

**Partnership for Forest Protection & Sustainable Agriculture -  
Environmental and Social Framework – v1.1  
July, 2018**

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## Introduction

Agriculture is the biggest driver of land use-related greenhouse gas (GHG) emissions, responsible for about one quarter of total annual GHG emissions. With the global population predicted to reach an estimated 10 billion people by 2050, food production will have to increase sustainably, in addition to a change of dietary habits and a reduction of food waste. Feeding 10 billion people, while maintaining life-supporting ecosystem services, particularly of forests, will be the single biggest environmental challenge for the 21<sup>st</sup> century.

Many countries have begun the journey to implement the Paris Agreement on climate change, and the targets engrained in the 2030 Sustainable Development Goals. Public and private actors have also made other international policy commitments - such as the New York Declaration on Forests, the commitments of the Consumer Goods Forum to achieve 'zero net deforestation' and the Bonn Challenge of forest landscape restoration – that have important implications on the global management of food production, natural resources and the environment.

None of these critical initiatives, however, will make any significant difference if they cannot mobilize funds and establish scalable market solutions involving the private sector. A fundamental transformation is needed to bring together public and private finance and establish the right mix of incentives to support sustainable land use, particularly in the agricultural sector.

In order to pursue these goals, UN Environment and Rabobank are joining forces with both public and private sector actors to explore and showcase a new approach in financing for sustainable agriculture. By jointly stimulating existing and innovative best practices, UN Environment, Rabobank and its partners aim to stabilize agriculture's footprint, protect forests, restore degraded landscapes and improve rural livelihoods.

In moving forward, there are a number of barriers to overcome to accelerate financing sustainable land use. This includes the lack of public funding available to help reduce credit and other material risks for banks interested in providing debt that requires borrowers to adhere to forest protection standards. Other barriers may include a lack of a pipeline of 'bankable' projects, and the perceived high risk of investing in or lending to more sustainable commodity production, further inhibit the necessary transformational change to more sustainable food production.

Overcoming these barriers requires new and innovative ways in which finance and investment is channeled to agricultural production and other primary production activities. A blended form of finance is needed to overcome (initial) credit risk and costs related to the transitioning away from "business-as-usual" to sustainable forms of land management. If the right incentives and approach for blended finance can be established, there are huge opportunities to advance sustainable food production combined with landscape-based protection, expansion and restoration of forests, and the rehabilitation of degraded land. This transition would not only increase food security and protect ecosystem services, but it could also contribute to economic growth, job creation and reduce local vulnerability to a changing climate.

UN Environment, Rabobank and potential other funding partners are developing a partnership to finance the transition to sustainable land use by using blended finance instruments. This has been captured in a Memorandum of Understanding (MOU). The objective of the partnership is to identify and achieve positive environmental and societal (E&S) impacts that can be achieved through scaling up access to finance for forest protection and sustainable agricultural production. To successfully meet our ambitions and achieve these impacts, the partnership's first major initiative is to establish a Fund (hereafter to be referred to as the "Fund"), with the objectives of protecting and replanting forests, promoting sustainable agriculture and improving rural livelihoods and, in doing so, make significant and necessary contributions to the global policy goals noted above.

### *How to use this document*

This document was developed in cooperation between UN Environment and Rabobank and reflects our common understanding of the environmental and social (E&S) framework to achieve the objectives of the Partnership and Fund. As such, the Framework serves as guidance for all transactions made under the Fund. The Partnership intends to combine environmental and social considerations with maximizing positive E&S impact of funded projects and efficient use of public funding. E&S impact will be at the center of our decision-making process throughout the Fund's investment life-cycle. The document is to be used as a reference document for (commercial) banks participating in the partnership, funding partners, potential borrowers, the fund manager and other relevant third parties, and is to be read together with the investment memo of the Fund.

The E&S framework will be regularly reviewed to align with changing standards and evolving best practice. We anticipate learning with and from the projects along the way and wish to share our experience and knowledge gained with the international community. A revised E&S Framework, based on our experiential learning, is expected to be released 12 months after the Fund launch date.

Note that for clarity, key technical terms used in this document are defined in Annex 1.

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## 1. Goals

The overall ambition of the Partnership and Fund for Forest Protection and Sustainable Agriculture (hereafter referred to as "FPSA" or the "Fund") is to contribute to sustainable land use practices at scale, which means balancing enhanced agricultural output with forest protection, reforestation while also improving rural livelihoods. The Fund will contribute to the following policy commitments of governments and industry:

1. [Sustainable Development Goals](#), of the United Nations (SDG's), numbers 2 (End hunger), 13 (climate change)<sup>1</sup>, 15 (life on land) and 17 (partnerships) (see Annex 2a)
2. [Paris Agreement](#), of the United Nations Framework Convention on Climate Change (UNFCCC), as implemented through nationally determined contributions (NDCs) in land use and land use change sectors<sup>2</sup> (see Annex 2b)
3. [New York Declaration on Forests](#), of the United Nations Secretary-General's Climate Summit, through elements of the Action Agenda for Companies and Business Associations and against the goals, criteria and indicators of the progress assessment (see Annex 2c)
4. [Consumer Goods Forum](#) (CGF) resolution pledging 'to mobilize resources within their respective businesses to help achieve zero net deforestation by 2020'<sup>3</sup>.
5. [Bonn Challenge](#) to bring 150 million hectares of the world's deforested and degraded land into restoration by 2020, as implemented through national and regional commitments

