Terminal Evaluation of the Land Use Finance Project: Leveraging private finance to systematically transition to sustainable land use decoupled from deforestation, climate and ecosystem impacts (PIMS ID 2009, 113.4, SMA ID 37605)

Evaluation Office of the United Nations Environment Programme

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Photos Credits:
Front cover: Fragmented/degraded land and oil palm trees in the landscape around the RLU site in Tebo, Jambi Province, Indonesia.

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Land Use Finance
(PIMS ID 2009/ SMA ID 37605)
(Date 12/2025)

Acknowledgements

This Terminal Evaluation was prepared for UNEP by an evaluation team of two external evaluation specialists lead by a principal evaluator, Dr. Ines Freier. The evaluators would like to express their gratitude to all persons met and who contributed to this evaluation, as listed in Annex VII.

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The evaluation consultants hopes that the findings, conclusions and recommendations will contribute to the successful finalisation of the current project, formulation of a next phase and to the continuous improvement of similar projects in other countries and regions.

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Brief consultant biography

Dr. Ines Freier has more than 15 years of experience in planning, implementing and evaluating environmental projects. Among the assignments have been the evaluation of projects using a theory of change approach. She has previous experience with evaluation of GEF projects and was a team member of an evaluation of private sector engagement in GEF projects conducted by the GEF Independent Evaluation Office. Methods of evaluation included literature reviews, personal and telephone interviews, e-mail questionnaires and visits to projects consulting beneficiaries of the project and advising to governments and stakeholders. Her working experience covers Eastern Europe, Latin America, and Asia. Several of the assignments focused on innovation, private sector engagement, sustainable value chains and biodiversity conservation.

Dr. Rajan Kotru is an innovative, strategic and passionate senior international sustainable development expert, with a career spanning over 33 years and experience and expertise gained across South Asia, Europe, India and the USA. The initiation and development of ground-breaking transboundary landscapes and relationships is a specialism, founded on integrity, ethics, transparency and diplomacy, resulting in the mobilising of opposing national and local governments and private sector actors to form partnerships and the meaningful engagement for climate solutions and actions. Has mixed his development experience with research and education with renowned universities and institutions across the globe and in South Asia. Key advisor to national and international sustainable development policy influencing and champion of climate smart, eco-friendly solutions including at "Landscape Scale" in a rural development and sustainable natural resource management context; dedicated to the resilience of local communities to climate change and restoration and sustenance of ecosystem services.

About the Evaluation

Joint Evaluation: No

Report Language: English.

Evaluation Type: Terminal Evaluation

Brief Description: This report is a Terminal Evaluation of the UNEP Land Use Finance project implemented between 2018 and 2024.The project's overall development goal was for *"Countries to increasingly adopt and implement forest-friendly policies and measures that deliver quantifiable emissions reductions as well as social and environmental benefits"*. By partnering directly with private sector entities in the agricultural, finance and other sectors, UNEP aimed to support member countries to proactively transition to sustainable land use management at scale by providing (bottom-up) economic and financial incentives to smallholder farmers, supply chain companies, traders and finance institutions to systematically include climate, nature, social and restoration targets.

The evaluation sought to assess project performance (in terms of relevance, effectiveness and efficiency), and determine outcomes and impacts (actual and potential) stemming from the project, including their sustainability. The evaluation has two primary purposes: (i) to provide evidence of results to meet accountability requirements, and (ii) to promote learning, feedback, and knowledge sharing through results and lessons learned among UNEP, and the relevant agencies of the project participating countries.

Source(s) of Funding by Country: Norway, the United Kingdom, Luxemburg, Germany

Source(s) of Funding by Institution Type:

Foundation/NGO	Yes
Private Sector	Yes
UN Body	Yes
Multilateral Fund	No
Environment Fund	No

Key words: Sustainable land use, forest management, forest financing, finance facility, reforestation.

Primary data collection period: January – April 2025

Field mission dates: 21st of April to 30th of April 2025

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List of acronyms and abbreviations

ADB	Asian Development Bank
AGRI 3	The AGRI3 Fund
BAPPENAS	Ministry of National Development Planning (Indonesia)
BRB	Restoration & Bioeconomy Finance Coalition (Brazil)
BRL	Brasilia Real
CIFOR	Center for International Forestry Research
CFU	Climate Finance Unit
COP	Conference of the Parties
DFI	Development Finance Institution
DRC	Democratic Republic of the Congo
EA	Expected Accomplishment
ELD	Economics of Land Degradation
EOU	Evaluation Office of UNEP
ESAP	Environmental and Social Action Plan
ESG	Environmental, Social, and Governance
ESKEN	Environmental and Social Knowledge Exchange Network
EMCAF	Emerging Market Climate Action Fund
ESMS	Environmental and Social Management System
EU	European Union
EUDR	European Union Deforestation Regulation
FAO	Food and Agriculture Organisation
FI	Finance Initiative (of UNEP)
FOLUR	Food Systems, Land Use and Restoration Impact Program
FMO	Dutch Entrepreneurial Development Bank
GCF	Green Climate Fund
GE	Green Economy
GEF	Global Environment Facility
GPSNR	Global Platform for Sustainable Natural Rubber
HCV	High Conservation Value
HCS	High Carbon Stock
IBAMA	Brazilian Institute of Environment and Renewable Natural Resources
IC	Investment Committee
ICF	Luxembourg International Climate Finance
ICRAF	International Centre for Research in Agroforestry
IDH	The Sustainable Trade Initiative
IFACC	Innovative Finance for the Amazon, Cerrado and Chaco
IFAD	International Fund for Agricultural Development
IFC PS	International Finance Corporation Performance Standards
IKI	International Climate Initiative
IPMR	Integrated Planning, Monitoring and Reporting

IUCN	International Union for Conservation of Nature
JEC	Jurisdictional Eligibility Criteria
JECA	Jurisdictional Eligibility Criteria Assessment
KPI	Key Performance Indicators
LFA	Logical Framework Approach
LPP	Landscape Protection Plans
MAPA	Ministry of Agriculture and Livestock (Brazil)
MEA	Multilateral Environmental Agreement
MFA	Ministry of Foreign Affairs of the Netherlands
MoFA	Ministry of Foreign Affairs
MoU	Memorandum of Understanding
MRV	Monitoring, Reporting, Verification
MTR	Mid Term Review
MTS	Medium Term Strategy
NBS	Nature Based Solutions
NDCs	Nationally Determined Contributions
NDPE	No Deforestation, No Peatland Expansion, No Exploitation
NGO	Non-Governmental Organisation
NICFI	Norway International Climate and Forest Initiative
PIMS	Programme Information and Management System [UNEP]
PM	Project Manager [UNEP]
PoC	Proof of Concept
PoW	Programme of Work
PRC	Project Review Committee (internal UNEP committee that approves new projects)
ProDoc	Project Document (must be reviewed by PRC before any project can be undertaken, with the approval of the managing division director)
RCF	Responsible Commodities Facility
REDD+	Reducing Emissions from Deforestation and Forest Degradation in developing countries
RIMBA	**Ri** au, Ja**m** bi and Sumatera **Ba** rat provinces in Sumatra
RLU	Royal Lestari Utama
ROI	Return on Investment
ROLAC	Regional Office for Latin America and the Caribbean (UNEP)
RSCF	Restoration Seed Capital Facility
RToC	Reconstructed Theory of Change
SACF-FLR	Seed Capital Assistance Facility: Unlocking Private Finance for Forest Landscape Restoration (PIMS ID 2100)
SC	Sustainable Consumption
SD	Sustainable Development
SDG	Sustainable Development Goals
SIDA	Swedish International Development Cooperation Agency
SMA	Strategic Management Application (UNEP project ID)
SMART	Specific, Measurable, Achievable, Relevant, and Time-bound

SME	Small and Medium-sized Enterprise
TA	Technical Assistance
TAF	Technical Assistance Facility
TLFF	Tropical Landscapes Finance Facility
TLGF	Tropical Landscapes Grant Fund
TNC	The Nature Conservancy
ToC	Theory of Change
ToR	Terms of Reference
UNDA	United Nations Development Account
UNDAF	United Nations Development Assistance Framework
UNDECADE	United Nations Decade on Ecosystem Restoration
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNSDCF	United Nations Sustainable Development Cooperation Framework
USD	United States Dollar
WBCSD	World Business Council for Sustainable Development
WCA	Wildlife Conservation Area
WCMC	World Conservation Monitoring Centre
WEF	World Economic Forum
WWF	World Wildlife Fund for Nature

This list does not include acronyms and abbreviations that are used only in the report's two case studies in Annex I and II.

Glossary of blended finance terms

Additionality: The contribution of an intervention that is beyond what is available, or that is otherwise absent from the market, and that does not crowd out the private sector.

Blended finance: The strategic use of public or philanthropic capital to mobilize private sector investment toward sustainable development. It refers to the structuring of financial instruments—not a specific asset class or investment strategy.

Blueprint: A strategic plan that outlines the structure, capital mix, and risk-sharing approach of a blended finance vehicle, serving as a model for design, implementation, and potential replication.

Bond: A bond is a financial instrument that enables an entity – usually a government, a company or a financial institution – to raise money through debt capital – in essence, borrowing the money. The entity needing the money now issues the bond and agrees to pay the lenders an agreed interest on a regular basis until the term of the bond expires. This enables the borrower to use the money immediately for current expenditure or long-term investments. In the case of green or sustainability bonds, the borrowed capital is earmarked for projects that deliver environmental and/or social benefits, and the issuer must meet specific standards or frameworks—such as the ICMA Green Bond Principles or Sustainability Bond Guidelines—to demonstrate responsible use of proceeds.

Business case: the rationale for investing private capital in a given project, company or fund, outlining the financial, environmental, and social returns of an investment.

Commodities: natural resources and agricultural products—such as palm oil, cocoa, coffee, soy, beef, or timber—that are produced, traded, and consumed globally.

Convertible debt: This is a lower-risk form of investment where the investor wants to reserve the right to change their loan into a shareholding, ie take an equity position, of an enterprise, if the business meets certain targets or shows continued promise.

Catalytic capital: Concessional investments—such as debt, equity, or guarantees—that accept higher risk or lower returns to unlock private capital and enable impact that would not occur otherwise.

Concessional capital: Capital offered on below-market terms to improve the overall financing conditions for a project. It can be structured as low-interest loans, equity, grants, or guarantees, and is typically used to attract commercial investors by reducing risk or cost.

ESG criteria: Environmental, Social, Governance (ESG) is a set of standards that investors can use to screen potential investments. Environmental criteria look at the environmental impact of a company. Social criteria focus on how a company manages its relationships with its employees, customers, partners and service providers. Governance criteria deal with how operations are managed: e.g. promotion process, executive pay, audits, internal controls and shareholder rights.

Finance facility: A structured platform or fund—often combining multiple financial instruments and funding sources—that channels capital toward specific environmental or developmental goals.

Finance institutions: Entities that provide financial services, including capital deployment, credit, and guarantees. In blended finance, this includes Development Finance Institutions (DFIs) such as the IFC, FMO, or KfW. UNEP partners with such institutions to structure blended vehicles, scale concessional capital, and mainstream environmental risk into financial decision-making.

First loss: A credit enhancement mechanism in which a donor, DFI, or concessionary investor agrees to absorb initial losses in a blended finance structure, de-risking the investment for commercial investors.

Guarantees: Risk-sharing agreements where a guarantor agrees to pay part of or the entire amount due on a loan, equity or other instrument in the event of non-payment by the borrower or loss of value in case of investment

Junior capital: a subordinated layer of capital in a blended finance structure, meaning it absorbs losses first and is repaid after senior capital. Often provided by public, philanthropic, or development finance institutions. Junior capital may include first-loss guarantees, subordinated debt, or equity stakes. It plays a catalytic role, enhancing the risk-return profile for senior (commercial) investors.

Landscape Protection Plan: a comprehensive, long term land use and management plan developed by the prospective client in conjunction with key stakeholders covering all areas of high carbon stock and high conservation value forest and peatlands within the Project Area and valid throughout the Project Duration.

Leverage rate: The ratio of concessional capital to commercial capital in a financial transaction. Commercial capital can include capital from private, public, and philanthropic sources.

Liquidity: Liquidity refers to a market's ability to allow assets to be bought and sold easily and quickly. In various emerging and frontier markets, market liquidity is often weak or non-existent, which prevents an investor from getting their money out when they need it.

Mezzanine finance: A hybrid form of financing that sits between debt and equity. It often includes subordinated debt or preferred equity and may convert to equity if the borrower defaults.

Mobilization rate: The ratio of concessional capital (below-market-price) to commercial capital from only private sector sources

Patient capital: Most investors want a reasonably quick return on their investment – generally around 2 years. Patient capital refers to a situation whereby the investor is happy to take a much longer-term position.

Recoverable grant: Grant that must be repaid under certain pre-agreed conditions. It combines features of grants and loans to support early-stage or high-risk initiatives.

Results-based financing (RBF): A funding mechanism where payments are tied to the achievement of pre-agreed outputs or outcomes, incentivizing performance and impact.

Risk-adjusted returns: The expected financial return on an investment after accounting for associated risks. In blended finance, tools like guarantees and first-loss capital help improve the risk-return profile to attract investors to higher-risk markets.

Senior debt: A loan that takes precedence over other forms of debt and all types of equity investment.

Subordinated: see definition for "junior".

Special Purpose Vehicles (SPVs): These can be any fit-for-purpose structure that enables the secure and legal transfer and management of funds with a specific mandate.

Technical assistance: Serves to reduce operational risks and is typically observed as a by-product of capital deployment. Technical assistance can take many forms, such as mentorship or resource provision, and is crucial to ensuring that projects retain independence and self-sustainability after the exit of the blended finance structure. TA facilities may be funded through catalytic capital.

Waterfall: In blended finance, a waterfall is the order in which different investors or stakeholders are repaid from a pool of capital or project revenues. It defines how returns, principal, or cash flows are distributed among the capital providers. The senior tranches (e.g., commercial investors) are typically repaid first, while the junior tranches (e.g., concessional capital providers or donors) are repaid last, often taking on more risk to attract private capital.

Project identification

Table 1: Project Identification Table

<table>
<tr><td>UNEP PIMS ID/SMA[1] ID:</td><td>2009</td><td colspan="2">Grant ID[2] (if applicable):</td><td></td></tr>
<tr><td>UNEP Management (Division/Branch/Unit):</td><td colspan="4">Ecosystems Division (moved to Climate Change Division, Adaptation and Resilience Branch, Climate Finance Unit as of 1 February 2024)</td></tr>
<tr><td>Implementing Partners:</td><td colspan="4">Frankfurt School of Finance and Management (UNEP collaborating centre) until February 2024
&Green Fund/Sustainable Trade Initiative (IDH)
BNP Paribas
Rabobank
Dutch Development Bank (FMO)
Mirova Natural Capital (Althelia Ecosphere)
Sustainable Investment Management (SIM): Responsible Commodities Facility
AGRI3 Fund
UNEP-WCMC
GIZ and WEF
Farmstrong
Earthworm
CIFOR
WBCSD</td></tr>
<tr><td>Sources of Funding:</td><td colspan="2">Country[3](ies):

Germany
Italy
Luxembourg
Netherlands
Norway
Sweden
Belgium</td><td colspan="2">Institution[4] Name/Type:

Norway Trust Fund
SIDA Trust Fund
Luxembourg
Germany (IKI)
GEF IUCN JI
AGRI3 Fund (Dutch Government)
Italy
TNC (Moore Foundation)
GEF (GEF ID 9719)</td></tr>
<tr><td>Relevant SDG(s):</td><td colspan="4">SDG 12.6; SDG 13.2; SDG 15.2, 15.3, 15.5, 15.a and SDG 17.3 and 17.17
Other relevant SDGs, which this project indirectly contributes to:
- SDG 1.4 & 1.a, 2.4, 2.c, 5.1, 6.4, 6.6</td></tr>
<tr><td>MTS (all that apply):</td><td>2018-2021; 2022-2025</td><td colspan="2">UNEP approval date:</td><td>26 April 2018</td></tr>
<tr><td>POW Direct Outcome(s) number/reference (applicable for projects approved from 2022):

OR

POW Output(s) number/reference (applicable for projects approved pre-2022)</td><td>POW Direct Outcome:

1.2 Carbon neutrality and resilience are integrated into climate planning and policy/regulatory frameworks at all levels.

1.5 Private and public finance flows are aligned with the</td><td colspan="2">MTS 2025 Outcome(s) number/reference (applicable for projects approved from 2022):

OR

POW Expected Accomplishment(s) number/reference (applicable for projects approved pre-2022):</td><td>MTS 2025 Outcome:
1A: Decision makers at all levels adopt decarbonization, dematerialization and resilience pathways.

1B: Countries and stakeholders have increased capacity, finance and access to technologies.

