use sector, it is key to acknowledge the complexities of the drivers underlying land-use change in developing countries, as well as the barriers and potential trade-offs, and the possible co-benefits that can be achieved if the adequate allocation and use of the public and private investments consider forests as part of the wider investment landscape. As such, rather than a discrete intervention with delineated boundaries, GCF investments require a change in approach towards the role of forests to meet development needs and achieve environmental sustainability at scale. Interventions need to encourage sustainable development pathways, where forests play a key role in reaching low-carbon and climate-resilient societies. The latter involves countries that embrace REDD+ as a means of addressing one of their main sources of greenhouse gas emissions, while being just one piece of the puzzle contributing to the paradigm shift.

Examples of factors that can cause paradigm shift include long-term political will, national planning and innovative financing. With regard to national planning, it is crucial that countries plan according to their nationally determined contributions and REDD+ strategies to seek alignment and coordination of efforts. Governments are currently in the process of developing their second nationally determined contributions, which are due in 2020 and will cover the time span from 2020 to 2025. The SAP offers a unique opportunity to support countries testing and piloting ideas to help to implement their nationally determined contribution targets and later scale up the most transformative ideas.

The paradigm shift in the forest and land use sector – which is context-specific in nature – implies that countries rethink and redefine economic growth and social well-being in the sense that planned development pathways will not compromise existing forests and the associated increase in emissions that would follow. Nevertheless, numerous barriers hindering paradigm shift remain. These mainly relate to the enabling environment (political, normative, institutional, financial) for ensuring the sustainability and long-term nature of the investments.

The paradigm shift in the context of forest and land use also needs to pursue two different tasks: (a) to decouple the production of goods and services from unsustainable forest landscape consumption, and (b) to unlink the achievement and satisfaction of human needs from the imperative to consume more products.[17] Here, the role of the private sector as a key player in the generation of revenues from activities related to land use, such as agriculture, cattle production, other extractive industries and forestry, needs further attention.

IMPACT MEASUREMENT

The project proponent should clearly indicate the expected impacts of the intervention in both qualitative and quantitative terms. Note that GCF's primary interest is in the impact that the project will generate. Hence, it is important to align them with GCF's priorities to ensure that a strong and persuasive case is presented.

In addition, the proponent must refer to the GCF performance measurement frameworks[18] and make sure to use the indicators and targets from the frameworks in the project proposal. This document contains a list of indicators used by GCF to assess the expected benefits of the project. Table 1 presents *fund-level impacts* and *project/programme-level outcomes* with indicators relevant to the potential projects in the forest and land use sector.

In describing the outcomes and the targets, the proposal needs to be as explicit as possible, with justifiable quantitative targets presented wherever possible.

17. Göpel M. 2016. How to work a great mindshift for sustainability transformations. In: The Great Mindshift. The Anthropocene: politik –economics – society science. Volume 2. New York: Springer, 149–168. https://doi.org/10.1007/978-3-319-43766-8_5.