## 2. Objectives

The Fund's main purpose is to contribute to the above goals. In doing so, the Fund will actively prevent deforestation, stimulate reforestation, contribute to efficient agricultural production, reduce carbon emissions and favor inclusive growth. Eligible projects should focus on at least one of the first two objectives and contribute to the third:

1. **Forest protection and reforestation:** acceleration of sustainable management of forests<sup>4</sup> to enhance soil fertility, carbon sequestration, water management and biodiversity, including through: reforestation, forest landscape restoration, transition of agricultural lands to agroforestry, and protection of high conservation value (HCV) areas/high carbon stock forests (HCS)<sup>5</sup>
2. **Sustainable agriculture:** implementing innovative agricultural solutions such as Integrated Crop-Livestock-Forest (ICLF) systems that have an impact on lowering GHG emissions, restoring degraded land, enhancing water management, improving soil fertility, sequestering carbon, building climate change resilience and/or protecting biodiversity while maintaining or substantially increasing yield for local farmers and smallholders.
3. **Improved rural livelihoods:** improving the living standards of land owners, which may include local farmers and smallholders in order to reach sustainable inclusive growth, with particular attention paid to gender equality, eradicating child labor, promoting fair labor and wages, and alleviating poverty.

For illustrative purposes, Annex 3 presents a schedule of indicative, but by no means exhaustive, activities eligible for investment financing under the Fund.

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<sup>1</sup> Acknowledging that the United Nations Framework Convention on Climate Change is the primary international, intergovernmental forum for negotiating the global response to climate change – see Goal 2.

<sup>2</sup> Including, where relevant, contributions to implementing national REDD+ strategies and action plans, which prevent deforestation, stimulate reforestation and contribute to efficient agricultural production.

<sup>3</sup> <https://www.theconsumergoodsforum.com/initiatives/environmental-sustainability/key-projects/deforestation>

<sup>4</sup> Including the acceleration of legal reforestation obligations

<sup>5</sup> Applying 'zero (net) deforestation' as a minimum across all operations of selected projects comprising the Fund's portfolio, through prioritizing non-conversion of forests and savannahs with a [High Conservation Value](#) (HCV) and/or [High Carbon Stock](#) (HCS) forest

### 3. Means of measuring objectives: impact framework

To demonstrate achievement of the Fund’s objectives, and contribute to the high-level policy goals (Section 1), a fund-level E&S impact framework will allow partners and stakeholders to comprehensively assess E&S impacts of the fund against pre-established baselines. The Fund’s E&S impact framework comprises a hierarchical structure of objectives (Section 2), impacts, key performance indicators (KPIs) and methods of monitoring progress towards KPIs (see Table 1). Fund-level E&S KPI’s have been developed per objective to reflect and contribute to the global goals and indicators of the SDGs, wherever relevant and possible<sup>6</sup>.

**Table 1 Indicative E&S impact framework for the Fund**

Objective	Impacts	Key Performance Indicator (KPI)	KPI Hierarchy	Measuring unit & Monitoring methods	Relevant global SDG indicator(s)
1. Forest protection and reforestation	1.1 Existing natural forests, their biodiversity and ecosystem services, protected	1.1a: Area of HCV/HCS forest (brought under active management for protection objectives)	Primary	# hectares  Aggregate project information on HCV/HCS forest management	15.1.1 15.1.2
		1.1b: CO <sub>2</sub> emissions from avoided and/or sequestered by forests per year	Primary	tCO <sub>2</sub> e/year  Global/national forest cover change analyses to determine activity data (IPCC Approach 3) x emission factors (at highest available IPCC tier)	
	1.2 Natural forests, their biodiversity and ecosystem services are restored	1.2a: Gross increase in area of natural forest cover within boundaries of funded projects	Primary	# hectares	15.1.1

<sup>6</sup> Although the Fund will contribute to SDGs 6 (water), 13 (climate) and 17 (partnerships), E&S KPIs do not explicitly reflect global targets and indicators for these SDGs for the following reasons:

- SDG 6 - ensuring availability and sustainable management of water and sanitation is implicit in the sustainable agriculture KPIs
- SDG 13 - global targets and indicators do not cover contributions to climate change mitigation as this is acknowledged to be the purview of the UNFCCC, implemented through NDCs, under the Paris agreement
- SDG 17 - global targets and indicators do not cover E&S impacts, but are financial, technological, capacity-building or trade in nature; the Fund itself is a contribution to SDG 17 (see Annex 2a for details)