Nature Action SP:

2A: Economically and socially sustainable pathway to halt and reverse the loss of</td></tr>
</table>

[1] SMA refers to the ID provided by the Integrated Planning, Management and Reporting Solution (IPMR) system, which was introduced by UNEP in July 2023.
[2] For example, ID references from EC, IKI, UNDA, Adaptation Fund, GCF.
[3] Where applicable, countries are listed who have provided project funds and/or co-finance.
[4] Indicates funding institutions as of the following: Foundation/NGO; Private Sector; UN Body; Multilateral Fund; Environment Fund; Other.

	goals of the Paris Agreement. *2.2 Public and private sector financial flows contribute to improved ecosystem management.* *2.9 Institutional capacity enhances and accountability frameworks strengthened to adopt and act on national and international commitments.*		*biodiversity and ecosystem integrity established*
	POW Output:		*POW Expected Accomplishment:*
Subprogramme:	Climate Action; Nature Action; Finance and Economic Transformation	**Programme Coordination Project:**	Conservation, Restoration and Sustainable Use of Biodiversity
***Expected* start date:**	April 2018	**Actual start date:**	25 April 2018
***Planned* completion date:**	December 2024 (81 months)	**Actual operational completion date:**	December 2024 as per Rev. #4 of ProDoc
***Planned* total project budget[5] at approval:**	USD 11,355,039	**Actual total expenditures reported as of [date]:**	USD 8,501,072.58
***Planned* Extra-budgetary Funds[6]:**	*Cash: USD51,469,415* *In-kind: USD444,080*	**Secured Extra-budgetary Funds:**	*Cash: USD50,976,460* *Rev. 4: USD10,862,084* *In-kind: USD444,080*
		Actual Extra-budgetary Funds expenditures reported as of [date]:	*Cash: USD8,501,052.58*
First disbursement:		**Planned date of financial closure:**	*Estimated 1 year after operational completion.*
No. and dates of formal project revisions:	4	**Date of last approved project revision:**	28 June 2024
No. of Steering Committee meetings:		**Date of Last Steering Committee meeting:**	
Mid-term Review/ Evaluation budgeted:	2022	**Mid-term Review/ Evaluation (actual date):**	August 2022
Terminal Evaluation *(planned date):*	June 2024	**Terminal Evaluation (actual date):**	August 2024
Coverage – Implementing Country(ies):	Argentina, Brazil, Costa Rica, Côte	**Coverage – Implementing Region(s):**	Africa, Asia and the Pacific and Latin America and the Caribbean

[5] Total budget may include; Regular Budget, Environment Fund, Extra-Budgetary, including 'softly-earmarked' etc.
[6] Extra-budgetary funds may include co-finance (cash/in-kind)

	d'Ivoire, Indonesia, Paraguay, Viet Nam		
Dates of previous project phases:	Inquiry into the Design of a Sustainable Financial System: Policy Innovations for a Green Economy project (PIMS 01661) as basis, but no direct predecessor, 9 January 2014-31 December 2021	**Status of future project phases:**	Scaling up private finance towards 'net zero, nature positive' land use: a 3-stage approach [LUF Phase 2], PRC approved, 30 December 2024 – 30 June 2028

Executive Summary

Project background

1. The Land Use Finance (LUF) project was implemented from 2018 to 2024. Its objective was that "countries increasingly adopt and implement forest-friendly policies and measures that deliver quantifiable emissions reductions as well as social and environmental benefits". It aimed at "positive environmental and social impacts achieved in terms of landscape resilience (SDG 15), climate change mitigation (SDG 13) and indirect contribution towards improved long term rural income/livelihoods (SDG 1)". The planned budget of the LUF project was USD 11.7 M, the spent budget was USD 8.5 M as of 30th of June 2025. The project document had three revisions, the fourth revision extended the project by six months. A follow-up project is operational since January 2025.

2. Gaps in finance required to achieve SDGs, climate goals and food security are well documented. The rationale for the project was to contribute to closing the finance gap for climate change mitigation based upon the Addis Ababa consensus on Development Finance. Its main activities, under Outcome 1, were supporting the design, establishment and implementation of blended finance facilities in order to leverage private sector funds for the conservation of tropical forests along the value chains of large multinational companies. Blended finance was used to de-risk and incentivize investments into deforestation-free commodity production. The project was also working, under Outcomes 2 and 3, with finance institutions, food/agribusiness consumer goods companies and governments to promote sustainable land use finance.

This evaluation

3. The evaluation sought to assess project performance (in terms of relevance, effectiveness and efficiency) and determine the sustainability of its results. It assesses performance against the OECD-DAC evaluation criteria and assigns a score from a six-point scale. The evaluation has two primary purposes: accountability about the results to a wider public, addressing concerns from the international press and providing learning for further engagement of UNEP in similar initiatives.

4. Data collection methods included: field observations, semi-structured interviews with key stakeholders, and document reviews. Data analysis was based on applying triangulated data to assess performance against a reconstructed Theory of Change (ToC) and its causal pathways. A field study was conducted in Indonesia with interviews in Jakarta and the Province of Jambi and field observations at RLU investment site in Jambi. For the Brazil case study, where most of the financing facilities operate, semi-structured online interviews were conducted as well as an extensive literature review.

Key findings and performance ratings

5. The project delivered its outputs including fundraising of public funds to make financing facilities operational, providing access to relevant technical assistance to Governments in countries where finance facilities invest in sustainable land use and publishing the State of Finance for Nature Reports.

6. The project contributed to landscape resilience (SDG 15) and climate change mitigation (SDG 13). It also contributed to SDG 17 by creating partnerships to achieve SDGs. Contributions to SDG 1 are limited due to limited involvement of vulnerable groups and smallholders.

Achievements towards Outcome 1: Finance facilities are operational and unlocking private capital by banks/ investors/ agribusinesses and other institutions towards gender inclusive sustainable land use. Achieved.

7. The LUF project supported five blended finance facilities: the Tropical Landscapes Finance Facility (TLFF), the &Green Fund, AGRI3, Restoration Seed Capital Facility (RSCF[7]) and Responsible Commodities Facility (RCF). Each of the facilities piloted different tools to catalyze or leverage private investment and targeted different segments of the value chain: the TLFF was set up to structure green bonds[8], &Green provides long-term debt and guarantees to agribusiness, AGRI3 provides guarantees to financial intermediaries (initially Rabobank then diversified to include other banks and finance institutions) who then commit to lending to agribusiness, RSCF (now with another project) helps new fund managers raise funds and identify a pipeline by giving them grants and reimbursable grants, and RCF provides concessional loans to soy farmers who agree to not deforest areas which they would legally be allowed to deforest.

8. At the time of evaluation, &Green, AGRI3, and RCF had expanded beyond their initial capitalization and mobilized public funds from multilateral institutions and, to a much lesser degree, from private sector actors. The facilities have unlocked private capital at fund and investment level to different degrees. The main challenges for the facilities were fundraising from private investors and finding suitable investment deals.

9. Today, four of the five supported facilities are fully operational (& Green, AGRI3, RCF and RSCF). Note that RSCF remains operational, but under another project. One facility has been dissolved due to lack of suitable investment projects in 2023 (TLFF). In 2024, support for the investment partnership (the Innovative Finance for the Amazon, Cerrado and Chaco, IFACC) initiative in Brazil was taken up.

10. A landscape approach, which would integrate different stakeholders' resources and expertise to investments in the geographic project area, was included only to a limited degree in the design and implementation of the facilities.

Achievements towards Outcome 2: Finance institutions, food/agri, consumer goods companies [implement actions for deforestation free supply chains for commodities among the six targeted commodities] Partly Achieved.

11. Finance institutions, investors and food/agri companies implemented actions to reduce or eliminate deforestation in their operations. Finance institutions, food and consumer goods companies implement actions to curb or prevent deforestation in commodities' production along their supply chains. The supply chain approach has been used mainly in AGRI3 Fund and &Green Fund. AGRI3's partner financial institutions required zero-deforestation at deal level. &Green's investees must comply with No Deforestation, No Peatland Expansion, No Exploitation (NDPE) policies at company level. Related to the TLFF support to the RLU project, Michelin chose to implement a short supply chain approach investing in its own plantation. RCF investments require zero deforestation at farm level. Through the IKI project that was supported by the LUF project, one Bank in El Salvador (Banco Hipotecario) implemented credit incentives for small scale coffee

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[7] After LUF's involvement in the design and set-up of the RSCF, it became a separate project in 2020 (SCAF-FLR PIMS ID 2100 actual start date 27 July 2021) and was removed from the LUF project.

[8] The terms green bond and sustainability bond are sometimes used interchangeably by respondents.

farmers in a pilot project. The implemented land use models are in most cases deforestation free versions of existing agricultural techniques.

12. The LUF project supported the creation of the Environmental and Social Knowledge Exchange Network (ESKEN) as a community of practice of impact fund managers to share best practices on environmental and social (E&S) aspects of financing deforestation-free commodity production, protection of natural ecosystems, forest landscape restoration, and other forms of sustainable land-use. The ESKEN Network is reported to have led gatherings of over 1,000 professionals from fund managers and led to the development and sharing of case studies on how to address challenges specific to identification and management of risks and impact monitoring of investments in land use space.

13. In 2021, with support from the LUF project, IFACC – an alliance of 24 partners, mostly investors – was set up in partnership with World Economic Forum (WEF) and The Nature Conservancy (TNC) to accelerate and increase investments into sustainable agriculture in Brazil, Argentina and Paraguay. This led to the development and sharing of best practices and opportunities in deforestation-free agriculture in the region.

14. Outreach activities also included publications, newsletters, Land Use Finance Hub website, case studies, and contributions to other websites. The yearly State of Finance for Nature Reports have aimed to raise the awareness of private sector of investment opportunities into Nature-based Solutions.

Achievements towards Outcome 3: Governments endorse public policies that enable private actors to invest for sustainable land use (incl. commodity production) in targeted countries. Partly Achieved.

15. The IKI project in El Salvador contributed to the national policies for the environment and agriculture setting up institutions and a policy for incentives for ecosystem services and positive policy results have been achieved in El Salvador supporting policies for incentive-based mechanisms for ecosystem services. UNEP also worked with the national Indonesian government on the creation and implementation of the TLFF. Beyond those engagements with national governments, country engagement, and thus country ownership, was limited.

16. It is moderately unlikely that the LUF project will achieve the aspired impacts beyond deforestation and conversion free production at the investment sites as governments have not sufficiently implemented policies. The project contributes to landscape resilience (SDG 15) and climate change mitigation (SDG 13) in the investment sites. Significant indirect contributions to SDG 1 are unlikely because agribusiness is promoted with limited involvement of vulnerable groups, gender and smallholders and there is insufficient evidence to demonstrate this.

17. **Unintended negative effects:** Inequality and rise in chemical inputs are risks that were addressed through the environmental and social frameworks of the funds/facilities. However, investments into agribusiness may contribute to inequality (negative contribution to access to land SDG 1.4.) and investments into industrial agriculture may expand well-known effects like use of fertilizer and pesticides. Reputational risks for UNEP could arise due to unreported negative effects, the actions of partners of partners, association with the actions of agribusiness and the Facilities' collaboration with, and selection of, companies.

Table 2: Summary of project ratings

Criterion	Rating
Strategic Relevance	**S**
Quality of Project Design	**MU**
Nature of External Context	**F**
Effectiveness	**MS**
Financial Management	**S**
Efficiency	**MS**
Monitoring and Reporting	**MS**
Sustainability	**ML**
Factors Affecting Performance	**MS**
Overall Project Performance Rating	**MS**

Conclusions summary

18. The overall performance of the project is 'Moderately Satisfactory'. The ToC started with the assumption that blended finance is one instrument to increase private sector investment in sustainable land use. The five supported facilities have offered flexible and long-term financing to companies. The financing was market rate in the cases of AGRI3, &Green, and TLFF, and concessional in the cases of RCF and the RSCF that was removed from the LUF project. Demand for financing has been less than expected in the case of TLFF and &Green. The facilities required a minimum deal size, tied to jurisdiction and ESG requirements, including zero-deforestation commitments, and therefore reduced the number of companies eligible for the finance facilities.

19. Due to their focus on commodity-driven deforestation, the facilities invested in large agribusiness active in large-scale commercial production of soy, livestock, palm oil, coffee, cocoa and rubber. This focus often limited opportunities to extend impacts to smallholders and other local stakeholders, as well as other environmental dimensions of agricultural systems (such as water use, pesticides, biodiversity within farms, etc).

20. The LUF project could have enhanced its impact through increased engagement with national governments, national development banks, supply chain and other multi-stakeholder initiatives.

Responses to Key Strategic Questions

21. The responses provide insights into UNEP's protocol for working with partners and 'partners of partners' from blended finance institutions to investee companies; challenges related to safeguards and risk assessment procedures; oversight arrangements for finance facilities; and learnings on UNEP's role, opportunities and risk. For example, areas where UNEP could add value include: providing funds to the facilities; helping mainstream the fundraising process (e.g. convene donors to align on funding application processes to accelerate process); helping identify templates for blended finance facilities to accelerate and scale deployment (as current funds and facilities are all bespoke); and; helping communicate to governments what is required to scale (see Strategic Question D).

22. Further responses present critical strategic options for identifying investment opportunities, leveraging government support, broadening mobilization of resources, and

harnessing UNEP's comparative advantages and engagement of the private sector. These options depend on the extent to which blended finance mechanisms and finance facilities are perceived to *drive change* or *change is policy driven*. For example, UNEP could use its comparative advantages to add value by assessing and sharing how the facilities could be scaled and create replicable and scalable blueprints; UNEP could seek out gaps in activity with regards to blended finance and flows of finance to sustainable land use to maximize its value-added e.g. with small holders; and UNEP could leverage its advantage to work with private banks in capacity building for those banks which take part in public sector programmes for land use finance like in Brazil (see 6. Conclusions and Recommendations, Responses to Key Strategic Questions, Strategic Question H).

Lessons Learned

23. **Lesson 1:** The ToC was too long and complex, working with a partner of partner approach to deliver the expected results. The context of land use finance has rapidly evolved over time, and its latest form needs to be considered for UNEPs future activities and formulation of its project-level ToCs where finance facilities that use public funding can play a major role in blended finance to leverage private finance and use policies to enhance support.

24. **Lesson 2:** ESG commitments need to be implemented at investment level by facilities and integrated into company strategies, and the company needs to use internal management structures to comply with them.

25. **Lesson 3:** Deforestation-free finance provides incentives to adopt voluntary commitments of agribusiness but these need to be monitored and promoted as they can show that deforestation-free agriculture is possible and can be profitable, which has been demonstrated by the LUF project as well as in several publications.

26. **Lesson 4:** Working in multi-stakeholder settings where each stakeholder is clear on its role and commitment, is necessary for long-term success of initiatives. The IKI project in El Salvador demonstrated good stakeholder involvement which helped facilitate the implementation of credit incentives for small scale coffee farmers in a pilot project, set up institutions and a policy created incentives for ecosystem services.

Recommendations

27. **Recommendation 1:** UNEP's engagement in finance facilities should be closely aligned with a broad range of policy instruments. For phase 2 of the LUF project, review the ToC and consider adaptive management action, if necessary, to reflect the changes in the context and the progress of public policies.

28. **Recommendation 2:** UNEP should, through its Finance and Economic Transformation Subprogramme, take stock of lessons learned across its sustainable finance portfolio of blended finance projects, to assess what has worked well and what has not in terms of: leveraging private finance, leveraging public and philanthropic finance, creating environmental impact, creating social impact, governance, additionality and effectiveness. UNEP should use this to inform and help identify a niche for UNEP and what types of blended finance mechanisms align with UNEP's mandate and its support to countries in fulfilling their environmental commitments.

29. **Recommendation 3:** UNEP should define guidance or criteria to guide its selection of blended finance mechanisms to be supported. The guidance should be specific on

Monitoring, Reporting and Verification (MRV) capacities, ESG verification and due diligence processes applied by the finance facilities according to their structure.

30. **Recommendation 4:** UNEP should work to promote country ownership of financial solutions.

31. **Recommendation 5:** Explore how UNEP could pilot initiatives in sectors that are overlooked by most investors due to their risk-return profile. For example, project preparation and pooling of small projects for scaling up and financial education of smallholders, support of South-South Dialogue/learning networks among middle-income group countries like India, China, Brazil and possible trilateral cooperation.

32. **Recommendation 6:** The desired level of independence between UNEP and IFACC should be made clear and reflect all aspects of potential risk (see paras 124, 251, 256-257). For example, IFACC could be positioned as an initiative fully independent of UNEP.

1 INTRODUCTION

33. This evaluation is carried out in line with the UNEP Evaluation Policy[1] and the UNEP Evaluation Manual[2]. The project Terminal Evaluation was initiated at operational completion of the project.

34. This Terminal Evaluation has two primary purposes: (i) to provide evidence of results to meet accountability requirements, and (ii) to promote operational improvement, learning and knowledge sharing through results and lessons learned. In this case the target audience for this knowledge sharing is UNEP project staff and senior management as well as entities from private finance institutions, development and multilateral finance institutions, governments and organisations partnering in the project. There has been public interest in this project, including within the published press.

35. The purpose and scope of this Terminal Evaluation is to:

1) assess the project's performance against the UNEP evaluation criteria, which include: strategic relevance, coherence, efficiency and likelihood of impact as well as quality of project design, effectiveness and sustainability of the global project *"UNEP Land Use Finance Project: Leveraging private finance to systematically transition to sustainable land use decoupled from deforestation, climate and ecosystem impacts"* (PIMS ID 2009, 113.4, SMA ID 37605) and to

2) derive additional learning by answering the operational and strategic questions set out in the ToR[9] for this evaluation and listed below, which go beyond the scope of the standard evaluation criteria.