18. GCF (2014), Annex VIII: Mitigation and adaptation performance measurement frameworks (GCF/B.08/45, pg. 71-81)

EXPECTED RESULTS	INDICATORS	NOTES
Fund-level Impacts		
Reduced emissions from land use, reducing deforestation, forest degradation, the sustainable management of forests, and the conservation and enhancement of forest carbon stocks	Tonnes of carbon dioxide equivalent (tCO_2eq) reduced or avoided (including increased removals) as a result of GCF-funded projects/programmes	• To examine how emissions are reduced from deforestation and forest degradation • To examine how removals are increased from the sustainable management of forests, conservation and the enhancement of forest carbon stocks • Informed by Climate Investment Funds Forest Investment Program (CIF FIP) Indicator 1, GCF work on the performance framework for REDD+, the Forest Carbon Partnership Facility Methodological Framework, United Nations (UN) REDD and United Nations Framework Convention on Climate Change (UNFCCC) secretariat guidance on REDD+ • Gender disaggregation is to be researched and included, if possible
Increased resilience of and enhanced livelihoods for the most vulnerable people, communities and regions	Total number of direct and indirect beneficiaries disaggregated by sex (number of beneficiaries relative to total population)	• The indicator measures the number of people who have received an input of support, where two dimensions of support are considered: targeted and intensity levels. Based on these two dimensions, a direct and an indirect category of beneficiaries are identified • Data is disaggregated by sex • Informed by Adaptation Fund (core-1); CIF PPCR A1.3
Project/Programme Outcomes		
Improved management of land or forest areas contributing to emission reductions	Hectares of land or forestry under improved and effective management that contribute to CO_2 emission reductions	• Informed by work on the REDD+ performance framework • Can draw on CIF FIP indicator guidance, Forest Carbon Partnership Facility Monitoring and Evaluation Framework, UN REDD, and UNFCCC secretariat guidance
Reduced deforestation	Reduced emissions (in tCO_2eq) from deforestation	As per UNFCCC decision 1/CP.16, REDD+ may be implemented nationally, or as an interim measure, on a national scale. This means that reduced emissions and increased removals from REDD+ are also to be measured, reported, verified and paid for at the national level, or as an interim measure, at the subnational level. The SAP is well positioned to support countries reaching compliance with the UNFCCC secretariat's requirements for REDD+ results-based payments (National REDD+ Strategy, National Forest Monitoring System, forest reference emission level/forest reference level and Safeguards Information System.
Reduced forest degradation	Reduced emissions (in tCO_2eq) from forest degradation	
Increased conservation of forest carbon stocks	Reduced emissions and increased removals (both in tCO_2eq), through the conservation of forest carbon stocks	
Increased application of sustainable management practices	Reduced emissions and increased removals (in tCO_2eq) through the sustainable management of forests	
Forest carbon stocks enhanced	Increased removals (in tCO_2eq) through the enhancement of forest carbon stocks	
Increased proportion of forest area located within legally established protected areas and under sustainable forest management schemes	Increased forest area (in hectares) under sustainable management and under established natural protected areas	• Informed by Sustainable Development Goal (SDG) Indicator 15.2.1c • Informed by SDG Indicator 15.2.1d
Degraded forests and lands restored	Increased forest area (in hectares) restored	• In alignment with global commitments (e.g. the Bonn Challenge, the 20x20 Initiative in Latin America and the AFR100 Initiative in Africa). • Informed by SDG target 15.3 on land degradation neutrality *
Deforestation-free commodity supply chains contributing to forest conservation and to reducing emissions driven by land-use change	Number of companies (absolute/relative) per supply chain implementing deforestation-free schemes Production volume per supply chain (in tonnes) embedding deforestation-free schemes	• In alignment with global commitments (e.g. the Tropical Forest Alliance and the New York Declaration on Forests)

* Available at <www.unccd.int/actions/ldn-target-setting-programme>.

INDICATIVE SAP ACTIVITY MATRIX FOR FOREST AND LAND USE[19]

SAP-ABLE EXAMPLES[20]