Objective	Impacts	Key Performance Indicator (KPI)	KPI Hierarchy	Measuring unit & Monitoring methods	Relevant global SDG indicator(s)
		1.2.b Natural forestland under active management for replanting and/or restoration objectives	Secondary	#hectares  Aggregate project information on forest replanting/ restoration management	15.1.1
<b>2. Sustainable agriculture</b>	2.1 Degraded agricultural land restored	2.1a Area of degraded land restored by concessions of funded projects	Primary	# hectares  Aggregate project information	
	2.2 Sustainable yield increased	2.2a Area of concession forest where management is improved to meet a recognized sustainability standard	Secondary	# hectares certified or verified against a standard  Aggregate project information on sustainable forest management standards	
		2.2b Additional tons per year per unit area, disaggregated by commodity and borrower type, sustainably produced by funded projects	Secondary	tons per year, per unit area, disaggregated by commodity and borrower type  Aggregate project information on yield, farmers/employees and commodity type	
	2.3 Carbon emission reductions, from changes in agricultural production systems, and sequestration into agro-forestry biomass, accelerated	2.3 CO <sub>2</sub> emissions from farms avoided and/or sequestered by farms, per year, by funded projects	Secondary	tCO <sub>2</sub> e/year  Combined data on-carbon sequestration factor by commodity and geographical region	

Objective	Impacts	Key Performance Indicator (KPI)	KPI Hierarchy	Measuring unit & Monitoring methods	Relevant global SDG indicator(s)
	2.4 Sustainable agricultural production systems achieved	2.4 Agricultural area under sustainable management (to be defined per project)	Primary	# hectares  Aggregate project information on, inter alia, water use efficiency, soil management, biodiversity conservation and integrated pest management  <b>OR</b> Certified against / produced in line with sustainable production standard (Iseal aligned)	2.4.1
<b>3. Improved rural livelihoods</b>	3.1 Income of local farmers and smallholders improved	3.1 Median household income contribution, disaggregated by gender (where possible), generated from sustainable food production systems	Secondary	development household income over time  Aggregate information on income evolution, gender employment over the life of the project	2.3.2
	3.2 Agricultural skills, knowledge and technology of local farmers and smallholders improved	3.2a farmers included in supply chains of projects funded (disaggregated by gender, where possible)	Primary	# formal jobs and/or sales of local farmers and smallholders to borrowers  Aggregate information on farmers directly involved in supply chains of projects funded	
		3.2b farmers trained in, and technology transferred for, best management practices in sustainable agriculture/ forest protection	Primary	# farmers or farm employees trained  Aggregate information on farmers trained under the life of the project	

Acknowledging the complexity and innovative nature of the Fund’s ambitions, it is a conscious decision to refrain from target setting against Fund-level KPIs in the initial phase of Fund operations. Baselines for the individual projects will be developed, however, and impacts measured as projects progress. After an initial twelve-month phase of Fund operations, the impact results of funded projects will be evaluated and target setting will be detailed further<sup>7</sup>.

Projects eligible for financing should focus on at least one of the first two objectives and contribute to the third. To meet these objectives, primary and secondary KPI’s are identified within the impact framework. For each project,

<sup>7</sup> During this period, UN Environment and Rabobank are willing to share and discuss projected illustrative and indicative E&S impact potential, against relevant KPIs, of available projects under the Fund’s consideration.

the Fund will attempt to apply all relevant primary KPIs per identified objective, with a minimum of one KPI per objective. Depending on relevance, project size, data availability, one or more of the secondary KPI's are to be applied as well.

The fund-level E&S impact framework will be operated in addition to project-level monitoring of adherence to relevant industry best practice standards, minimum requirements, as set out by this document, and the relevant applicable commercial bank's E&S policies. Project-specific indicators, within the framework of the Fund-level KPIs, will be defined, operated and monitored for individual projects, in concert with maturation of the Fund's pipeline. Aggregation of these project-specific indicators, at the Fund level, will demonstrate contribution to relevant Fund-level objectives.

The Fund will monitor land use change in an area surrounding each project (to be determined on a case-by-case basis) and, together with the borrower, demonstrate that there is no direct causal link of the project, or the borrower, to any unauthorized deforestation occurring in the defined area around the project. In this way the fund will contribute to minimizing the risk of displaced deforestation and forest degradation or 'leakage'.

## 4. Project-level environmental and social requirements

The following requirements will apply to all commercial borrowers. The Fund intends also to reach local farmers and smallholders as priority beneficiaries. Acknowledging the prohibitively high operational costs of applying commercial-level E&S requirements to local farmers and smallholders, the Fund will adapt the E&S framework to a level commensurate with the scale of their operations and concomitant potential E&S contribution and potential negative impacts.

### 4.1 Screening of projects and jurisdictions

The purpose of E&S screening is to assist fund committees to select projects and landscapes for investment that are likely to significantly contribute to achieving the core objectives of the fund (see Section 2). Screening should also ensure exclusion of projects with business activities countering any of the fund's core objectives and protect fund partners from reputational risk. A schedule of indicative eligible projects (see Annex 3) and a schedule of excluded activities (Annex 4) will guide the selection of bankable projects that are likely to fulfill the impact framework.