36. Strategic Questions - Operational:

a. Examine the suitability and adequacy of UNEP's protocol for working with partners and 'partners of partners'? Partners include blended finance institutions, banks or investors that UNEP would be working with, or clients or investee companies in the agricultural value chain including traders, processors and producers.

b. What are the safeguards and risk assessment procedures related to deals for identifying and accommodating risk in project/deal/transaction design and monitoring during implementation. What works and what does not work?

c. To what extent are management operational oversight entities at facility level (investment and credit committees) and at UNEP entity level (for example, project advisory committee, grant fund advisory committee and CFU steering committee) adequate to exert due diligence and address requirements of accountability and transparency?

d. What can UNEP learn from the portfolio review and case studies conducted as part of this evaluation of facilities and funds for UNEP and UNEP's strategic engagement in such type of interventions?

[9] The Terms of Reference for the evaluation of the UNEP Land Use Finance Project are available with the evaluation report on UNEP's repository, www.wedocs.unep.org

37. Strategic Questions - High-level Policy:

e. How can UNEP overcome the systematic challenge of finding suitable investment opportunities and promote increased financing for better land use?

f. How could capacity building of donors be more effectively conceptualized to support the shift in thinking of governments that both public and private capital is necessary to change the deforestation trajectory?

g. What can be learned from efforts of extending the proof of concept (PoC) into other areas such as mobilizing resources from multilateral development banks and development finance, institutions for sustainable land use, and/or working in other geographical zones or countries, and/or applying innovative finance to blended finance for marine ecosystems?

h. What are UNEP's comparative advantages and disadvantages of working with private sector entities on setting up, and supporting the set-up of, blended finance facilities for climate, especially with financial instruments beyond grants? To what extent should this work be further accelerated or scaled down and what roles should UNEP continue to play or to do differently?

i. What types of private sector entities (e.g. financial institutions, SMEs, industry associations, etc.) UNEP should engage more and in what capacity to create and foster long-lasting impacts? What are the models of collaboration?

38. The project was initially managed by the Climate Finance Unit, in the Nature for Climate Branch, under the Ecosystem Division and was moved in February 2024 to the Climate Finance Unit of the Adaptation and Resilience Branch of the Climate Change Division. Implemented from April 2018 to December 2024, the project contributes to Medium Term Strategy (2022-2025) Outcomes 1A, 1B and 2A and to the Programme of Work Direct Outcomes 1.2,1.9, 2.2 and 2.9. The project document had four formal revisions during implementation. The corrected overall project budget, with in-kind co-finance of USD 444,080, is USD 11,799,119 in 2024.

2 EVALUATION METHODS

39. The evaluation of the UNEP Land Use Finance (LUF) project was conducted in parallel with the evaluation of the UNEP/GEF project “Piloting Innovative Investment for Sustainable Landscape” (GEF 9719). Data collection approaches were optimized to support both evaluations. Separate Inception Reports and Draft/Main Terminal Evaluation Reports were provided for each project. UNEP project evaluations are undertaken to provide accountability and support evidence-based decision-making. They are also designed and used to offer learning and reflection for project stakeholders due to the process and scope of the evaluation.

40. The evaluation methodology for a project evaluation using the UNEP evaluation office tools (like template for assessing impacts) supports a contribution analysis. A contribution analysis provides evidence for claimed and documented results. This means that the project is assessed against its own objective and documented outcomes and resulting impacts. The contribution analysis is suitable to assess the “claimed” impacts at facility level, despite that most claimed impacts will occur in the future.

41. In an effort to capture un-intended results at outcome and impact levels, like effects on the reputation of UNEP, which are not documented in the project’s results framework nor in its MTR, monitoring system or project ToC, the ToC at Evaluation includes reference to risks.

42. In order to ensure that the information gathered during the project evaluation would be sufficient to answer the questions at strategic and operational levels in a comprehensive way, the principal evaluator used additional sources of evidence like policy briefs from other UNEP projects and UN agencies and existing literature on green transformation and the role of business to answer those questions.

43. This Terminal Evaluation used a participatory approach whereby key stakeholders are kept informed and consulted throughout the evaluation process. The evaluation team kept close communication with the project team and exchanged information throughout the evaluation implementation phase to increase transparency about the process and ownership of the evaluation findings. The management of the evaluation process, however, lies with UNEP’s Independent Evaluation Office and the evaluation team has reported to the UNEP Evaluation Manager throughout this process.

44. Qualitative evaluation methods were applied for all evaluation criteria including achievements against the expected outputs, outcomes and impacts. For assessing potential environmental impacts, existing geospatial data from UNEP reports and other available sources were used.

45. The evaluation process covers the following steps for data collection and sampling.

46. **Desk review** of:

- Relevant background documentation, inter alia ProDoc Revision #1, #2, #3 and #4 with revised project budgets, monitoring information from PIMS and IPMR;
- Project design documents (including minutes of the project design review meeting at approval);
- Annual Work Plans and Budgets or equivalent, revisions to the project (Project Document Supplement), the logical framework and its budget;

- Project reports such as six-monthly progress and financial reports, progress reports from collaborating partners, meeting minutes, relevant correspondence, etc.;
- Project deliverables such as editions of the State of Finance for Nature report, finance facilities and networks (Environmental and Social Knowledge Exchange Network (ESKEN), Good Food Finance Network) and their associated platforms, Restoration Factory mentorship programmes, informative videos; case studies provided to national governments,
- Mid-Term Review of the project (August 2022);
- Evaluations/reviews of similar projects such as the evaluation of the UNEP Inquiry project or other projects implemented by the Climate Finance Unit, Climate Change Division.
- Monitoring data of the funds,
- Evaluations of the Fund like the Mid-Term Review of the AGRI3 Fund,
- Material provided by credible media and NGOs about Tropical Landscapes Loan Fund and other Funds and funded companies,
- Websites, sustainability reports of companies receiving funds from the finance facilities

47. **Semi-Structured interviews** (individual or in groups) were conducted with:

- UNEP Project Manager (PM);
- Project management team;
- UNEP Finance and Budget Officers;
- Finance, Business and Communications Specialists of the project team;
- Environment and Social Specialists of the project team and of the facilities;
- Project partners like fund managers;
- Relevant resource persons from national and sub-national governments;
- Representatives from the private sector, especially from the funded companies, if possible;
- Representatives from civil society and specialist groups, indigenous groups, private sector in areas where the companies implement measures and others, as feasible and appropriate.
- Additional interviews undertaken in New Delhi regarding AGRI3 activities with HSBC/ Indian Microfinance Institutions.

48. An extended list of individuals and entities who were consulted or interviewed during the Terminal Evaluation is available in Annex VII and Table 3 provides a breakdown of key evaluation respondents. Annex VIII provides details of the documents consulted.

49. As per the ToR, a **short portfolio review** of the funds was conducted covering core concepts of blended finance such as additionality, mobilisation, concessionality and sustainability and ESG as well as UNEP's role in the project's facilities and funds (Outcome 1). The review assesses the effectiveness of the partnership protocol in use, safeguards and risk assessment procedures and managerial operational oversight entities. The review includes the track record of selected funded companies regarding compliance with national laws and human rights, sustainability strategy and track

record and access to funds. The portfolio review is included in Annex V and a comparative table of facilities in Annex VI.

50. Two **case studies** were conducted one at facility level (TLFF) in Indonesia and one at country level in Brazil. The studies can be found in Annex I and II.

51. The case study of the TLFF in Indonesia aims to provide evidence of results achieved by TLFF to meet accountability requirements, and to promote operational improvement, learning and knowledge sharing. It examines UNEP´s role in the TLFF and the extent to which the achieved results (intended and unintended) meet expectations. It covers the investment deal entered into by TLFF, also referred to as the Royal Lestari Utama (RLU) project.

52. The country level study Brazil allows the evaluation to provide a broader picture of the companies including the political environment, the market, the design of the interventions, outcomes of the interventions (which are an equivalent of the results leading to the project impact), operational challenges, monitoring framework, reporting and transparency and opportunities for scalability. In Brazil, the project covers different sites so that the cumulated effects of the interventions can be identified. In the case of Brazil, the political environment has been conducive to reducing deforestation for the last year. UNEP has worked at the policy level, which allowed the evaluation to assess the influence of external factors as drivers.

Challenges, Limitations and Risks to the Evaluation

53. The main challenge is that a project evaluation can only provide limited answers to the strategic questions such as question (i) what type of private sector entities UNEP should engage with more (e.g. financial institutions, SMEs, industry associations, etc.). The evaluation team had to assess how the co-operating companies were selected into the project. In UNEP's Private Sector Strategy (2019) the intended strategic target group includes "private sector entities of different size and level of maturity, ranging from micro, small and medium sized enterprises to large multinationals; and from incubators and start-ups to established enterprises" (para. 5) and in UNEP Partnership Policy (2024) private sector categories are defined as: "companies engaged in for profit activities, state-owned companies, industry associations, platforms and alliances, corporate foundations, think tanks, research institutions and academia" (para. 9, Figure 1). Both definitions do not refer to the values of companies like impact driven companies or companies aiming at creating an economy for the common good.

54. The second challenge for this Terminal Evaluation was to determine the impact of the project because the investments are for longer terms (e.g. 8-10 years) than the project duration and it depends on the activities of companies outside the sphere of influence of the project. In addition, aggregated data at fund level were not available for the AGRI3 Fund.

55. Challenges to the data collection were that interviewees in companies were available only to a limited degree or not at all so that insights into company strategies are limited. Moreover, triangulation of data or information collected in case study sites was done to the extent possible and on-site observations made in Jambi, Indonesia as part of the TLFF case study were given priority in explaining the impacts.

56. Limitations to the evaluation are the short timeframe for field study, which provides only limited opportunities for data collection. This was mitigated by drawing upon

studies conducted by UNEP and the finance facilities as well as the Mid-Term Review of the AGRI3 Fund.

Table 3: Evaluation respondents

Stakeholders - Individuals			A. Total number involved (M/F)	B. Number contacted (M/F)	Sample size (% B/A)[10]	C. Total number responded Total (M/F)	Response rate (% C/B)[11]
Project Team	**Project Team** (with management responsibilities e.g. Project Management Unit)	Implementing agency (UNEP)	Not known	12/11	-	11/10	64%
		Executing agency(ies) (&Green Fund, AGRI3 Fund, TLFF, RSCF (removed from the LUF project in 2020), RCF)	Not known	2/1 10/4	-	1/1 8/3 (Other: Donors:M4/F4)	67% 79%
Beneficiaries	**Direct Beneficiaries:** (e.g. duty bearers, gatekeepers, training participants, etc.) **Indirect Beneficiaries:** (e.g. household members, civil society representatives, group members, etc.)		Not known	3/0 (Jambi)	-	3/0	100%
Stakeholders - Entities			**A. Total number involved**	**B. Number contacted**	**Sample size (% B/A)[12]**	**C. Total number responded**	**Response rate (% C/B)[13]**
Partners	**Project implementing/ executing partners** (receiving project funds)		Not known	5/0	-	4/0	80%
	Project collaborating/ contributing partners[14] (not receiving project fund)		Not known	11/4	-	9/3	80%
Field Visits	**Country / locality**[15]		**A. Total number sites**	**B.Number sites visited**	**Sample Size (%B/A)[16]**		
	Indonesia/ Jakarta and Jambi		1	1	100%		

[10] Percentage of people involved in the project who were contacted.

[11] Percentage of people contacted who responded.

[12] Percentage of entities involved in the project who were contacted.

[13] Percentage of entities contacted who responded.

[14] Contributing partners may be providing resources as either cash or in-kind inputs (e.g. staff time, office space etc.).

[15] In case of a global project, the unit of analysis is 'region'. In case of a regional or multi-country project, the unit of analysis is 'country'. In case of a single country project, the unit of analysis is 'locality', which could refer to a city, town, village, etc.

[16] Percentage of total number project sites in each region, country or locality that were visited.

3 THE PROJECT

3.1 Context

57. The context of the project has significantly changed since the project was designed. The changes in context have occurred on the international climate change agenda, the regulatory context for deforestation-free production in some producer and consumer countries, strategies of multinational companies and the financial sector.

58. In the planning period of the project, UNEP started to engage with actors for supporting blended finance taking into consideration the following context for its work.

59. The international climate change agenda in 2018 when the project started did not cover deforestation for commodity production. The production of the six major commodities caused most of the deforestation. Small holders were considered as the main cause of illegal and legal deforestation in many countries. In countries like Brazil and Indonesia deforestation of primary and secondary forest was being driven by forest policies issuing licenses for deforestation to national agribusinesses. Moreover, deficient or lagging M&E systems may not have captured malpractices of business ventures such as illegal logging, wildlife poaching, destruction of bio corridors, etc.

60. The private sector started to engage in forest protection like implementing voluntary standards for producers of commodities. As certification of producers was not considered powerful enough because the local administration was not being involved, jurisdictional approaches started at landscape level. NGOs like The Sustainable Trade Initiative (IDH) took the landscape approach further and implemented multi-stakeholder processes at subnational level. Multinational and large national companies, the local administration and small holders had negotiated local agreements for forest protection in countries like Indonesia and Brazil. In those landscapes, NGOs identified investment opportunities for large scale investors in commodity production which were planned to create jobs and stable income for small holders. Public policy makers stated that private sector funding would be necessary to close the funding gap in forest protection like changing the production systems of small holders by making these more productive and qualitative.

61. National Governments of countries like Norway and Indonesia had, at that time, negotiated processes for the implementation of Reducing Emissions from Deforestation and Forest Degradation in developing countries (REDD+) to halt deforestation. However, many national governments have since failed to implement or enforce existing policies to stop deforestation. This is why environmental actors started to consider the private sector as the main agent for change. A 2020 study based on statistics about deforestation in Brazil concluded that since 2009 private sector engagement in voluntary agreements like the moratorium on soy has contributed 15 % to the total decrease in deforestation in Brazilian Amazon. The study concluded that those voluntary agreements need to be scaled up to reduce deforestation further without assessing the factors which would be needed to scale up those voluntary agreements[17]. Further, EU agricultural policy has introduced conditional subsidies to

[17] Erasmus K H J zu Ermgassen *et al* 2020 *Environmental Research Letters*. **15** 035003

incentivize agribusiness to include ecosystem services like biodiversity into their land use practices at large scale.[18]

62. During the 2008 financial crisis, the public budgets and public banks assumed the economic consequences of the speculation of the financial sector to avoid a systemic collapse of the economy. Since then, a policy of public risk taking to attract private finance into SDGs was widely accepted. Large banks wanted to expand their business into financing sustainable solutions like renewable energy and other sustainable investments because they considered it as a market opportunity.

63. Blended finance was seen as the means to de-risk the investments of private actors into agriculture and sustainable development goals. Public banks, donors and large multinational companies set up a number of financing facilities for different purposes like infrastructure or renewable energy and to a lesser extent for investments into natural resources.

64. In the last six years, the context has changed: There has been growing international attention on the critical role of agri-food systems across the three major Multilateral Environmental Agreements (MEAs) and their Conference of the Parties (COPs). Here the progress related to climate change is shown.

65. At COP 26 in 2021 held in Glasgow, a joint Corporate State of Purpose was made: the 10 major commodity producers announced that they would lay out a shared roadmap for enhanced supply chain action consistent with a 1,5 degree pathway to support achievement of company goals, increase collaboration and implementation in areas including: enabling policy environments, transparency on scope 3 emissions and indirect supply chains, and improving livelihoods for farmers. The Tropical Forest Alliance / WEF has supported these commitments.[19]

66. At COP 27 in 2022 held in Sharm el-Sheikh, 14 of the largest agricultural commodity and trading companies released a plan to address deforestation associated with palm, beef and soy production. Deforestation was addressed in the plan but no habitat conversion. For each commodity a sector roadmap has been set up. In Brazil, implementing agreements are the Farmer First Clusters initiative in Brazil. The Food and Agriculture for Sustainable Transformation (FAST) Partnership is multi-stakeholder platform established by FAO to strengthen the quantity and quality of climate finance in agri-food systems for the most vulnerable. The FAST Partnership structures its working groups around three interlinked pillars: 1) Access to finance, 2) Knowledge and capacity, and 3) Policy support and dialogue.

67. At COP 28 in 2023 in Dubai, the Declaration on Sustainable Agriculture, Resilient Food Systems, and Climate Action was adopted to eradicate chronic hunger by 2030 and transform agriculture and foods systems into a net carbon sink by 2050. The final agreement document acknowledged sustainable agriculture as part of the response to climate change so that agriculture is part of the climate plans like NDCs. The Alliance

[18] https://www.umweltbundesamt.de/daten/land-forstwirtschaft/umweltmassnahmen-im-agrarbereich#:~:text=Mit%20Agrarumwelt%2D%20und%20Klimamaßnahmen%20fördert,Umwelt%2D%20und%20Klimaschutz%20zur%20Verfügung.

[19] The National Archives, UN Climate Change Conference UK 2021: Agricultural Commodity Companies Corporate Statement of Purpose (02/11/2021), Archived on 6 January 2023, https://webarchive.nationalarchives.gov.uk/ukgwa/20230106145036/https:/ukcop26.org/agricultural-commodity-companies-corporate-statement-of-purpose/

of Champions for food systems transformation consisting of Brazil, Norway among others was created.