SAMPLE SAP-ABLE ACTIVITY*	SAMPLE INDICATOR	NOTES
Restoration of degraded forests	• Increased removals (in tCO_2eq) through the enhancement of forest carbon stocks • Area (in hectares) of forests restored	The purpose of the restoration activities needs to be clarified prior to site and species mix selection. Needs to acknowledge the long-term perspective of the restoration process
Establishment of natural protected areas for forest conservation	• Reduced emissions and increased removals (in tCO_2eq) through the conservation of forest carbon stocks • Area (in hectares) of forests conserved under protected areas	Long-term finance strategies need to address the performance gaps associated with conservation investments from both financial and impact perspectives.
Deforestation-free cocoa and coffee production under agroforestry systems	• Reduced emissions (in tCO_2eq) from deforestation • Number of companies (absolute/relative) per supply chain implementing deforestation-free schemes • Production volume (in tonnes) per supply chain embedding deforestation-free schemes	Option to leverage co-funding from purpose-built capital for the sustainable intensification of agricultural production systems and other business models that reduce deforestation in the tropics. GCF financial support could be used for de-risking.
Bundling business models under the umbrella of incubators and accelerators of micro, small and medium-sized ventures with demonstrated impact on reducing deforestation	• Reduced emissions in tCO_2eq from deforestation (due to the activities of the ventures) • Number of exits	Implies the joint design and prototype of economically viable approaches to foster inclusive growth at scale in commodity sectors and sourcing areas
Forest management activities embedding financial instruments and mechanisms to ensure long-term sustainability of the intervention	• Reduced emissions and increased removals (both in tCO_2eq) through the sustainable management of forests • Number of financial instruments and mechanisms implemented	Design and testing of a credit package for non-timber forest producers, which incorporates the peculiarities of the business based on the production model, income flows and profitability. GCF financial support could be used for de-risking
Blockchain technology applied for sustainable forest management	Reduced emissions and increased removals (in tCO_2eq) through the sustainable management of forests	Blockchain technology opens up a wide range of possibilities in forestry and land use —especially with regard to traceability systems, land titling, monitoring sources and uses of funds. In this regard, and in many other others, the technology could have significant implications on carbon markets as well as facilitating the fulfillment of supply chain commitments

* SAP-able activities should not lead to resettlement or restriction of access of local communities and Indigenous Peoples to resources and lands.

NON SAP-ABLE EXAMPLES

SAMPLE NON-SAP-ABLE ACTIVITY	NOTES
Planting of exotic tree species that may negatively affect the native biodiversity and ecosystem functionality	Although this activity might lead to emission reductions, the introduction of exotic tree species in certain areas might impose negative effects on native biodiversity. Activities related to reforestation with exotic species are eligible for GCF funding as long as they do not negatively affect local livelihoods and native biodiversity
Forest management practices generating discharges to water flows	According to the environmental and social safeguards checklist, project activities that generate discharges to water and related waste are not eligible. Good practices of sustainable forest management are to avoid waste generation and disposal

PROJECT SCENARIO

CONTEXT

The tropical forests of Country X cover 66 percent of its land area and provide livelihoods for millions of people living in extreme poverty. Deforestation in the last 10 years has increased due to multiple reasons, ranging from lack of law enforcement to governance issues. Primary forests are mainly cleared for small-scale agricultural production as standing forests lack commercial value.

Agricultural private companies intervening in highly deforested areas are willing to embark on new business models and financial structures linked to the production and commercialization of deforestation-free commodities. These companies identify that a market opportunity exists for new products based on current and future consumption trends.

PROJECT ACTIVITIES:

The objective of the project is to reduce deforestation and to promote the restoration of forests by prototyping and implementing zero-deforestation commodity supply chains linked to export agriculture. Some activities could include:

- Structuring of a performance-based model linked to reduced deforestation and to the financial viability of zero-deforestation commodities

- Promoting the sustainable management of forests through the implementation of best practices targeting the needs of the market

- Establishing private–public partnerships to open new opportunities with these actors and to ensure the long-term sustainability of the interventions

- Capacity-building and knowledge-sharing as a way of upscaling and replicating best practices

- Promote access to finance for rural poor populations

This project is SAP-able since the project is to directly address the bottleneck that can trigger a paradigm shift. The value of standing forests is not usually visible in the current economic system, thus receiving less attention (i.e. less public (and private) investment is received than is required). Also, several structural risks limit the mobilization of private capital to nature-based interventions. Once private capital is unlocked, it will change public–private investment decisions, so as to be more informed of the quantified economic benefits of forests and economic land-use activities outside forests.

IMPACT POTENTIAL

The project will, through private and public investment, reduce emissions through a decrease in deforestation and forest degradation, and an increase in emission removals through the conservation of forest carbon stocks.

ACKNOWLEDGMENTS

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