Screening of projects will be done by qualified fund personnel and/or third-party contractors and would entail a preliminary identification and assessment on eligibility with the fund's impact criteria and E&S impact framework. The screening process as described in the Investment Memo of the FPSA Fund: **<to be added later>**.

Identification of priority jurisdictions for investment is primarily decided by Funding partners and a result of their investment (financial and E&S impact) criteria.. In order to maximize chances of success in terms of E&S benefits, minimize risks and foster links between the Fund's Objective 1 and countries' overall efforts to reduce deforestation, restore forests and move towards sustainable agriculture, the Fund has a preference for countries and jurisdictions which have made significant progress<sup>8</sup> under the UNFCCC REDD+ mechanism as a priority for investment<sup>9</sup>. See '*REDD+ and the Fund for Forest Protection and Sustainable Agriculture*', a separate document with further information on how the REDD+ mechanism relates to the Fund's objectives and operations, as well as an overview of the preferred countries and jurisdictions for reference.

In line with a fit-for-purpose approach, categorisation of project E&S benefit and risk potential, serves to inform the level of required E&S management planning, the applicable KPI's for the project and the monitoring (subsection 4.4) required. The E&S assessments, conducted during the screening process, will inform assignment of projects to E&S benefit/risk categories as described below. The screening and measurement approaches are under development and are subject to operational feasibility.

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<sup>8</sup> As evidenced by a government-approved REDD+ strategy, action or investment plan, together with other secured investments for implementation of REDD+ policies and measures in the agricultural sector.

<sup>9</sup> Where relevant and feasible, the Fund, through its fund-level impact monitoring, will explore the opportunities of using and contributing to the operations of national forest monitoring and safeguard information systems developed by countries in the context of REDD+. [REDD+ environmental and social safeguards](#), applied at national and/or jurisdictional levels, can foster project-level sustainability through a more conducive enabling environment comprising: a) enforcement and strengthening of applicable policies, laws and regulations; b) engaging stakeholders through established fora; and c) operational grievance redress mechanism which could be utilised by FPSA-funded projects.

	High benefit potential	Moderate benefit potential	Low benefit potential
High risk potential	Category A	Category A	Category A
Medium risk potential	Category B	Category B	Category A
Low risk potential	Category C	Category C	Category C

- Category A      Projects with moderate levels of both benefit and risk, and projects with high levels of risk but also high potential to yield lasting environmental and social benefits at scale. Require close management and monitoring attention
- Category B      Projects with high levels of E&S contribution potential but moderate potential (or largely easy-to-mitigate or reversible) negative impact, together with moderate-level benefit-potential projects but with low risk levels. Intermediate management and monitoring attention.
- Category C      Projects that are likely to contribute to the fund E&S objectives, with low or moderate potential negative impacts. Basic management and monitoring attention

#### 4.2 Existing and relevant policy, law and regulation compliance

Projects, will need to comply with all applicable policies, laws and regulations (PLRs), related to environmental and social aspects of operations, in the jurisdictions and countries in which they operate.

#### 4.3 Environmental and social policy and standards compliance

Projects under the Fund are required to aim to operate in line with the International Finance Corporation’s Performance Standards on Environmental and Social Sustainability (IFC PS). The nature and the kind of projects eligible under the Fund (e.g. large-scale commercial versus smallholder farms) require a case-by-case approach to identify the feasibility of fully applying the IFC PS, and the most appropriate way to transition towards operating in line with these standards or comply with IFC PS by the time of project termination. All projects receiving commercial debt from Rabobank, or other commercial banks, as part of a Fund project, need to be compliant with the Rabobank Sustainability Policy Framework, in addition to sustainability frameworks of the partnering commercial banks. The Fund will also reference the E&S and corporate social responsibility policies of Funding partners, where relevant and applicable, to the assessment of projects during the initial project assessment phase, and during ongoing project evaluation.

## 4.4 Environmental and social management planning and monitoring

In line with the IFC Performance Standard requirement for an 'Environmental and Social Assessment and Management System', project-level management plans should be developed and informed by recommendations from the benefit/risk assessments conducted during screening. Based on the E&S categorization, projects should prepare an E&S management plan, defining the management and monitoring actions to be taken to maximize benefits in line with the Fund's KPI's and mitigate risks in adherence with adopted good practice standards.

Different categories of projects will be required to develop E&S management and monitoring plans commensurate with the nature, scale and potential intensity of a project's E&S benefits and risks. For smallholders this might be subject to operational feasibility.

E&S management and monitoring plan templates will be developed by the Fund in due course; key elements of such plans may include, but are not limited to:

- i. maps of business assets and activities, forest cover and/or agricultural productivity
- ii. documentation proving legality of land title, in addition to absence of any conflicting land tenure claims that might affect the project
- iii. a stakeholder engagement plan
- iv. description of HCV/HCS forests and their management objectives, including quantitative protection and restoration targets,
- v. selected applicable fund KPI's and contribution to them
- vi. description of E&S monitoring and evaluation framework, including responsibilities across different implementing parties

Management plans will be made available to the investment committee prior to an investment decision being taken. A risk mitigation hierarchy will be adopted in management planning: preventing, minimizing, mitigating, restoring, compensating or offsetting adverse environmental and social impacts. Appropriate legal covenants and reference to applicable frameworks of all parties involved will be included in the loan agreements .