68. FAO has laid out a food systems road map[20] to be developed over the next three years. One of the objectives was to cultivate a repository of both bankable and non-bankable projects in co-operation with stakeholders including private investor coalitions. The report (2023) detailed an integrated approach for just transition, outlining food security nutrition objectives and their emissions. The roadmap addresses inconsistent policies as a major obstacle to sustainable agriculture. To achieve a 'Just Transition', efficiency improvements and global rebalancing, or convergence are pivotal objectives. Domain 5 of the strategy contains forest and wetlands encompassing actions like stakeholder engagement and equal benefit sharing. Mobilising financial support and investments for protection and restoration is one of the actions. The strategy underlines inclusive policies like directing climate finance towards social protection.

69. At COP 29 in 2024 in Baku, reports on the food systems transformation progress were published. The COP highlighted the nexus of food-water-agriculture. Forests were covered under Article 6 for emission trading. Brazil announced the Tropical Forest Forever Facility, a blended finance facility of USD 125 Million for which first activities to raise funds with the private sector were undertaken in April 2025.

70. Priorities of the Brazilian presidency for COP 30 in 2025 are food security and climate action. This includes the need for climate finance to reach smallholders and support crucial sustainable practices such as agroforestry and bioeconomy initiatives as well as technologies like integrated crop-livestock-forestry and sustainable cattle ranching to increase productivity without harming the environment."[21]

71. Integration of agriculture into NDCs and other plans has been slow. Financing stands out as a crucial issue — agri-food systems accounted for less than 5% of total global climate finance in 2019-2020 and represented 23% of total climate-related development finance in 2022, a decline from 37% in the previous decade.

72. The documents for the Finance for Development Summit to be held in Seville, Spain in July 2025 refer to public investments into SDGs.

73. In preparation for the Finance for Development Summit, United Nations Department of Economic and Social Affairs (UNDESA) has published a policy brief about the role of blended finance[22] which states that concessional finance in blended finance facilities has mainly attracted non concessional public finance and not the desired degree of private finance for SDGs. The paper calls for a fair share of risks in projects (socializing the costs and privatizing the profits has been the prevailing risk sharing model so far). IFAD has called to increase the financing for small scale farmers and to provide highly concessional finance to invest into food production and build resilience to climate change. Agricultural investments are underrepresented in the portfolio of Public Development Banks in comparison to the amount agriculture contributes to GDP. The International Fund for Agricultural Development (IFAD) has been successful in issuing

[20] https://www.fao.org/interactive/sdg2-roadmap/assets/3d-models/inbrief-roadmap.pdf

[21] FAO (2025), FAO strengthens ties with Brazil to elevate food and agricultural priorities for COP30. News article dated 26/03/25. https://www.fao.org/climate-change/news/news-detail/fao-strengthens-ties-with-brazil-to-elevate-food-and-agricultural-priorities-for-cop30/en

[22] UNDESA Policy Brief No. 170 (Special Issue): Reimagining financing for the SDGs - from filling gaps to shaping finance, https://desapublications.un.org/policy-briefs/un-desa-policy-brief-no-170-special-issue-reimagining-financing-sdgs-filling-gaps

sustainable bonds.[23] The private sector arms of the international development banks have successfully integrated blended finance into their portfolio and have established a working group on blended finance. ADB has launched a NbS Hub. An alliance of private sector investors has started to standardize blended finance vehicles. Most of those blended finance vehicles which are mainly financed by public development banks aim to raise investments into renewable energy and energy efficiency or forestry like the Emerging Market Climate Fund (EMCAF).

74. A number of funds for investments into NbS markets have emerged[24] as well as investment companies aiming at scaling agroforestry solutions or investing into forests[25]. The market has grown considerably. Mainstream financial institutions unlock considerable amounts for NbS[26]

75. Deforestation and environmental degradation continue globally, however, regulatory approaches have gained momentum. Several countries like the EU, the United Kingdom or the USA have introduced measures to promote the import of deforestation-free products like palm oil. The most prominent example is the European Union Deforestation Regulation (EUDR). In 2019, 400 multinational consumer good companies supported the implementation of the Brazilian Moratorium on Soy. Cocoa producers and NGOs have called for the implementation of the EU policies for deforestation to level the playing field for all actors and to establish action-oriented long-term partnerships with governments of producer countries.[27]

3.2 Results Framework

76. The intended objective of the project is *"Countries increasingly adopt and implement forest-friendly policies and measures that deliver quantifiable emissions reductions as well as social and environmental benefits"*. An assessment of the attainment of this objective will be the foundational base for the evaluation.

Project results framework

77. The project document had four formal revisions during implementation as shown in table 3 below.

Table 4: Overview of revisions of the project document, changes made and inclusion of TOC diagram and logical framework

REVISION	CHANGE	TOC DIAGRAM AND LOGICAL FRAMEWORK
Approval Project Document (2018)	N/A	-ToC diagram included (2 project outcomes and 3 immediate outcomes) -LFA (2 project outcomes)

[23] IFAD (2024), IFAD's Impact Report 2023: Supporting 8 million rural people through sustainable bonds. Press release dated 28/11/24. https://www.ifad.org/en/w/news/ifad-impact-report-2023-supporting-8-million-rural-people-through-sustainable-bonds

[24] https://group.bnpparibas/en/news/bnp-paribas-asset-management-launches-a-dedicated-fund-for-responsible-forest-management

[25] https://ce-em.com/events/all-events/forestry-agriculture-investment-summit/

[26] https://cdn.prod.website-files.com/63f583127e9706bf18363927/6843162d77928c6358269d7c_Scaling%20Nature%20Finance_Capital%20for%20Climate_June%202025%5B77%5D.pdf

[27] International Cocoa Initiative (xxxx), Various Cocoa Coalition position papers, dated 2019-2025. https://www.cocoainitiative.org/knowledge-hub/resources/cocoa-coalition-position-papers

Revision #1 (2019)	Additional secured funding reflected in TOC and Logframe	-ToC diagram included (2 project outcomes and 3 direct project outcomes) -LFA (3 project direct outcomes)
Between revisions:	Some anticipated funding did not materialise (e.g BEIS, GCF). In 2020, the design phase of the Restoration Seed Capital Facility was completed and it received funds to be managed under a different ProDoc. The project started to support the AGRI 3 Finance Facility.	N/A
Revision #2 (2021)	Additional secured funding (Italian Govt, Moore Foundation and Dutch Govt)	-ToC diagram included (2 project outcomes and 3 immediate outcomes) -LFA (3 project direct outcomes)[28] Gives progress report against 3 project outcomes.
Mid Term Review (August 2022)		Uses ToC from Revision 2
Revision #3 (Feb 2024)	Additional secured funding, which substantially reduced the funding gap to USD 500,000	-ToC diagram not included -LFA (3 project outcomes) Gives progress report against 3 project outcomes.
Revision #4 (June 2024)	Time extension of 6-months to December 2024 as concept for second phase of the project was under review. * Revision was submitted after project expiry because additional funding (IFACC phase 2 or UNDP FOLUR) was confirmed late in Q4 2023.To ensure that all targets would be achieved, revision #3 for an extension of 6 months was deemed necessary. The corrected overall project budget was USD 11,799,119.	-ToC diagram not included -LFA (3 project outcomes) Gives progress report against 3 project outcomes.

78. At the inception stage of the evaluation, the evaluation team had to revise the results framework because the majority of formulated outputs, outcomes and indicators were not consistent with UNEP's results definitions. The results were defined in a way that they were difficult to measure despite the indicators being reasonably SMART. Means of verification of indicators / measurement of results were not defined.

79. The following table shows the revised framework.

Table 5: Details and justification for the reformulation of results

Formulation in original project document(s)	Formulation for Reconstructed ToC at Evaluation Inception (RToC)	Justification for Reformulation
(LONG LASTING) IMPACT		

[28] One Outcome, at the level of a Direct Project Outcome, is entitled only 'Project Outcome 2'

ToC: Demonstrable positive environmental and social impacts achieved in terms of landscape resilience (SDG 15), Climate change mitigation (SDG 13) and improved long term rural income/livelihoods (SDG 1) **Project Objective:** Countries increasingly adopt and implement forest-friendly policies and measures that deliver quantifiable emissions reductions as well as social and environmental benefits.	**Demonstrable positive environmental and social impacts achieved in terms of landscape resilience (SDG 15), climate change mitigation (SDG 13) and improved long term rural income/livelihoods (SDG 1)** **Understanding:** a) The policies and measures (new or existing) that implementing countries adopt or revise are shown to contribute to quantifiable national reductions in GHG emissions (SDG 13) b) Communities neighbouring targeted forests and agricultural lands demonstrate net quantifiable social gains *(i.e. greater equality in access to AND/OR increased income, SDG 1)* c) Ecosystems of targeted forests and agricultural demonstrate net quantifiable environmental gains *(i.e. increased area under inclusive sustainable forest management. SDG 15)* **Indicators apply to these countries**: Indonesia, India, Viet Nam, Thailand, Brazil, Côte d'Ivoire, Ghana, Liberia, DRC, Tanzania, Colombia, Paraguay, Peru, Costa Rica, Kenya, Argentina, El Salvador	Impact statement taken from TOC and interpreted in a way that is consistent with the Project Objective
INTERMEDIATE STATES (states that are seen to be emerging or likely, following achievement of project outcomes)		
Intermediate State 1 (ToC): Transition to deforestation-free, nature-positive & climate-smart agriculture leads to restoration of degraded land, reduced deforestation and land degradation (SDG 15.2), improved water and soil availability and quality.	[Implementing countries increase their] deforestation-free, nature-positive & climate-smart agriculture [and/or demonstrate the] restoration of degraded land, reduced deforestation and land degradation (SDG 15.2), improved water and soil availability and quality. **Understanding:** These environmental gains should not be a double count of any environmental gains demonstrated at project outcome level.	Statement expressed as a state that has been improved (i.e. desirable measures increased) in implementing countries, rather than an aspiration.
Intermediate State 2 (ToC): Enhanced carbon stocks, increased wildlife habitat and biodiversity,	[Implementing countries record and report, at national level,] enhanced carbon stocks,	

food, medicine and energy through regional and development of land.	increased wildlife habitat and biodiversity, food, medicine and energy through regional and development of land. **Understanding:** These environmental gains should not be a double count of any environmental gains demonstrated at project outcome level.	
PROJECT OUTCOMES (Uptake of project outputs by intended beneficiaries <u>by the end of the project life</u> and as a result of project spend)		
Outcome 1: Finance facilities are set up by UNEP and operational aimed at leveraging public finance to unlock private capital by banks/ investors/ agribusinesses and other institutions towards gender inclusive sustainable land use. **Outcome indicators:** • Number of government/foundation donors (in #) supporting UNEP's Land Use Finance work, aimed at unlocking private capital for sustainable land use; BL = 0; Target = 6 (SP1 EAbii) • Number of sustainable land use finance facilities (with gender inclusion outcomes) set up by UNEP and operational. BL=0; Target = 4 (SPEA3bii) • Number of governments/private foundations (in #) that have provided concessional finance to de-risk private investment for sustainable land use due to involvement of UNEP; BL = 0; Target = 4 • Number of deals concluded by private sector partner focused on nature/climate positive land use BL=0; Target: 15 deals. (SP1 (ii – a) • Amount of capital unlocked by private sector partner focused on nature/climate positive land use BL=0; Target: USD 300m	**Outcome 1:** Finance facilities are operational and unlocking private capital by banks/ investors/ agribusinesses and other institutions towards gender inclusive sustainable land use. **Understanding at outcome level:** • Number of working sustainable land-use finance facilities (4) • Number of donors (governments /foundations) investing in these finance facilities (4) • Number of deals closed by these finance facilities (15) - the indicator was set too low to allow the financial viability of the facilities • Amount of private sector capital unlocked (300 Mio US$) the indicator was set too low to allow the financial viability of the facilities • Private sector actors / potential investors and other stakeholders perceive finance facilities as credible due to communication products and UNEP logo (qualitative assessment)	Statement expressed as a state that has been reached, rather than an aspiration.
Outcome 2: Finance institutions, food/agri, consumer goods companies accelerate the transformation to sustainable land use with support of UNEP (#	**Outcome 2:** Finance institutions, food/agri, consumer goods companies [implement actions for deforestation-free supply	**Reformulation:** The reformulation aims to make the outcome state explicit, while allowing for data from the indicators to be used.

finance institutions, agri/food companies. **Outcome Indicators:** • # of finance institutions that commit at senior level to accelerate the drive towards deforestation-free lending & investment e.g. by strengthening risk management or setting up a dedicated credit facility to finance deforestation-free commodity production (SP3 EAb ii). BL = 0; Target = 23 • # of agribusinesses and consumer goods companies that commit at senior level to accelerate the drive towards deforestation-free production, trade and sourcing by refraining from sourcing/buying/producing commodities linked to deforestation. (SP EAb ii) BL=0; Target = 8	chains for commodities among the six targeted commodities] **Outcome Indicators:** • Number of finance institutions requesting clients to implement deforestation-free supply chains or to set up credit facility to finance de-forestation free commodity production (19) • Number of companies implementing deforestation-free policies (15)	This means that 'actions' may be: strengthening risk management, setting up a dedicated credit facility (indicator i) or actioned commitments at senior level (indicator ii). The envisaged change is that there is continuity in the actions (i.e. the actors do not stop and withdraw). Indicators added.
Outcome 3: Governments demonstrate efforts to align public policies to enable private investment for sustainable land use (incl. commodity production) in targeted countries. **Outcome Indicators:** • Number of government that receive assistance and support from UNEP in fiscal and other relevant economic and/or regulatory reforms that could create an enabling environment for sustainable land use & thereby increase the likelihood of achieving international commitments related to the SDGs, Bonn Challenge on restoration and Paris Climate Accord. (SP6EAai) BL=0; Target = 5 • Number of governments acknowledging need to scale up finance / investment in Nature-based solutions based on 'State of Finance for Nature' reports issues; BL = 0; target = 5	**Outcome 3:** Governments [endorse] public policies that enable private actors to invest for sustainable land use (incl. commodity production) in targeted countries. **Understanding at outcome level:** • Number of governments creating or revising fiscal policies or regulations that support deforestation-free sustainable land use • Number of governments starting to invest into nature-based solutions **Indicators apply to these countries:** Indonesia, India, Viet Nam, Thailand, Brazil, Côte d'Ivoire, Ghana, Liberia, DRC, Tanzania, Colombia, Paraguay, Peru, Costa Rica, Kenya, Argentina, El Salvador	**Reformulation:** The reformulation aims to make the outcome state explicit, while allowing for data from the indicators to be used. This means that 'efforts to align' are reflected in the endorsement of the desired policies by relevant government offices. Endorsement is the lowest level of 'effort' that will be recognised. Other efforts would be creating or revising relevant policies or actually financing/investing in nature-based solutions.
DIRECT PROJECT OUTCOMES (Uptake of project outputs by intended beneficiaries <u>during</u> the project life and that are needed to achieve the Project Outcomes)		
Direct Project Outcome 1: At least five finance facilities fully operational (i.e. officially established and functioning e.g.	This could be reflected in the TOC as a Driver as it is a precondition for the desired outcomes to be reached.	Covered under Outcome 1 indicators

TLFF, RSCF, AGRI3, &Green (# finance facilities operational) (SDG 17.3)		RSCF was removed from the LUF project in 2020
Direct Project Outcome 2:		
Finance institutions, food/agri, consumer goods companies accelerate the transformation to sustainable land use with support of UNEP (# finance institutions, agri/food companies)	This could be reflected in the TOC as a Driver as it is a precondition for the desired outcomes to be reached.	Covered under Outcome 2 indicators
Direct Project Outcome 3:		
Governments demonstrate efforts to align public policies to enable private investment for sustainable land use (incl. commodity production) in targeted countries (#policies endorsed by gov)		Is the same as Outcome 3.
OUTPUTS		
Output 1a. Bilateral funding sources (from governments/private foundations) consider providing concessional finance in the form of public capital to 'de-risk' and unlock private capital at scale (for one or several facilities) as a result of UNEP involvement.	**1a.** Bilateral funding sources have been provided with a business case for concessional finance for finance facilities accepting project proposals.	Reformulated to make output state (provision of finance) explicit. The activities of the output include UNEP creating credibility by publications and logo on their website, UNEP writes project proposals and persuades donors.
Output 1b. Partnerships/ commitments established with finance institutions/agribusinesses or relevant (private sector) initiatives to scale up investment into sustainable land use.		No reformulation
Output 1c. Environmental and social impact framework, with gender outcomes and indicators, developed and finalized that can be used to measure the positive impact from private finance facilities.	Finance facilities have access to Environmental and Social Impact Frameworks for their investment policies.	Reformulated to make the stakeholder clear and to clarify the output level is having access to these frameworks, which may have been provided by the project or shared between stakeholders.
Output 1d. Technical assistance on business cases provided to private sector partners that increases the likelihood of success private capital flows to sustainable land use to member states.	Private sector partners have access to business cases that increases the likelihood of success for private capital to flow to sustainable land use in member states.	Reformulated to make the stakeholder clear and to clarify the output level is having access to these business cases, which may have been provided by the project or shared between stakeholders
Output 1 e. Additionality of blended/finance facilities reviewed via non-binding opinions that assess degree to which novel land use finance deals deviate from business-as-usual.	Finance industry and investors have access to non-binding opinions that assess degree to which novel land use finance deals deviate from business-as-usual.	Reformulated to make the stakeholder clear and to clarify the output level is having access to these non-binding opinions, which may have been provided by the project or shared between stakeholders

Output 2a. Successful 'blueprints' of novel sustainable finance deals are communicated to the finance industry, agribusiness sector as well as governments.	Finance industry, agribusiness sector as well as governments have access to "blueprints for concessional finance and sustainable land use" developed by UNEP.	Reformulated to make the stakeholder clear and to clarify the output level is having access to these blueprints, which may have been provided by the project or shared between stakeholders.
Output 2b. Finance and business coalitions established bringing finance, agri/food, public sector to commit to ambitious targets & stimulate action around increased investment into sustainable land use, incl at regional level.		No reformulation
Output 2c. Project websites &knowledge platforms created demonstrating the (anticipated) impact, lessons learned and partners of finance facilities that UNEP is supporting	A wide range of stakeholders have access to the credible knowledge products and 'proof of efficacy' by UNEP to change their attitude towards adequate means for deforestation-free supply chains.	Reformulated to make the stakeholder clear and to clarify the output level is having access to knowledge and proof that the overall approach is positive and realistic.
Output 3a. Options provided to governments on fiscal, trade and other relevant policies aimed at aligning, conservation, agricultural production and economic growth	Governments have access to options on fiscal, trade and other relevant policies aimed at aligning, conservation, agricultural production and economic growth.	Reformulated to emphasise the stakeholder and output state.
Output 3b. Technical assistance provided to governments in countries where finance facilities invest in sustainable land use	Governments in countries where finance facilities invest in sustainable land use have access to relevant TA.	Reformulated to emphasise the stakeholder and output state.
Output 3c. State of Investment in Nature-based Solutions (NBS Investment report) published aimed at building further momentum for government action to create an enabling environment for public/private capital to (re)direct at scale for sustainable land use	Governments have access to the State of Finance for Nature and its derivative reports.	Reformulated to make it clear that the output level is limited to the publishing of the reports.