Third party audits can be required in order to ensure, among others, full and correct implementation of E&S management and monitoring plans and quality of reported data.

## Annexes

### Annex 1: Definitions of key terms

**Agroforestry:** a collective name for land-use systems and technologies where woody perennials (trees, shrubs, palms, bamboos, etc.) are deliberately used on the same land-management units as agricultural crops and/or animals - this includes ICLF concepts - in some form of spatial arrangement or temporal sequence. In agroforestry systems there are both ecological and economical interactions between the different components. Agroforestry can also be defined as a dynamic, ecologically based, natural resource management system that, through the integration of trees on farms and in the agricultural landscape, diversifies and sustains production for increased social, economic and environmental benefits for land users at all levels. In particular, agroforestry is crucial to smallholder farmers and other rural people because it can enhance their food supply, income and health. Agroforestry systems are multifunctional systems that can provide a wide range of economic, sociocultural, and environmental benefits.

**Carbon sequestration:** A natural or artificial process by which carbon dioxide is removed from the atmosphere and held in solid or liquid form (Oxford English Dictionary)

**Climate Smart Agriculture:** Climate-smart agriculture (CSA) is an approach that helps to guide actions needed to transform and reorient agricultural systems to effectively support development and ensure food security in a changing climate. CSA aims to tackle three main objectives: sustainably increasing agricultural productivity and incomes; adapting and building resilience to climate change; and reducing and/or removing greenhouse gas emissions, where possible. (FAO, 2010)

**Degraded forest:** a secondary forest that has lost, through human activities, the structure, function, species composition or productivity normally associated with a natural forest type expected on that site. Hence, a degraded forest delivers a reduced supply of goods and services from the given site and maintains only limited biological diversity. Biological diversity of degraded forests includes many non-tree components, which may dominate in the under canopy vegetation (as per [FAO](#) definitions).

**Degraded land:** land that has lost some degree of its natural productivity due to human-caused processes. There is no internationally-approved definition “degraded-land”.

**Displacement (or leakage):** in the context of climate change, occurs when interventions to reduce anthropogenic greenhouse gas emissions within a (subnational or national) area of carbon accounting lead to an increase in emissions outside the boundaries of an accounting area (adapted from [the REDD desk, 2018](#)).

**Forest:** Land spanning more than 0,5 hectares with trees higher than 5 meters and a canopy cover of more than 10%, or trees being able to reach this in situ. It does not include land that is predominantly under agricultural or urban land use. FAO (2012)

**Fund goals:** high-level international commitments on the environment and sustainable development, made by private and public sectors, to which the Fund will make significant and necessary contribution through the establishment and operation of sustainable finance facilities.

**Fund objectives:** the specific E&S aims of the Fund; achieving facility objectives will be the means by which the Fund will contribute to the goals of the adopted international commitments on the environment and sustainable development.

**High Conservation Value:** High Conservation Value Areas (HCVAs) are natural habitats, which are of outstanding significance or critical importance due to their high biological, ecological, social or cultural values. These areas need to be appropriately managed in order to maintain or enhance those identified values. The High Conservation Value (HCV) concept was originally developed by the Forest Stewardship Council (FSC) in 1999 for use in forest management certification. In 2005 the HCV Resource Network was established and the scope was widened from “HCV Forest” to “HCV Area” (HCVA). It is now a keystone principle of sustainability standards for palm oil, soy, sugar, biofuels and carbon, as well as being widely used for landscape mapping, conservation and natural resource planning and advocacy. The HCV approach consists of six Values, which cover environmental and social priorities shared by a wide range of stakeholder groups. As a result of the diverse nature of Values, HCVAs may be part of larger habitats or may be an entire habitat. <http://www.biodiversitya-z.org>

**ICLF:** Different from traditional agricultural rotation methods, Integrated Crop Livestock Forestry Systems (ICLF) are characterized by complex models that include simultaneously production of crop, pasture and forest in the same harvest year, exploring the synergies between them. If well implemented, these systems can decrease demand for land (reducing deforestation pressures), increase carbon stocks and biodiversity on agricultural soils, reduce use of inputs and maximize outputs while, at the same time, promoting higher economic returns. (Oxford English Dictionary)

**Impact criteria:** E&S principles that candidate projects for support by Partnership facilities will need to meet to be eligible for loan and/or grant capital; impact criteria will also be used in screening and categorizing eligible projects for their E&S risk and benefit potential.

**Impact framework:** a hierarchical structure of information, comprising key performance indicators and associated monitoring methods, used to measuring progress towards, and demonstrate achievement of, the Fund’s E&S objectives and goals.

**Inclusive growth:** economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society ([OECD, 2017](#)).

**Key performance indicators:** qualitative and/or quantitative parameters, and levels of E&S performance, that will be periodically measured to demonstrate progress towards, and achievement of, facility objectives.

**Landscape:** a jurisdictional administrative planning unit, which includes areas of essential natural capital and key production systems. These must be large enough to capture economic, environmental and social goals, yet small enough to make implementation feasible. Examples include one or more contiguous districts, provinces, states (adapted from [Conservation International, undated](#)).

**Livelihood:** the term “livelihood” refers to the full range of means that individuals, families, and communities utilize to make a living, such as wage-based income, agriculture, fishing, trading, logistics and micro services.

**Natural forest:** a forest composed of indigenous trees and not classified as forest plantation (as per [FAO](#) definitions)

**Project:** the term projects as used in this E&S framework are either projects in the sense of a) investments in new operations / production sites b) investments to improve existing agricultural production sites; b) programs supporting supply chain programs of companies active in F&A supply chains. The Fund terminology defines a project as follows: An individual or collaborative enterprise that is carefully planned to achieve a particular aim.

**Savannah:** Lands with herbaceous understory, typically graminoids, and with /shrub cover between 10-30%. The tree/shrub cover height exceeds 2 meters; FAO.

**Secondary forest:** A secondary forest is a forest that has been logged and has recovered naturally or artificially. Not all secondary forests provide the same value to sustaining biological diversity, or goods and services, as did primary forest in the same location. In Europe, secondary forest is forest land where there has been a period of complete clearance by humans with or without a period of conversion to another land use. Forest cover has regenerated naturally or artificially through planting (as per [FAO](#) definitions).

**Sustainable agriculture:** No definitive internationally accepted definition of sustainable agriculture exists, although sustainable agricultural development is defined as *‘the management and conservation of the natural resource base, and the orientation of technological and institutional change in such a manner as to ensure the attainment and continued satisfaction of human needs for present and future generations’* ([FAO, 1995](#)).

**Sustainable landscape:** a landscape where essential natural capital is maintained by promoting the use of best practices in planning, production and local management decision-making processes to ensure the healthy provision of ecosystem services and the improvement of human well-being. Over the long run, a sustainable landscape is characterized by zero net deforestation, with all land under some form of management regime, leading to quantifiable improvements in local human well-being. This includes sustainably financed protection of essential natural capital and development of sustainable production areas (adapted from [Conservation International, undated](#)).

**Zero (net) deforestation:** Zero (net) deforestation’ acknowledges that some forest loss could be offset by forest restoration. ‘Zero (net) deforestation’ is not synonymous with a total prohibition on forest clearing. Rather, it leaves room for change in the configuration of the land-use mosaic, provided the net quantity, quality and carbon

density of forests is maintained. It recognizes that, in some circumstances, conversion of forests in one site may contribute to the sustainable development and conservation of the wider landscape (e.g. reducing livestock grazing in a protected area may require conversion of forest areas in the buffer zone to provide farmland to local communities). 'zero (net) deforestation' is not achieved through the conversion of primary or natural forests into fast growing plantations. Such conversion would count as deforestation in assessing progress against the target."

## Annex 2 Relevant actions, aims, goals, indicators and targets of primary policy commitments to which the Fund will contribute

### 2a Sustainable Development Goals, Targets and Indicators<sup>10</sup>

#### **Goal 2 End hunger, achieve food security and improved nutrition and promote sustainable agriculture**

- Target 2.3** By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment
- Indicator 2.3.1 Volume of production per labour unit by classes of farming/pastoral/forestry enterprise size
- Indicator 2.3.2 Average income of small-scale food producers, by sex and indigenous status
- Target 2.4** By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality
- Indicator 2.4.1 Proportion of agricultural area under productive and sustainable agriculture

#### **Goal 15 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss**

- Target 15.1** By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements
- Indicator 15.1.1 Forest area as a proportion of total land area
- Target 15.3** By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world
- Indicator 15.3.1 Proportion of land that is degraded over total land area

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<sup>10</sup> [https://unstats.un.org/sdgs/indicators/Global%20Indicator%20Framework\\_A.RES.71.313%20Annex.pdf](https://unstats.un.org/sdgs/indicators/Global%20Indicator%20Framework_A.RES.71.313%20Annex.pdf)

**Goal 17 Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development**

- Target 17.3 Mobilize additional financial resources for developing countries from multiple sources
- Indicator 17.3.1 Foreign direct investment (FDI), official development assistance and South-South cooperation as a proportion of total domestic budget
- Target 17.4 Assist developing countries in attaining long-term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief and debt restructuring, as appropriate, and address the external debt of highly indebted poor countries to reduce debt distress
- Indicator 17.4.1 Debt service as a proportion of exports of goods and services
- Target 17.7 Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favourable terms, including on concessional and preferential terms, as mutually agreed
- Indicator 17.7.1 Total amount of approved funding for developing countries to promote the development, transfer, dissemination and diffusion of environmentally sound technologies
- Target 17.11 Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020
- Indicator 17.11.1 Developing countries' and least developed countries' share of global exports