3.3 Stakeholders

80. The project has directly worked with finance institutions and the &Green Fund, AGRI3 and RCF and nowadays IFAAC to promote blended finance. IFAAC is an initiative of the Tropical Forest Alliance of the World Economic Forum and TNC. Further, it has engaged with donors to raise public funds for blended finance solutions. The IKI project has worked in El Salvador with public authorities to redirect public finance, co-ordinated with other projects in sector and with UN Organisations in the country. Some workshops of the LUF project were directed to representatives of public authorities like the Ministry for Agriculture in Brazil. In Brazil and Paraguay, the IFACC has engaged with private banks and investors. Blended Finance has been promoted with international organisations like OECD.

81. Stakeholders of the TLFF have been RLU as a company of Michelin receiving funding from BNP Paribas, ADM capital for deal generation and organisations involved in the implementation of TLFF like CIFOR/ ICRAF, WWF Indonesia and other NGOs in Indonesia. Other stakeholders were the Provincial Government of Jambi and local communities in the area around the investment of RLU in Jambi, UNEP RIMBA corridor project and other national and international NGOs working in the area.

3.4 Project implementation structure and partners

82. The following table provides an overview about the complex implementation structure per output and outcome. It has been adapted from the respective table in the ProDoc.

Table 6: Overview of project implementation structure

	UNEP lead	UNEP internal	External partners
Outcome 1: Private finance facilities	NCB/Ecosystems Division, *now Adaptation and Resilience Branch, Climate Change Division*		
1.a: Bilateral funding sources		UNEP CFU	Donors: The Netherlands, Luxembourg, Germany IKI
1.b: Ambitious partnerships/commitments established with banks, investors (and agribusinesses		CFU in coordination with UNEP FI, TNC, WEF, WBCSD	Financing facilities: Mirova Natural Capital (Althelia Ecosphere) for LDN Fund, BNP Paribas, ADM Capital, ICRAF for TLFF &Green Fund Frankfurt school - UNEP Collaborating Centre for RSCF (removed in 2020) AGRI3 fund manager, Rabobank for AGRI3
1.c: Environmental & social impact framework		CFU and UNEP-WCMC	
1.d: Technical assistance on business cases		UNEP CFU	
1.e: Additionality of blended/finance facilities		UNEP CFU	
Outcome 2: Finance institutions, food/agribusiness consumer goods companies	NCB/Ecosystems Division, *now Adaptation and Resilience Branch, Climate Change Division*	UNEP Communication division, UNEP-WCMC, UNEP-ROLAC	CIFOR the Nature Conservancy (TNC), Earthworm, Farmstrong, World Business Council for Sustainable Development (WBCSD).
2.a: Successful blueprints and examples		CFU in collaboration with the Communication Division	CIFOR

2.b: Forest, Food & Finance Alliance		e.g. WBCSD, TFA2020	The Nature Conservancy (TNC), CIFOR, Earthworm, Farmstrong, World Business Council for Sustainable Development (WBCSD).
2.c: Project websites & knowledge platforms			Frankfurt school - UNEP Collaborating Centre*
Outcome 3: Governments	NCB/Ecosystems Division, now Adaptation and Resilience Branch, Climate Change Division, Regional Office for Latin America and the Caribbean (ROLAC)	ROLAC, Economic and Trade Unit (Industry & Economy Division)	Global Canopy*, The Economics of Land Degradation (ELD), World Economic Forum (WEF), Vivid Economics.
3.a: Options provided to governments on fiscal, trade and other relevant policies		Latin America Regional Office	Government of El Salvador
3.b: Technical assistance provided to governments in countries where finance facilities invest in sustainable land use		Latin America Regional Office	
3.c: State of Investment in Nature-based Solutions (NBS Investment report)		CFU in collaboration with the Science Division	Global Canopy, The Economics of Land Degradation (ELD), World Economic Forum (WEF), Vivid Economics.

Source: ProDoc, Rev. #3, 01/02/2024, Annex 2: Updated Workplan, Rev. #4, 28/06/2024, Annex 2.

3.4.1 Five finance facilities

83. The LUF project has engaged with five finance facilities: The &Green Fund, TLFF, the AGRI3 Fund, RSCF and RCF. The facilities exemplify different types of blended finance mechanisms that use public funding to leverage private finance, and they have deployed different financial instruments to target different investees. After LUF's involvement in the design and set-up of the RSCF, it became a separate project in 2020 and was removed from the LUF project. The RSCF is closely affiliated to the LUF project; it targets fund managers offering grants and reimbursable grants for activities contributing to forest landscape restoration. The TLFF was an uptake of an initiative started in 2016 in Indonesia as a special purpose vehicle. The &Green Fund was created in 2017 providing mainly senior secured loans targeting companies in the agri-food sector operating in selected jurisdictions in tropical forest countries. The AGRI3 Fund (2019) targets financial institutions lending to farmers and agribusinesses providing guarantees. The most recently established facility is the RCF (2022), which provides loans to soy farmers in Brazil aiming to provide incentives for farmers to adopt deforestation-free commodity production practices.

84. UNEP's role in the facilities was based on their blended finance structure and varied from providing input to ESG frameworks in various forms to supporting fundraising to technical involvement in AGRI3's deals providing insight and research on specific deals. UNEP also co-designed ESG frameworks, shared best practices in ESG and trained facilities' managers. An overview of the facilities is available in Annex V. Comparative Table of Facilities.

3.5 Changes in design during implementation

85. The recommendation of the Mid-Term Review to establish a project advisory board has not been implemented.

3.6 Project financing

86. The project continuously secured new funds during the implementation from a range of sources, which were incorporated in revisions to the ProDoc.

- Revision #1 (2019) additional donor funding had been secured and was captured in the Theory of Change and Logframe of the project document.
- Revision #2 (2021) added secured funds from the Netherlands/AGRI3 Fund, Italy, TNC/Moore Foundation (New Venture Fund) and SIDA.
- Revision #3 (2024) added secured funds included Luxembourg ICF, TNC, IFACC, UNDP, UNEP (Env Fund), UNDECADE.
- Revision #4 (2024) no additional funding added but corrected the overall project budget to USD 11,799,119.

87. At the time of project approval in 2018, the project had secured USD 2,080,00 in cash (XB secured) from the UNEP Environment Fund, Norway Trust Fund and SIDA and unsecured funding of total USD 67,36,080. In-kind was secured for a total USD 10,050,000 with funding from private sector work for UN Environment (approved USD 1,500,000), Global Environment Facility ('non-grant funding, USD 2,000,000 GEF ID 9719) with &Green Fund as executing agency.

88. By 2024, the project had an overall total budget (planned and in-kind) of USD 51,913,495, with a total secured budget of USD 50,976,460 and in-kind secured USD 444,080. At the time of #3 revision, USD 492,955 of the budget remained unsecured. The overall project budget was down adjusted to USD 11,799,11 in Revision #4 due to adaptation of co-funding according to UNEP´s co-funding rules.

89. Table 7 provides an overview of actual secured annual income with total of USD 10,304,542.85[29].

Table 7: Actual secured income by Year/USD

2018	2019	2020	2021	2022	2023	2024
307,722	1,683,203	1,538,453	2,340,906	1,388,664	1,945,789	1,099,807

Source: ProDoc, Revision #4, 28/06/2024, Section 2.2 Budget Summary.

90. Disbursement by year with a total disbursement of USD 8,501,072.58 as shown in Table 8.

[29] The total budget of USD 50 million (USD 50,976,460 according to ProDoc, #3) for this project is not correct according to Project Team which informed that Revision #3 mentioned this number, but it had mistakenly included other projects that have separate ProDocs and WBSEs [budget codes]. This would be corrected in Revision #4 and the correct total budget for this project should be USD 10,304,542.85, which would be aligned with UMOJA. Table 5 is also based on UMOJA.

Table 8: Actual disbursement by year/ USD

2018	2019	2020	2021	2022	2023	2024
95,511	1,310,243	1,178,952	1,607,017	2,600,461	1,486,553	222,335

Source: FMO, May 2024

91. An overview of the Project budget by the three outcomes is shown in Table 9.

Table 9: Project budget by project outcome/ USD

OUTCOME	Planned/USD	Actual/USD	Total/Percentage
Outcome 1: Private finance facilities developed and operationalized	4,928,455	4,928,455	48
Outcome 2: Finance institutions, food/agri, consumer goods companies accelerate the transformation to sustainable land use with support of UNEP	2,718,551	2,718,551	26
Outcome 3: Governments demonstrate efforts to align public policies to enable private investment for sustainable land use	2,657,537	2,657,537	26
Total	**10,304,543**	**10,304,543**	**100%**

Source: UNEP Finance and Budget Officer, May 2024

4 THEORY OF CHANGE AT EVALUATION

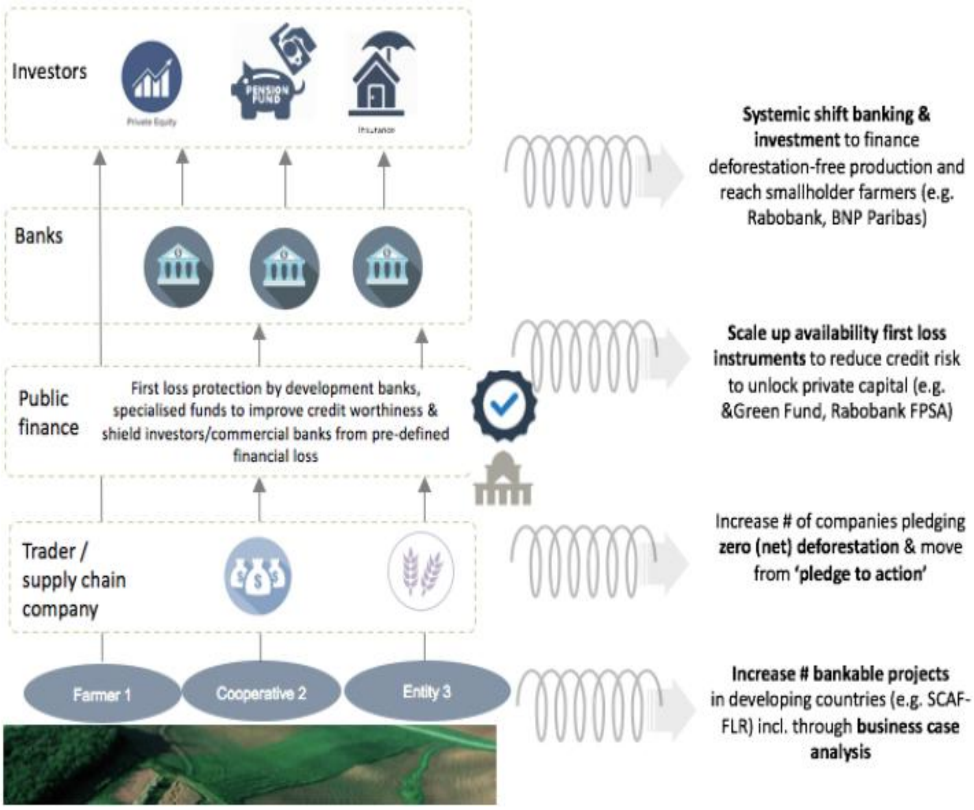
92. A Theory of Change (ToC) for a project essentially describes the roadmap of developmental pathways driven by regulatory or market drivers in combination with project activities to reach intended project outcomes as well as long-term outcomes that reflect the sustainability of the project activities. In the following, the ToC of the project is partly reconstructed using the revised results framework.

93. The original project document approved in 2018 contained a ToC. For the MTR, the assumptions of the TOC were revisited, however, the theory of change diagram remained unchanged in subsequent revisions of the project document. At Evaluation Inception stage, the TOC was, in discussion with the project team, reconstructed to be in line with the expanded results framework which is presented in Table 5: Details and justification for the reformulation of results (above).

94. The project aimed to balance economic, social and environmental interests by removing economic, financial and regulatory barriers to unlock and (re)direct private capital – effectively creating practical "business cases" – that would lead to real and tangible social and environmental benefits ("additionality") in the form of reduced emissions, deforestation and biodiversity loss as well as long-term rural employment and enhanced agricultural output and related economic growth (aspired impacts).

95. The objective of the project was for countries to increasingly adopt and implement forest-friendly policies and measures that deliver quantifiable emissions reductions as well as social and environmental benefits (ProDoc #4.)

Figure 1: Schematic overview of three key mechanics to scale up public and private finance for sustainable land use



Source: ProDoc, Revision 2, Figure 5.

96. Public finance provides guarantees for credit risks' default for commercial banks financing investments into commodities. The Banks need to ensure that the investments meet specific ESG guidelines.

97. **Mechanism 1:** Increase number of bankable projects in commodity producing countries including through business case analysis. Increasing the number of bankable projects allows the building of a sufficient pipeline of investment opportunities delivering on desired risk-return profile, often cited as a barrier to raising and deploying capital towards sustainable land use. Many sustainable land use projects or potential investments offer low returns and high risk and hence need to be structured to improve that profile for investors using e.g. creative collateral and liquidity solutions, or bundling several sources of returns into one investment product (e.g. commodities, carbon, supply chain infrastructure, etc.).

98. **Mechanism 2:** Increase number of companies pledging zero (net) deforestation & move from pledge to action. This drives demand for zero-deforestation commodities and increases incentives (and sometimes prices) for producers of commodities and therefore the investment opportunities.

99. **Mechanism 3:** Scale up availability of first loss instruments to reduce credit risk to unlock private capital (e.g. &Green Fund, Rabobank FPSA). First loss instruments or guarantees adjust the risk return profile of investment opportunities by protecting investors against a certain level of loss.

100. Potential investors into those facilities could be development finance institutions (DFIs), impact investors, family offices and banks.

101. The diagram of the reconstructed ToC at evaluation based on the reformulation of the results framework (in Table 4, above) is shown in Figure 2.

102. **<u>Outcome 1</u>** was directed to set up finance facilities that covered all three mechanisms shown in Figure 2 above. The finance facilities are described in Annex V.

103. The set up of the financing facilities contained the following:

- Bilateral funding sources provide concessional finance for finance facilities,
- Partnerships/commitments established with finance institutions/agribusinesses or relevant (private sector) initiatives to scale up investment into sustainable land use,
- Finance facilities have access to Environmental and Social Impact Frameworks for their investment policies,
- Private sector partners have access to business cases that increases the likelihood of success private capital flows to sustainable land use to member states,
- Finance industry and investors have access to non-binding opinions that assess degree to which novel land use finance deals deviate from business-as-usual.

104. Through these facilities UNEP intended to play a proactive convening and facilitating role in helping private and public-sector entities to scale up investments that benefit forest protection, climate mitigation and adaptation as well as restoration of degraded land at a scale that would not be possible through public funding mechanisms alone, resulting in outcome 1 of unlocking and/or (re)directing private finance towards

sustainable land use that would lead to demonstrable environmental and social benefits (“additionality”). The evaluation has reviewed the extent to which these private and public sector entities were successfully identified and selected.

105.Finance facilities would unlock and (re)direct private capital at various stages of the financing lifecycle for deforestation-free, sustainable commodity production that includes forest protection, restoration of degraded land and/or reforestation.

106.**Outcome 2** was directed to create knowledge about finance facilities among a wider public via credible knowledge products and blueprints for concessional finance. Finance and business coalitions were supported to commit to ambitious targets.

107.It was intended to create momentum to scale up finance and investment in ‘net zero/nature positive’ land use that would go beyond a few finance institutions and beyond a few investments. Ensuring that novel sustainable land use finance deals were communicated to a wider audience (governments, agribusinesses, finance institutions and civil society) thought to be critical to mainstream best practices. UNEP asserts it was well placed to pioneer new initiatives, but upscaling was expected to be done by other relevant parties (including other UN entities, the World Bank and other international finance institutions). Effective communication and knowledge management through (animated) videos, blogs, conferences and workshops would be needed to “spread the word” of the finance deals that could be replicated and scaled up in other countries. How momentum is defined, remains unclear and will be explored further in the early stages of the evaluation.

108.The partnerships with Rabobank and BNP Paribas were thought to be critical to provide “proof of concept” that sustainable commodity production can be decoupled from deforestation. To make it possible to scale, to have a more transformational impact on the financial industry, UNEP intended to set up a Forest, Food & Finance Alliance (or similar) to share experiences, expertise and lessons learned and further scale up the levels of private finance in sustainable land use projects. The expectation was that it would bring together many leading banks, investors and partner organizations that would make tangible and specific commitments regarding sustainable commodity production that would be decoupled from deforestation (for example in the form of a dedicated credit facility of a certain size), with input from the UNEP Finance Initiative[30]. Getting the commitment from several leading commercial and development banks – as well as a few interested private investors – was expected to lead to a more significant and ambitious acceleration towards sustainable land use.

109.**Outcome 3** Advocating for the repurposing of agricultural subsidies, issuing flagship reports such as the ‘State of Finance for Nature’ and identifying options for governments to reform conventional agricultural subsidies that would have adverse impacts on forests and climate change, and reform these in ways that would stimulate enhanced production on existing arable land as well as prioritizing the use of degraded land would lead to.

110. Creating an enabling environment and moving towards making sustainable land use the ‘new norm’ instead of the exception.

[30] The UNEP Finance Initiative (UNEP FI) is a project with PIMS ID 02113 that started on 22 December 2021 and is expected to end 31 December 2025. The project is a follow-on the UNEP Environment Finance Initiative project (2017-2021) (PIMS ID 01958).

111.The long-term ultimate **impact** of this project would be to achieve demonstrable positive environmental and social impacts (e.g. in terms of avoiding deforestation/forest degradation, restoring degraded land, improved rural income/livelihoods, biodiversity protected) and contributing to the 2030 Agenda on Sustainable Development, the Paris Climate Agreement and other relevant international agreements/commitments on biodiversity and degraded land.

112.In terms of drivers, Table 10 shows how the project would address the drivers as shown in the ToC.

Table 10: How the project's drivers would be addressed

Name of driver	Explanation how the driver is built in the project
Finance facilities effectively implemented	The effectiveness of a finance facility depends on a stable and clear governance structure, ability to operate in a financially self-sustaining way (i.e. by charging fees that are at least equal to the annual costs) and by ensuring professional fund managers are leading the facilities. All these factors are taking into account for the facilities in which UNEP is involved and/or has set up.
Landscape approach applied to avoid 'leakage'	In the E&S frameworks of the finance facilities there is a growing focus to ensure environmental and social impact is achieved beyond the actual project investment (i.e. positive impact in the wider landscape by amending E&S frameworks on an annual basis to account for this)
Effective communication reaches all relevant stakeholders	It is difficult to measure 'effectiveness', but the project aims to track who is being reached through the animated videos, infographics and other communication products, in order to adapt the outreach strategy in case the data shows sub-performance.
Project target group acquire relevant knowledge, skills and capacity	This driver will be revealed if the direct project outcomes are on track to be met (at this effectively means that the target audiences have acquired the necessary skills to make the switch in business and government models needed to shift towards sustainable land use production. The skills, knowledge and capacity is not defined.

Source: ProDoc, Rev. #2

113.Assumptions were that the finance facilities are able to motivate companies by funding of deals to change their company strategies or refrain from deforestation. Multinational consumer goods companies would exert pressure on their suppliers for commodities to refrain from deforestation. The assumptions are valid in general, however the evaluation assessed to which degree they would hold in this specific case of finance facilities.

114.The ToC at evaluation found that added assumptions could help to explain the change or lack of change achieved through the causal pathways. The first added assumption addresses the transparency problem in the supply-chain and assumes that "Companies ensure full transparency regarding the provenance and sourcing processes of their products." e.g. rubber (Outcome 2). The second assumption is at the intermediary state to impact level and assumes that "Implementing countries reach a critical threshold or "Tipping Point" where small policy changes will lead to significant development outcomes provided policy change are in areas where action can have the greatest impact."

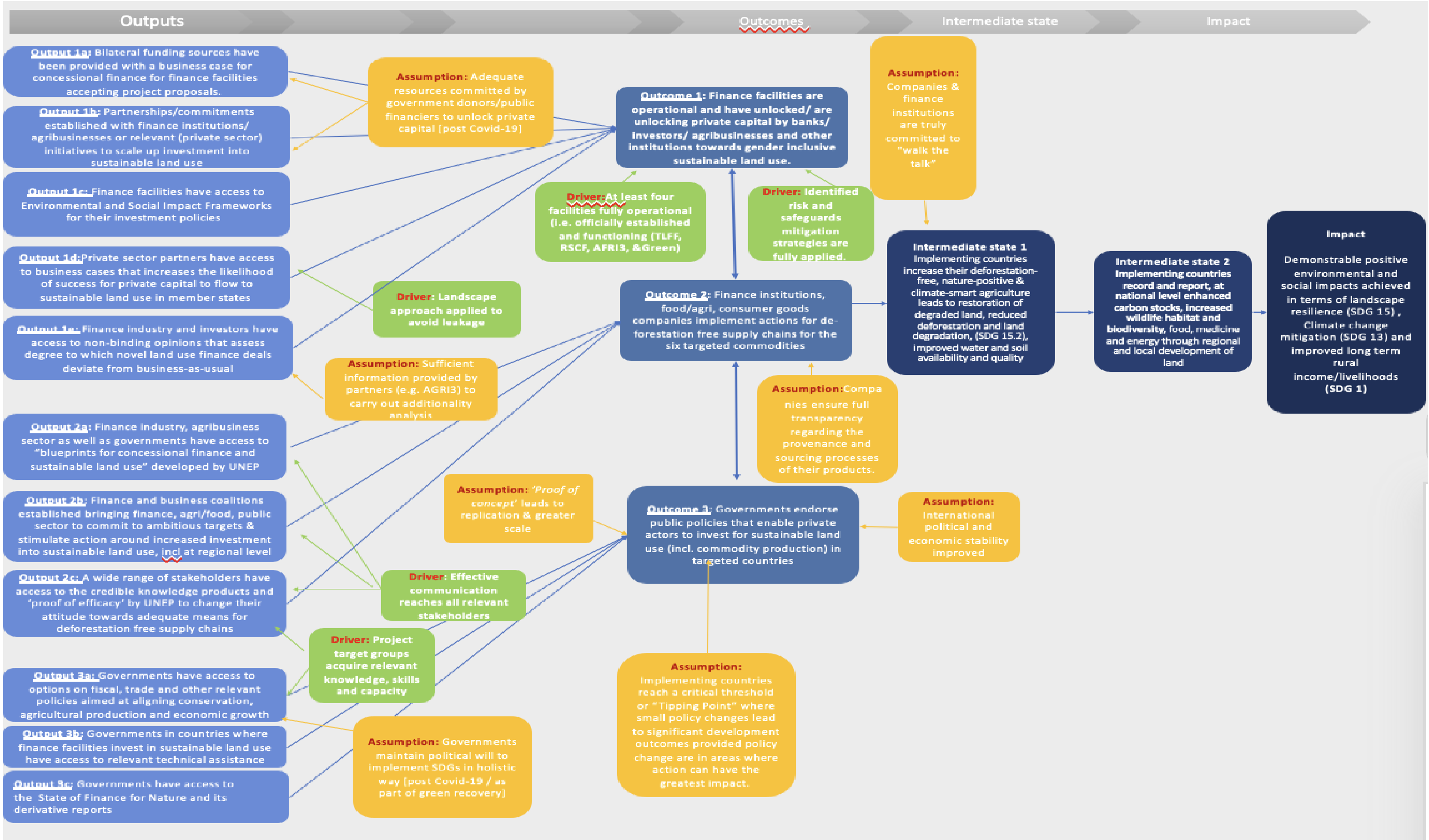
115.The full set of drivers and assumptions identified in the RToC are listed in Table 11.

Table 11: Project's drivers and assumptions

DRIVERS	ASSUMPTIONS

1.Landscape approach applied to avoid leakage.	1.Adequate resources committed by government, donors/public financiers to unlock private capital (post Covid-19).
2.Effective communication reaches all relevant stakeholders	2.Sufficient information provided by facilities to carry out additionality analysis.
3.At least four facilities fully operational (i.e. officially established and functioning (TLFF, RSCF (removed in 2020), AFRI3, &Green)	3.'Proof of concept' leads to replication and greater scale.
4.Project target groups acquire relevant knowledge, skills and capacity	4.Companies and finance institutions are truly committed to 'walk the talk'.
5.Identified risk and safeguards mitigation strategies are fully applied.	5.Governments maintain political will to implement SDGs in holistic way (post Covid-19/as part of green recovery.)
	6.International political and economic stability improved.
	7. Companies ensure full transparency regarding the provenance and sourcing processes of their products.
	8. Implementing countries reach a critical threshold or "Tipping Point" where small policy changes lead to significant development outcomes provided policy change are in areas where action can have the greatest impact.

Figure 2: RToC at evaluation



5 EVALUATION FINDINGS

5.1 Strategic Relevance

5.1.1 Alignment to UNEP MTS, POW and Strategic Priorities

116. **UNEP's mandate** is to find solutions to the triple planetary crisis which covers exploring new options how to implement conventions on climate change and biodiversity. UNEP´s instruments are scientific studies, policy support, intergovernmental co-ordination and public advocacy.

117. The ProDoc refers to the PoW 2018-2019 Subprogramme on Healthy and Productive Ecosystems. The project contributes to its goal "Policymakers in the public and private sectors test the inclusion of the health and productivity of ecosystems in economic decision-making".

118. Indicator (ii) Increase in the number of private sector entities that adjust their business models to reduce their ecosystem-related risks and/or negative impacts on marine and terrestrial ecosystems:

119. At level of financing institutions: Banks and financial intermediaries in Brazil / Cono Sur countries taking part in IFACC: The participants diversify their product portfolio dedicating a part of their portfolio to activities promoted by the LUF project. Leveraging private capital into the facilities which was the main aim of changing the behaviour of private sector actors has been challenging. The aspired level of private capital leverage has not been achieved so the contribution made here is not evidenced.

120. At investee level: Mainly investees (producers and agribusinesses) have *adjusted* their operations / activities by committing to zero-deforestation: they implement land use technologies such as for soy production on degraded land, show full compliance with national regulations or diversification of products, and implement voluntary agreements like the Moratorium on Soy. They have not *changed* their business model which would imply changes on company strategies/ value propositions, products or clients that would be beyond the scope of the project.

121. The alignment with other possible outcomes or accomplishments in the MTS 2018-2021 related to halting agriculture-driven deforestation is not fully addressed such as the need for sustainable practices in food production and manufacturing. The lack of institutions and policies as a driver of environmental degradation is not fully addressed in the project. Work has been undertaken in the IKI project in El Salvador to set incentives for deforestation-free supply chains and in Brazil to identify harmful public subsidies. In addition, the project does not focus on improving the natural resources management for marginalised populations as it works mainly with large corporations. Most of the activities have been conducted in Brazil focusing on investments of larger agribusinesses in soy and cattle which are not related to small holders.

122. The private sector strategy of UNEP from 2019 was set up with the LUF project as a blueprint for the collaboration with the private sector. This strategy and the respective guidelines were updated in 2024. The LUF project operates in the priority sectors of the UNEP´s Engagement with Industry Operational Guidelines: finance and agri-food.

123. The playbook for private sector collaboration from 2024, in draft at the time of the evaluation, has set priorities to collaborate with *high ambition coalitions, industry wide initiatives and systems change archetypes*. The private sector actors the LUF project

works with do not fully meet the criteria: the project has supported a small community of practice of four financing facilities financing selected agribusiness in selected countries, mostly in Brazil. The clients of RCF are farmers. Clients of AGRI3 are businesses setting up new investments which are similar to the climate change adaptation investments promoted by public policies. RCF convinced 3 UK retailers who had made commitments on deforestation-free soy and they put money in the facility. &Green tried to get more private sector actors to join but found that private sector actors like to have full ownership of sustainability initiatives.

124. The ambition of the business coalition IFAAC is to mobilize USD10 billion in commitments and disbursements by 2030 by bringing together leading companies, banks and investors who, together, work to meet the need for transitional finance in the production of beef, soy, and other agricultural products without further deforestation or conversion. Restoring degraded land is a change in business practices as the upfront cost is higher than deforesting. The rhetoric used in the project has changed over time from deforestation-free / conversion-free agriculture to the term sustainable agriculture. FAO defines environmental sustainability in value chains as a positive or neutral impact on the natural environment.[31]

125. The twelve global agribusinesses which signed the shared roadmap for enhanced supply chain action in COP 26 are supported by the Tropical Forest Alliance, a partner of LUF. They are global players in commodity production which aim to adjust their business model due to market and regulatory pressure.

126. The business model of large companies like Marfrig or Syngenta is to adjust the business operations / products toward the requirements of the markets like deforestation-free products, while lobbying against changes of regulation and comply with regulation at minimum costs.[32] Likewise, Michelin in Indonesia, which has taken over the plantations of the RLU project, is putting processes and practices in place that respect ESG norms although not at the optimum level so far.

127. The normative work of the LUF project covers developing norms for setting up blended finance facilities and impact frameworks which are similar to the impact frameworks of the multilateral development banks (e.g. IFC- Performance Standards).

Rating for Alignment to UNEP MTS, POW and Strategic Priorities: Moderately Satisfactory

5.1.2 Alignment to Donor Strategic Priorities

128. The LUF project was financed from different sources. The Government of Luxemburg, the International Climate Initiative / German Ministry for the Environment, Nuclear Safety and Consumer Protection and AGRI3 were the main donors. The project is in line with their priorities to climate change. The IKI support activity has supported public incentive schemes for smallholders in El Salvador.

Rating for Alignment to Donor Strategic Priorities: Satisfactory

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[31] FAO (2014), Sustainable Food Value Chains Knowledge Platform. Defining a sustainable food value chain. Accessed on 03/07/2025. https://www.fao.org/sustainable-food-value-chains/what-is-it/en/

[32] For example, Corporate Europe Observatory (2022). EU lobby profile: Syngenta. Article accessed on 21/08/2025. https://corporateeurope.org/en/2022/10/eu-lobby-profile-syngenta; Business & Human Rights Centre (2024). COP29: Large numbers of industrial farming lobbyists to be participating as part of country delegations Article, accessed on 21/08/2025. https://www.business-humanrights.org/en/latest-news/cop29-large-numbers-of-industrial-farming-lobbyists-to-be-participating-as-part-of-country-delegations/

5.1.3 Relevance to Global, Regional, Sub-regional and National Priorities

129. **Global environmental goals:** The project has contributed to SDG 13 and SDG 15 Life on Land because it aims to protect, restore and sustainably manage forests (see impact section). It was intended to raise funds for investments into the restoration of ecosystems and deforestation-free value chains. It also contributes to SDG 17 creating partnerships for achieving sustainable development goals.

130. The investments of the &Green Fund in Viet Nam and Côte d'Ivoire and of AGRI3 in Brazil contribute to the implementation of the EU Deforestation Regulation (EUDR) because the investment projects directly and indirectly increase compliance of the companies with EUDR.

131. As the activities are mainly directed to large companies as target groups, the effects on small farmers are indirect and depend upon the measures implemented. The ESG frameworks applied by the finance facilities provide guidelines for taking the needs of small-scale farmers, indigenous groups and marginalised people and gender into account when identifying investment opportunities, but they are not considered a priority. These facilities' investees have yet to invest substantially in capacity building and also UNEP and its partners invested marginally in capacity building of small holders in general. This may be partly also due to the fact that project design had not factored this in. The IKI project has supported the government of El Salvador in setting up incentive schemes for small holders in coffee supply chain. Identifying effects of investments on land tenure and access to resources for small farmers were not part of the project design or ToC.

132. The TLFF and &Green (GEF 9719 project) were linked to UNSDCF/ UNDAF in Indonesia as Priority Area 3: Environmental sustainability and enhanced resilience to shocks Outcome: By 2020, Indonesia is sustainably managing its natural resources, on land and at sea, with an increased resilience to the effects of climate change, disasters and other shocks and to Brazil as Priority Area 2: Sustainable management of natural resources for current and future generations Outcome 2: Participatory governance models for sustainable and effective management of natural resources and ecosystem services, seeking integrated, resilient and inclusive territories. In practice, the coherence to the activities of other actors of the UN system is limited. UNDP has promoted a National Roundtable for Sustainable Palm Oil Production On the one hand, the project activities in Indonesia do contribute to this National RSPO supporting RSPO certification of the two investment projects in Indonesia, and on the other hand contradicting it promoting less demanding NDPE policies.