2b Aims of the United Nations Framework Convention on Climate Change Paris Agreement<sup>11</sup>

Strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, by:

- a) Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;
- b) Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and
- c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

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<sup>11</sup> [http://unfccc.int/files/essential\\_background/convention/application/pdf/english\\_paris\\_agreement.pdf](http://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf)

## 2c New York Declaration on Forests

### Action Agenda for Companies and Business Associations<sup>12</sup>

- Commit to eliminate deforestation from their supply chains, including third party suppliers, as soon as possible, and collectively by no later than 2020. Leading consumer goods companies, commodity producers and traders have already committed to ambitious timelines to phase out deforestation, some with immediate effect. More companies should be encouraged to follow suit, including companies from other sectors such as animal feedstuffs, construction and food service.
- Adopt the highest possible standards for forest conservation particularly as they relate to protection of high carbon stock landscapes, no expansion onto peat lands and the protection of human rights and land rights.
- Strengthen and expand commitments by banks and other financial institutions, building on the work of the Banking Environment Initiative. This includes rolling out financial instruments to support sustainable commodity production and trade, and deforestation-free banking operations and standards.
- Commit to invest in and purchase commodities preferentially from countries and jurisdictions that have ambitious plans to halt deforestation and that succeed in reducing emissions.
- Commit to clear, quantifiable emissions reduction targets in their agricultural value chains.
- Evaluate and disclose the deforestation footprint of their sectors and organizations, with a view to creating greater transparency and understanding, and stimulating implementation of solutions.

### Forests Progress Assessment goals, criteria and indicators

#### **Goal 1: At least halve the rate of loss of natural forests globally by 2020 and strive to end natural forest loss by 2030**

Criterion 1: Rate of forest loss

Indicator 1.1: Annual gross forest loss

Indicator 1.2: Annual net forest change

Indicator 1.3: Gross tropical deforestation and associated carbon emissions

#### **Goal 2: Support and help meet the private-sector goal of eliminating deforestation from the production of agricultural commodities such as palm oil, soy, paper, and beef products by no later than 2020, recognizing that many companies have even more ambitious targets**

Criterion 1: Forest-related commitments by companies

Indicator 1.1: Commitments by companies

Criterion 4: Impact on deforestation

Indicator 4.1: Reduction of deforestation associated with a particular commodity

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<sup>12</sup> <http://www.un.org/climatechange/summit/wp-content/uploads/sites/2/2014/07/New-York-Declaration-on-Forest-%E2%80%93-Action-Statement-and-Action-Plan.pdf>

**Goal 8: Provide support for the development and implementation of strategies to reduce forest emissions**

Criterion 2: Private investment targeted at reducing forest emissions

Indicator 2.2: Investments in sustainable commodity production and conservation

**Goal 9: Reward countries and jurisdictions that, by taking action, reduce forest emissions—particularly through public policies to scale-up payments for verified emission reductions and private-sector sourcing of commodities**

Criterion 2: Support for supply chain efforts to incentivize reduced forest emissions

Indicator 2.1: Public and private sector support for jurisdictional-sourcing initiatives in the context of zero-deforestation commitments

## Annex 3: Schedule of indicative projects

Projects eligible for investment financing under the Fund will need to contribute to one or both of the Funds objectives forest protection and reforestation sustainable agriculture, and always to the objective on – improved rural livelihoods . To this end, the types of project the Fund may finance could include, *inter alia*:

### **Core activities:**

- Agroforestry / Integrated Crop-Livestock Forest Systems
- Commodities that are key drivers of deforestation and forest degradation and/or climate change mitigation. This includes amongst others: Palm oil, soy, beef, timber, cocoa, rubber, coffee, rice (and potentially also tea, corn/maize)
- Inclusive agricultural (commodity) value chains targeting local farmers and smallholders
- Forest landscape restoration and reforestation, including accelerated forest landscape restoration and reforestation as part of legal reforestation obligations
- Sustainable management of forests
- Stimulating carbon sequestration through natural or artificial processes
- Climate Smart Agriculture related projects. Climate Smart Agriculture (CSA) is an approach that helps to guide actions needed to transform and reorient agricultural systems to effectively support development and ensure food security in a changing climate. CSA aims to tackle three main objectives: sustainably increasing agricultural productivity and incomes; adapting and building resilience to climate change; and reducing and/or removing greenhouse gas emissions, where possible.