133. The LUF project supports the implementation of national policies for forest conservation as all facilities request compliance with national legislation for deforestation. The activities in Brazil have been conducted mainly with investors and agribusinesses however they are not linked to nation-wide initiatives like Boi na Linha (Beef on Track) from 2019 which was created to establish socio-economic criteria in the purchase of cattle and the commitment of the Federation of Brazilian Banks only grant credit to meatpackers that prove that they do not buy from illegal deforestation. The project did not address the national priority of food security under the Government of President da Silva, inaugurated in January 2023, in the remaining 24 months of the LUF project. The national policies in Brazil have been considerably changed under the new Government towards supporting food production and the bioeconomy as alternatives to deforestation and setting up large, blended finance schemes for agriculture.

134. The policy shift in Brazil has presented opportunities to engage in policy work. The project, however, was neither requested to, nor has it contributed to, the design of the blended finance programmes of the Brazilian government like setting the impact framework or identifying measures for measuring impact. The impact framework of those blended finance programmes go beyond the requirements of the facilities promoted by UNEP like explicitly including water and vegetative covers.

135. The study on adverse policy incentives supports the Ministry of the Environment of Brazil.

136. The IKI project in El Salvador contributed to the national policies for the environment and agriculture setting up institutions and a policy for incentives for ecosystem services.

137. In the case of TLFF in Indonesia, the political commitment was formalised in the Presidential Decree No 13/2012 on "Sumatra Spatial Planning and Corridor RIMBA", declared in article 48 (7b). The RIMBA corridor was initially led by the Coordinating Ministry for Economic Affairs. It is being promoted by the Ministry of Public Works and Housing since 2010 when the Sumatra roadmap was launched with the aim of securing the health of Sumatran ecosystems under the political commitment formalised in the Presidential Decree No 13/2012 on "Sumatra Spatial Planning and Corridor RIMBA", declared in article 48. It falls within the jurisdiction of the Provinces of Riau, Jambi and West Sumatra and 19 Districts (Kabupaten). Each of these provincial governments has indicated strong support for the RIMBA Project concept, as have the national government ministries of National Development Planning (BAPPENAS), Home Affairs, Public Works, Environment and Forestry that are signatories to the Sumatra Roadmap 2020. Stakeholders repeatedly identified the need for increased awareness about the adverse consequences of deforestation for progress towards scaling and institutionalisation of sustainable practices in the RIMBA corridor. All new initiatives, including RLU landscape management, are contributing to the above mandate set by the decree and orientates to investments that should have alignment with ESG safeguards. Interview with RLU at the site in Jambi confirmed that its landscapes were contributing to larger cause but also reported on inadequate stakeholder consultations as well as their interests[33].

Rating for Relevance to Global, Regional, Sub-regional and National Priorities: Moderately Satisfactory

5.1.4 Complementarity with Existing Interventions/Coherence

138. The approach of the LUF project to use private finance to change the practices of companies in agribusiness value chains is complementary with value chain projects working with large multinational companies. In 2018, UNEP and IDH / Rabobank signed co-operation agreements which resulted in AGRI3, however, the partnership has not been active for the last years.

139. The LUF project supports the UNEP/UNDA project Financing Nature-based Solutions (NbS) for a Green and Inclusive Recovery in Latin America'-Colombia and Brazil) for a

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[33] *(PDF) Towards more effective landscape governance for sustainability: the case of RIMBA corridor, Central Sumatra, Indonesia*. Available from: https://www.researchgate.net/publication/331022854_Towards_more_effective_landscape_governance_for_sustainability_the_case_of_RIMBA_corridor_Central_Sumatra_Indonesia [accessed on May 23 2025].

study to identify fiscal instruments which have detrimental effects on the environment in agriculture.

140. The LUF project is complementary with existing interventions of UNEP, including the Good Growth Partnership implemented by UNDP, UNEP and other partners, The Restoration Initiative – a joint initiative of IUCN, FAO and UNEP supported by GEF, and the UNEP/GEF project Green Finance for Sustainable Landscapes (GF4SL) Joint Initiative of the Collaborative Partnership on Forests (GEF ID 10633).

141. The approach of UNEP-FI is to set up a taxonomy for sustainable investments which serves as guidelines for public and private finance.

142. The ITC/ UNEP lead stakeholder consultation in Latin America and the Caribbean on nature-positive trade for sustainable agricultural supply chains provided a comprehensive overview of the challenges related to NbS, trade and smallholders in the region. The stakeholder consultation has recommended to prioritise and include small and medium sized producers in access to financial mechanisms.[34]

143. Preparing the LUF project, UNEP approached UN organisations and development banks for advice on how to set up the finance facilities. Further, knowledge exchange on how to implement financing facilities has not been revealed in the interviews and project documents. At country level, opportunities to seek complementariness with other UN organisations exist. In Brazil, FAO conducts several GEF projects linking agriculture and the environment.

144. In Indonesia, the TLFF has been set up before UNDP has started the initiative for the SDG bonds. UNEP-FI has supported the accelerator for blue bonds. World Bank and BNP Paribas have successfully issued a blue bond for Indonesia.

Rating for Complementarity with Existing Interventions/Coherence: Satisfactory

Rating for Strategic Relevance: Satisfactory

5.2 Quality of Project Design

145. The quality of the project design is rated as ‘Moderately Unsatisfactory’ (a score of 3,24 out of 6,0). The completed form of the assessment of the project design quality, as well as the calculation of the rating, can be found in the Evaluation Inception Report, available from the UNEP Evaluation Office, and a summary is provided below in Table 12.

146. The assessment of the quality of the project design has been based on the project logical framework (ProDoc Rev.# 4). It is noted that the project logframe differs from the ToC figure in the MTR and that the review of the ToC in the MTR was based on ProDoc Rev. #2. The design of the TLFF is covered in this assessment because it was part of the ProDoc. The project team considers it as one measure of intervention.

[34] UNEP/ ITC (2023), Stakeholders Consultation in Latin America and the Caribbean: Nature-positive trade for sustainable agriculture supply chains and development, 27-28 March 2023. Report. Accessed on 03/07/2025. https://wedocs.unep.org/bitstream/handle/20.500.11822/43303/report_UNEP-ITC_Regional_Consultation_LAC.pdf?sequence=1&isAllowed=y

Table 12: Summary of the assessment of quality of project design

SECTION	Assessment of strengths and weaknesses
Operating Context	Strength: The operating context was analysed in the ProDoc at a very general level, related to the requested items like risk and governmental policies
Project Preparation	Weakness: High level decisions within UNEP for setting up the project without proper analysis of markets and business strategies – given the innovative nature of the project, a white paper about strategic options for UNEP with businesses would have been an appropriate instrument containing information about markets for agribusiness, need for financing facilities and other options like reform of public agricultural banks and banking system in selected target countries like Brazil and Indonesia with good case studies, There was an inadequate risk analysis regarding values of the United Nations like inequality and human rights and reputation of being associated with companies with a history in deforestation and non-compliance with national laws and human rights violations. No inception phase for testing concepts / analysing markets or developing models for additionalities
Strategic Relevance	Strength: Relevance to MTS and PoW are shown
Intended Results and Causality	Weakness: Long and complex multilayered results chain, outcome 1 fully depending on the actions of actors outside the sphere of influence by UNEP, so that even contribution is difficult to assess, gap in results between project outputs and outcomes / impacts, outcomes 1 and 2 / 3 are not well connected and linked as in UNEP´s definition of a project
Logical Framework and Monitoring	Weakness: Results not formulated according to UNEP´s definitions, indicators are not well defined, methods of measurement of indicators not defined at all like outreach of communication, no monitoring of reputational risks and risk management strategy
Governance and Supervision Arrangements	Weakness: All investment decisions are made by the finance facilities like selection of investees (in countries with tropical forests). Some M+E conducted by the facilities and other by consultancies. UNEP's reputation is leveraged for credibility while not being able to formally and decisively impact investment decisions.
Partnerships	Weakness: Partners were selected by high–level decisions, no multistakeholder forum; Limited assessment of partners before implementation
Learning, Communication and Outreach	Strength: UNEPs reputation is used for promoting good practices, Weakness: communication was not designed to deal with reputational risks nor with concerns of different stakeholders like the international press, no learning mechanisms installed in the project like regular reflection about project progress and assumptions
Financial Planning / Budgeting	Strength: Room for raising additional funding during project implementation Weakness: overambitious for raising funding
Efficiency	Weakness: No synergies defined with other partnerships and use of synergies in implementation of activities
Risk identification and Social Safeguards	Weakness: The LUF Project Document assessment addressed reputational risks in general and did not reflect the specific/ longer-term risks to UNEP´s reputation as an UN organisation. The risk assessment refers to a heavy environmental footprint and not to the risk of human rights violations, non-compliance with national laws like fines for deforestation and ownership of large agribusinesses contributing to inequality or disadvantaged livelihoods of

	communities and vulnerable groups. The facilities' E&S frameworks would address risks related to issues such as human rights.
Sustainability / Replication and Catalytic Effects	Strength: Replication of finance facilities envisaged
Identified Project Design Weaknesses/Gaps	Question could not be answered as ProDoc did not contain PRC comments, most decisions like setting up TLFF, working with &Green Facility and IDH / Rabobank were high level management decisions

Table 13: Summarised rating of project design quality

CALCULATING THE OVERALL PROJECT DESIGN QUALITY SCORE							
	SECTION	SELECT RATING	SCORE (1-6)	WEIGHTING	TOTAL (Rating x Weighting/10)		
A	Operating Context	Moderately Unsatisfactory	3	0,4	0,12		
B	Project Preparation	Moderately Unsatisfactory	3	1,2	0,36		
C	Strategic Relevance	Moderately Unsatisfactory	3	0,8	0,24		
D	Intended Results and Causality	Moderately Unsatisfactory	3	1,6	0,48		
E	Logical Framework and Monitoring	Moderately Satisfactory	4	0,8	0,32		
F	Governance and Supervision Arrangements	Moderately Unsatisfactory	3	0,4	0,12		
G	Partnerships	Moderately Unsatisfactory	3	0,8	0,24		
H	Learning, Communication and Outreach	Moderately Unsatisfactory	3	0,4	0,12		
I	Financial Planning / Budgeting	Moderately Unsatisfactory	3	0,4	0,12		
J	Efficiency	Moderately Unsatisfactory	3	0,8	0,24		
K	Risk identification and Social Safeguards	Moderately Satisfactory	4	0,8	0,32		
L	Sustainability / Replication and Catalytic Effects	Moderately Unsatisfactory	3	1,2	0,36		
M	Identified Project Design Weaknesses/Gaps	Satisfactory	5	0,4	0,2		
				TOTAL SCORE (Sum Totals)	3,24		
				10		Moderately Unsatisfactory	
	1 (Highly Unsatisfactory)		< 1.83			1 (Highly Unsatisfactory)	< 1.83
	2 (Unsatisfactory)		>= 1.83 < 2.66			2 (Unsatisfactory)	>= 1.83 < 2.66
	3 (Moderately Unsatisfactory)		>=2.66 <3.5			3 (Moderately Unsatisfactory)	>=2.66 <3.5
	4 (Moderately Satisfactory)		>=3.5 <=4.33			4 (Moderately Satisfactory)	>=3.5 <=4.33
	5 (Satisfactory)		>4.33 <= 5.16			5 (Satisfactory)	>4.33 <= 5.16
	6 (Highly Satisfactory)		> 5.16			6 (Highly Satisfactory)	> 5.16

Rating for Project Design Quality: Moderately Unsatisfactory

5.3 Nature of the External Context

147. The nature of the external environment is favourable in general. The security situation is stable in the countries where the investment projects are implemented. The economic and political conditions are in general favourable in the countries where investments are undertaken.

148. Climatic events like droughts and fire had impacts on the investment projects in Brazil. Those climatic events show that a different form of land use other than large scale intensive agriculture is necessary. Large monocultures can hardly be adapted to those conditions and even have caused them decreasing the ecosystem services of the forests for the landscape.

149. It has not been reported that the security situation in the selected countries had a major impact on implementing the investment projects. The economic conditions are stable in most countries where investments are undertaken (Brazil, Indonesia, Colombia, Viet Nam, Ivory Coast, China). The economic policies in the countries support the export of commodities.

Rating for Nature of the External Context: Favourable

5.4 Effectiveness

5.4.1 Availability of Outputs

150. Table 14 presents a summarized overview of deliverables.

Table 14: Availability of outputs

	Narrative Assessment *Discuss the nature and scale of outputs delivered, as well timeliness, quality, and utility to intended beneficiaries*	**Sources of Information/Evidence**
Output 1a: Bilateral funding sources have been provided with a business case for concessional finance for finance facilities accepting project proposals.	14 donor engagements have resulted in new funding to the facilities and related projects 13 additional donor engagements have not yet landed funding Level of delivery: fully	Interviews Information from project team
Output 1b: Partnerships/ commitments established with finance institutions/ agribusinesses or relevant (private sector) initiatives to scale up investment into sustainable land use	At IFACC there are 24 signatories who have collectively committed USD 4.76 billion for deforestation-and-conversion-free (DCF) soy and cattle production in South America. The signatories are banks, catalytic funds, asset managers, investment facilities, securitization companies, agriculture input retailers and input companies. Members have committed to disbursing USD 1 billion in IFACC-aligned capital by 2025, and USD 10 billion by 2030. Level of delivery: fully	IFACC signatories MoUs with Earthworm, Rabobank, Mirova, IDH, &Green, Sateilligence, SIM, Frankfurt School, CIAT
Output 1c: Finance facilities have access to Environmental and social impact frameworks for their investment policies.	10 E&S frameworks have been developed: AGRI 3 Impact, and E&S policy statement and gender policy ; RSCF operational guidelines (removed from the LUF project in 2020 and in another project); RCF eligibility criteria; &Green E&S framework; TLGF E&S framework; TLGF E&S framework with a strong focus on gender; E4NF E&S guidelines ; CFC ACT fund ACT Fund Operating Principles for Impact Management; CAFI carbon policy (for Procongo project); CRF ESG policy in Indonesia. Most of these have not been developed by UNEP CFU alone, but rather in collaboration with the managers of the facilities and other partners. 5 knowledge exchange events with Environmental and Social Knowledge Exchange Network (ESKEN) members, (2020-2024) in Cambridge by UNEP WCMC. These knowledge exchanges are reported to have successfully gathered over 1,000 practitioners from most active sustainable land use/nature funds active in emerging markets. Level of delivery: fully	Interviews All 10 documents listed in left column Number of practitioners in ESKEN events is based on self-reporting

Output 1d: Private sector partners have access to business cases that increases the likelihood of success private capital flows to sustainable land use to member states.	1. Addressing smallholder resilience in coffee production in the Central Highlands, Viet Nam 2. Assessing low-carbon livestock technologies in Costa Rica 3. The Business Case for Sustainable Soy Production in the Matopiba, Cerrado 4. Business case study: Timber in Côte d'Ivoire It is unclear as to how business cases have been distributed/disseminated with relevant actors and whether they have resulted in adoption of new practices. Level of delivery: partial Countries for case studies: **Viet Nam, Costa Rica, Brazil, Côte d'Ivoire.** In addition, **Thailand, Cambodia, Malaysia and Indonesia** convened through engagement on the programme Sustainable Timber Trade in the Lower Mekong Region and the Green Growth Platform, to raise awareness and capacity of private financial institutions to identify, understand the risk of and remove unsustainable forest activity from their lending portfolios. Level of delivery: fully	These four case studies have been consulted
Output 1 e. Finance industry and investors have access to non-binding opinions that assess degree to which novel land use finance deals deviate from business-as-usual.	As of December 2024, 32 deal reviews have been carried out for a.) AGRI3 fund to provide non-binding opinions and reviews on E&S risks and the impact of the transactions and for b.) Responsible Commodities Facility to review the modalities of the second round of funding as members of the Responsible Commodities Facility's Environmental Committee. Level of delivery: fully (based on self-reporting)	List of deal reviews has not been shared with the evaluation team
Output 2a. Finance industry, agribusiness sector as well as governments have access to 'blueprints for concessional finance and sustainable land use" developed by UNEP highlighting the structure of novel land use finance deals and how these can be replicated.	27 videos explaining about the work of Climate Finance Unit in various workstream are produced 100 communication products include newsletters, infographics, reports, articles, blogs, press releases, E&S related info briefs, restoration factory news 16 different webpages were developed- Level of delivery: fully	A full list is available to the evaluation team
Output 2b: Finance and business coalitions established bringing finance, agri/food, public sector to commit to ambitious targets & stimulate action around increased investment into sustainable land use, incl at regional level	Launch of Innovative Finance for the Amazon, Cerrado and Chaco (IFACC) is a coalition with Tropical Forest Alliance (a WEF initiative) and The Nature Conservancy that aims to mobilize the financiers of cattle, soy, agroforestry and non-timber forest products to create sustainable business model, maintaining and expanding production without the need for further land conversion. At IFACC there are 25 signatories who have collectively committed US$ 4.76 billion for deforestation-and-conversion-free (DCF) soy and cattle production in South America. The signatories are banks, catalytic funds, asset managers, investment facilities, securitization companies, agriculture input retailers and input companies like Syngenta. Level of delivery: fully	IFACC website IFACC yearbook
Output 2c. A wide range of stakeholders have access to the credible knowledge	UNEP developed or contributed to 16 websites of projects and facilities – which includes objectives, targets, private sector partners and achievements.	Full list of 16 websites is available