### **Subsequent activities related to Core activities:**

- Optimisation of water management
- Improved soil fertility
- Renewable energy projects (may include wind and solar energy; not necessarily connected to land use)

## Annex 4: Schedule of excluded activities

The Fund will not invest in projects of companies that are engaging in or related to the activities listed below:

- Operations in nationally and internationally legally protected or preserved areas including but not limited to UNESCO World Heritage Sites and Wetlands on the Ramsar list
- Operations in primary tropical moist forests, High Conservation Value (HCV) areas or High Carbon Stock (HCS) forests and critical natural habitats, where the operations result in significant degradation or conversion
- Harvesting or trading tree species protected under Appendix I of the Convention on International Trade Endangered Species of Wild Fauna and Flora (CITES<sup>13</sup>)
- Peatland operations: Agricultural development on peatlands on a large scale
- Not respecting the right of Free Prior and Informed Consent of indigenous people
- Logging or purchase of logging equipment for use in primary tropical moist forest
- Use of fires for clearing forest/or land
- The development, production, trade, marketing, sales, distribution, transport and maintenance of controversial weapons and munitions<sup>14</sup>:
- Production of or trade in Pharmaceuticals, pesticides/herbicides<sup>15</sup>, ozone depleting substances<sup>16</sup>, PCBs<sup>17</sup> subject to international phase outs or bans
- Production or trade in or use of unbounded asbestos fibres<sup>18</sup>
- Traditional foie gras production and trade
- Manufacturing of tobacco products
- Activities in the nuclear fuel production cycle (uranium mining, production, enrichment, storage or transport of nuclear fuels) and production of or trade in radioactive materials. This does not apply to: (i) the purchase of medical equipment, quality control (measurement) equipment and any equipment where the Fund considers the radioactive source to be trivial and/or adequately shielded

If during the term of an Investment, the Fund becomes aware of any Investment with substantial involvement in an activity specified on the Exclusion List, the Fund will take appropriate action (including consultation with the investment counterparty to remedy this issue, consultation with stakeholders, divestment etc.)

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<sup>13</sup> CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora. The lists of CITES protected species are available at [www.cites.org/eng/app/index.shtml](http://www.cites.org/eng/app/index.shtml)

<sup>14</sup> Rabobank's armaments industry policy (see sustainability policy framework) defines controversial armaments (controversial weapons) as weapons that are indiscriminate in nature causing civilian casualties and/or weapons that cause large numbers of civilian casualties, often for many years after the conflicts in which they were deployed have ended. These are : anti-personnel mines, cluster munitions, nuclear weapons, chemical weapons, biological weapons, white phosphorus used in incendiary weapons or munitions, and depleted uranium ammunition. More information on these weapons can be obtained from Rabobank's [sustainability policy framework](#).

<sup>15</sup> Reference documents include EU Regulation (EEC) No 2455/92 Concerning the Export and Import of Certain Dangerous Chemicals, as amended; UN Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; WHO Classification of Pesticides by Hazard

<sup>16</sup> Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicised 'ozone holes'. The Montreal Protocol lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents, together with details of signatory countries and phase out target dates, is available from IFC or EBRD

<sup>17</sup> PCBs: Polychlorinated biphenyls—a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985

<sup>18</sup> This does not apply to the purchase and use of bounded asbestos cement sheeting where the asbestos content is less than 20%.

In addition, the Fund will not participate or invest in an Investment if such participation or investment would cause the Fund to become involved in violations of the human rights that are specified by the United Nations' Universal Declaration of Human Rights, and labour rights as specified by the United Nations/International Labour Organisation (ILO) core conventions and such involvement could be known to the Fund with reasonable commercial effort.

Other activities and/or investments may be added to the Fund's exclusions list from time to time.

## Annex 5: Good practice environmental and social standards and guidance that could be applied to the Fund

Section 4.3 indicates the minimum E&S standards requirements to be applied to projects financed by the Fund. The list below complements mandatory standards compliance (*what to do*) by offering a library of useful implementation guidance materials to help projects to meet (*how to do*) the requirements of the Fund. Additional guidelines, specific to individual commodities, can be considered.

### International convention and standards on responsible business conduct

- i. UNCTAD/FAO/IFAD/World Bank Principles for Responsible Agricultural Investment (PRAI)
- ii. FAO Voluntary Guidelines for the Responsible Governance of Tenure of land, fisheries and forests (VGGT)
- iii. Equator Principles
- iv. UN Guiding Principles on Business and Human Rights (OHCHR)
- v. OECD Guidelines on Multinational Enterprises
- vi. Principles for Responsible Investment in agriculture and food systems (CFS-RAI)
- vii. ILO standards on forced labour and child labour
- viii. UN Global Compact Principles for Sustainable Investment
- ix. Credible sustainability standards and/or certification schemes<sup>19</sup> (i.e. that are member of or subscribe to ISEAL alliance).

### Good practice guidance documents

- i. CCBA - CCBS/REDD+ SES/ (new) Sustainable Landscapes Rating Tool
- ii. Natural Capital Protocol<sup>20</sup>
- iii. Vital Signs (Africa only)
- iv. AFD Guide to the Due Diligence of Agribusiness Projects (Africa only)
- v. Interlaken Group – various guidance documents on respecting Land and Forest Rights
- vi. Sustainable Landscapes Rating Tool

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<sup>19</sup> General description that covers all kinds of relevant product standards, such as UTZ, RSPO, Better Cotton, SAN

<sup>20</sup> <http://naturalcapitalcoalition.org/protocol/>