products and 'proof of efficacy' by UNEP to change their attitude towards adequate means for deforestation-free supply chains.	A minority of those websites include lessons learned from finance facilities/projects. UNEP WCMC Land Use Finance Hub includes case studies which integrate lessons learned. Level of delivery: fully	
Output 3a: Governments have access to options on fiscal, trade and other relevant policies aimed at aligning, conservation, agricultural production and economic growth	5 proposals have been developed for El Salvador and Brazil: 1. Analysis of complementary of policies and incentives in the agricultural sector with the objectives of conservation, restoration of the environment and sustainable agriculture in El Salvador 2. Systematization of existing policies and incentives in the agricultural sector in El Salvador 3. Analysis and recommendations for policy and legal framework alignment for ecosystem restoration in El Salvador 4. Analysis of the Environment Law, to determine the current and pending instruments that are needed to strengthen the alignment with the legal regulations and policies in the land use sector, with the objectives of the PREP and REDD + Ecosystem Restoration Program in El Salvador 5. Tailored technical guidance on specific green fiscal policies for Brazil (still ongoing) Incentive programs were developed and piloted as part of the Incentive Program for the Restoration of Productive Landscapes (PIRP) [country (-ies)]: 1. Credit incentive programme 2. Management incentive programme 3. Payment for ecosystem services incentive programme Level of delivery: fully	Brazil: EN version Technical Note Methodologies Scope of Project updated El Salvador : En experiencias del Proyecto Incentivos para une Economia Verde Caja de herramientas para la planificacion del paisaje en ecosistemas naturales y agroecosistemas de El Salvador Programa Nacional de incentivos y Desincentivos Ambientales (Ministerio de Medio Ambiente y Recursos Naturales, El Salvador)
Output 3b: Governments in countries where finance facilities invest in sustainable land use have access to relevant TA.	1. **El Salvador**: The government of El Salvador received technical assistance from UNEP in preparing and launching the National Program of Environmental Incentives and Disincentives. 2. **Brazil**: IFACC hosted several workshops and working groups in which employees from the Ministries of Environment and Ministry of Agriculture, Livestock and Food Supply (MAPA) participated on challenges to scale financial solutions and possible opportunities to accelerate the adoption of sustainable agricultural practices. 3. **Paraguay:** IFACC is supporting the development of a zero-deforestation product with AFD (Paraguayan Development Bank) and promoted a virtual meeting about sustainable land use finance with participants from the Central Bank of Paraguay and MADES (Ministry of Environment) on November 2023. Level of delivery: fully	Brazil IFACC September 5th workshop – agenda, attendance list and invitation letter. Paraguay IFACC & FOLUR workshop 06/11/2023 – slides and attendees list Caja de herramientas para la planificación del paisaje en ecosistemas naturales y agroecosistemas de El Salvador – from Ministerio de Medio Ambiente y Recursos Naturales
Output 3c: Governments have access to the State of Finance for Nature and its derivative reports" State of Finance for Nature (2023) published by UNEP	"State of Finance for Nature Report" were launched in 2021, 2022, 2023, 2024 State of Finance for Nature special paper for G20 (2022) Level of delivery: fully	*4 State of Finance for Nature reports (2021,2022,2023,2024)* *The State of Finance for nature in the G20 report*

151.The LUF project supported five blended finance facilities: TLFF, &Green, AGRI3, RSCF (set-up only as it was removed from the LUF project in 2020) and RCF. Each of those facilities uses different tools to catalyze private investment and targeted different segments of the value chain. &Green provides long term debt and guarantees to agribusiness who commit to NDPE; AGRI3 provides guarantees to financial intermediaries (e.g. Rabobank) who then commit to lending to agribusiness; RSCF helps new fund managers raise funds and identify pipeline by giving them grants and reimbursable grants; and RCF gives concessional loans to soy farmers who agree to not deforest areas which they would legally be allowed to deforest. See Annex VI. Portfolio Reviews for more details including additionality criteria, ESG safeguards and conditions on all facilities supported by the LUF project.

Rating for Availability of Outputs: Satisfactory

5.4.2 Achievement of Project Outcomes

152.The achievement of outcomes is rated as 'Moderately Satisfactory'. There was partial achievement of the aim to make five finance facilities operational which unlock private capital. Table 15 provides an overview of achievement towards the outcomes. The facilities are operational as follows: Today, three facilities for land use changes are fully operational (&Green, AGRI3 and RCF), one facility has been dissolved due to lack of suitable investment projects in 2023 (TLFF). The RSCF, now under another project. supports impact investors to catalyse private capital for restoration. In 2024, support for a new facility under the IFACC initiative in Brasilia was taken up. Donors have invested into the facilities to make them operational. The investment goals for public funds have been achieved. The facilities have unlocked private capital at fund and investment level to different degrees. The RSCF, which was removed from the LUF project in 2020, was designed not to directly unlock capital but to catalyse private sector capital supporting finance facilities.

153.The indicators for assessing the success of the facilities were adequate but economic viability is a challenge. &Green is economically viable at the moment. AGRI3 is restructuring to become so, and the problems were not necessarily the number of necessary deals and the amount private sector capital leveraged, but also its overhead cost. RCF and RSCF are viable.

154.The demonstration of proof of concept turned out to be less defined, however, it was shown that de-forestation and conversion free agricultural production is possible. Agribusinesses have invested into deforestation and conversion free agriculture to obtain loans, expand their range products and use of modern technologies, comply with national laws and laws of importing countries. The facilities with substantial results mainly worked with agribusiness. Effects on gender and smallholders have been very limited.

155. While the facilities have leveraged private finance at deal level, the proof of concept was a necessary condition but not sufficient for private sector actors to invest in the finance facilities. In blended finance, investors can decide who to work with from a wide range of existing entities and have several options to engage (direct investment, support to funds that pool blended capital, or participate in initiatives that de-risk investments). The replication of financing facilities is challenging due to set-up and transaction costs and identifying an investment pipeline with potential impact.

156.Finance institutions, food and consumer good companies implement actions for deforestation for commodities along their supply chains, however a supply chain approach has been used mainly in AGRI3 Fund and &Green Fund. In &Green Fund, banks request their clients to implement ESG measures in their investments. Clients of &Green Fund request their suppliers like smallholder to show compliance with deforestation-free production. Michelin chose to implement a short supply chain approach investing in its own plantation and working in a Round Table for Sustainable Rubber. The implemented land use models are in most cases deforestation-free versions of existing agricultural techniques. They represent the state of the art reflecting legal requirements regarding social and environmental aspects. The publication "Report on the State of Finance for Nature" has been used in publications of private sector actors reflecting the awareness of the private sector for investments into nature-based solutions.

157.The results of engagement with national Governments have been limited. &Green was set up to support landscape level approaches which has only partly been achieved in Indonesia and Brazil. However, it did engage with national government, and local convergence was attempted by installing a conflict resolution task force as an initiative with the provincial government of Jambi Province and the involvement of RLU. Brazil offers several opportunities for engaging with governmental policies and voluntary agreements for deforestation-free production as the case study shows which the project has not used due to its focus on financing facilities. The study of AGRI3 in India reveals that the investments are expected from the private section and will resemble the State Programmes for Climate change adaptation. In Brazil, blended finance is a part of agricultural policies because the National Bank for Agricultural Development has set up a blended finance facility. The LUF project has contributed at site level to ensure those policies were adhered to but not actively shaped those policies providing blueprints for investments or set-up of facilities with ESG requirements. The planned facility under IFAAC is not linked to national policies or multi-stakeholder initiatives. Positive results have been achieved in El Salvador, a country where the facilities do not deploy capital, supporting policies for incentive-based mechanisms for ecosystem services.

Table 15: Achievement of project outcomes

Outcome 1:	**Outcome 1: Finance facilities are operational and unlocking private capital by banks/ investors/ agribusinesses and other institutions towards gender inclusive sustainable land use.**
Performance against Indicator(s) and Target(s):	1. Number of working sustainable land-use finance facilities (3/4) The &Green Fund was created under an IDH project. The AGRI3 Fund was strongly supported by the LUF project. RCF was supported linking with AGRI3 for financing. TLFF was supported and closed in 2022. The RCSF was set up and moved to a separate project in 2022. Two new facilities were selected for support in 2024. **Achieved** **2.** Number of donors (governments /foundations) investing in these finance facilities (6) **Achieved** GCF and Congo Base Initiative in the &Green Fund. MoFA of the Netherlands in AGRI3. **Achieved** 3. Number of deals closed by these finance facilities (15) **Achieved** 4. Amount of private sector capital unlocked (USD350 Million) USD1104 Million **Achieved** 5. Private sector actors / potential investors and other stakeholders perceive finance facilities as credible due to communication products and UNEP logo (qualitative assessment) **Achieved**
Sources of Information /Evidence:	Literature, Interviews, calculations of evaluation consultants
Narrative Assessment:	TLFF was an initiative of the Coordinating Ministry for Economic Affairs and UNEP. UNEP acted as the secretariat of the TLFF until its closure in 2022.The TLFF made one deal; the USD95 Million RLU project. The case of RLU project shows that the landscape protection plan was mainly made for investors and implementation is left to the engagement of site managers / consultants.

	The &Green Fund was created by IDH. UNEP supported the ESG framework selecting the IFC-Performance Standards and voluntary sustainability standards as appropriate tools to implement ESG measures in the investments and developed the impact framework which mainly resembles the impact framework of voluntary sustainability standards or development projects. The AGRI3 Fund was supported in the design, setting up the ESG framework and impact indicators and in securing funds to launch the vehicle and selecting the deals. The RCF was linked with AGRI3 for funding its activities. The set-up, fundraising and development of social risk and impact framework of the RCSF was supported until it was removed from the LUF project in 2020; it provides seed capital and knowledge to funds for landscape restoration. The LUF project has directly supported the &Green Fund in receiving funding from GCF and the Congo Basin Initiative. AGRI3 was supported less in fund raising from public sources than the &Green Fund. The direct contribution of the UNEP/ LUF project to the main purpose of the finance facilities in unlocking and catalysing private capital was difficult to ascertain because management of the facilities is responsible for contacting private sector investors and closing the deals. UNEP´s role was to support the set-up and ensure that the facilities have credible structures and ESG requirements. The interviews revealed that the number of envisaged deals which serves as an indicator is too low to financially sustain the facilities in the long run. The TLFF was dissolved because it could not generate more deals than the RLU project. The number of deals of the &Green Fund has not grown as expected in the set-up phase of the facility (the pipeline in the ProDoc listed a number of potential investments which were not implemented), at least in volume. The AGRI3 Fund has an investment pipeline mainly in Brazil with agribusinesses. RCF is working in its fourth year. Demand of farmers is sufficient. The three active facilities mainly support large investments of national and international companies in agribusiness. Gender-sensitive investments are rather the exception in those deals. Indicator 4. The AGRI3 Fund was highly supported and it is presented as a good example for a finance facility / unlocking private sector investments by UNEP. This is why it appears in a high number of publications of good practices etc. Investment cases have been prepared by UNEP WCMC based on available data and publications lacking field visits.
Level of Achievement:	**Achieved**

Outcome 2:	**Outcome 2: Finance institutions, food/agri, consumer goods companies implement actions for deforestation-free supply chains for commodities among the six targeted commodities**
Performance against Indicator(s) and Target(s):	**Outcome Indicators:** 1. Number of banks/finance institutions requesting clients to implement deforestation-free supply chains or investing into a credit facility to finance de-forestation free commodity production. (19) 15 members form IFACC and AGRI3's five partner financial institutions. 2. Number of companies implementing deforestation-free policies (15) &Green's 10 investees and 5 IFACC members 3. Quality of sustainable land use models (qualitative description based upon an ecosystem service approach and international research) The land use models are in most cases deforestation-free versions of existing agricultural techniques. They represent the state of the art reflecting legal requirements regarding social and environmental aspects. 4. Stakeholders like NGOs, international press or the wider public adopting knowledge about blueprints for investment credible due to scientific methods used The interviews and documentation of results could not reveal if NGOs, the international press or the wider public perceived the investments as blueprints for investments.
Sources of Information /Evidence:	Interviews Literature
Narrative Assessment:	Existing policies of public and private banks and finance institutions have been implemented through the &Green Fund, AGRI3 and IFACC.

	One Bank in El Salvador (Banco Hipotecario) implemented credit incentives for small scale coffee farmers in a pilot project. The participants in IFACC in the Amazon and Cerrado regions of Brazil and the Chaco regions of Paraguay and Argentina disburse into deforestation-free supply chain a part of their portfolio as a diversification strategy. Companies have been supported to implement existing policies in their investment projects by the four facilities. A supply chain approach was implemented in TLFF and RCF. Michelin decided to shorten its supply chain and run the RLU project plantation on its own. UNEP had not been involved in those decisions. Supermarkets from the UK invested into the RCF for four years. The main claim of the LUF project to contribute to deforestation and conversion free production can be confirmed. In the case of Brazil, the Bolsonaro Government removed some policies on the use of chemicals in Brazil so that the companies exceeded legal requirements keeping the previous standards. The LUF project has not employed agricultural researchers / engineers to assess the novelty of the agricultural investments. Large scale agroforestry and Non-Timber Forest Products (NTFP) were identified as new options for IFACC in 2024. The IFACC impact indicators do not refer to ecosystem services like water retention, soil cover (requested by National programmes in Brazil) or biodiversity. The IFACC indicators are covered by the EU taxonomy in climate mitigation / adaptation. Social aspects like small holder engagement have been covered in the IKI project in El Salvador. Higher level social level impacts of agribusinesses like food security and inequality were not part of the ToC of the programme. Gender aspects have been considered in the ESG policies of &Green and AGRI3 but their implementation could not be identified in the investments. The TLFF has attracted attention of an international press outlet, not always favourably. The outreach activities like the website Land Use Impact Hub and the newsletter have reached a wider audience. The approach towards communicating anticipated results stated in the ProDoc is widely used by consultancies, NGOs and donor organisations. The publications undergo internal publication review process. However, to meet the high standards of credibility of a UN organisation, scientific evidence would need to be discussed within UNEP too.
Level of Achievement:	**Partially**

Outcome 3:	**Outcome 3: Governments endorse public policies that enable private actors to invest for sustainable land use (incl. commodity production) in targeted countries.**
Performance against Indicator(s) and Target(s):	**Understanding at outcome level:** 1. Number of governments creating or revising fiscal policies or regulations that support deforestation-free sustainable land use (Government of El Salvador supported in setting up a department and policies for incentive-based mechanisms, Governments of Brazil and Colombia revises its fiscal policies and is supported by a study on detrimental agricultural subsidies) 2. Number of governments starting to invest into nature-based solutions: contribution of the LUF project could not be revealed, the country office in Brazil supported various initiatives of the Government like the bioeconomy strategy) **Indicators apply to these countries:** Indonesia, India, Viet Nam, Thailand, Brazil, Côte d'Ivoire, Ghana, Liberia, DRC, Tanzania, Colombia, Paraguay, Peru, Costa Rica, Kenya, Argentina, El Salvador
Sources of Information /Evidence:	Interviews/ Literature review
Narrative Assessment:	The results related to governmental policies are limited to El Salvador where the facilities did not invest and where no supply chain approach has been implemented. The IKI project prepared the implementation for payments for ecosystem services in El Salvador. It was not possible to confirm if the activities have continued after the end of the pilot project. In the case of the TLFF in Indonesia, authorities in the Jambi province had no information about the activities of the RLU and it has not been included into the development plan of the Province Jambi. In Brazil, the LUF project started to interact with the Ministry of the Environment after the MTR.
Level of Achievement:	**Partially**

158. The limited outcomes related to policies originate in the ToC. Private sector actors were assumed to have a pivotal role in moving forward to de-forestation free supply chains as governments have not sufficiently implemented policies being afraid to increase costs for agribusiness and affecting economic growth. Financing facilities were seen as an instrument to develop and implement investment projects in agribusiness which show that deforestation-free production is economically viable.

159. The access of UNEP to financial sector actors in UNEP-FI, was used in the TLFF facilitating the RLU deal with BNP Paribas, to sign a partnership agreement with Rabobank for AGRI3 or to gain members for IFAAC. The lack of regulation in markets for commodities like EUDR and other regulations was a critical factor. Risks at company level like corporate strategies and management decisions have been identified as an obstacle to change in this evaluation. The stakeholder engagement has been limited to mainly the direct stakeholders of the financing facilities.

Rating for Achievement of Project Outcomes: Moderately Satisfactory

5.4.3 Achievement of Likelihood of Impact

160. The likelihood of impact of the project by its drivers, assumptions and project outcomes is assessed in table 16.

Table 16: Likelihood of impact

Factors influencing likelihood of impact	Assessment	Justification
Drivers to support transition from Outputs to the Project Outcomes Finance facilities efficiently implemented Landscape approach to avoid leakage	Partially In place	The finance facilities have been implemented, though they experienced some challenges, including high transaction costs of lending and their pipeline developed slower than expected, the necessary high volume of investment deals (for landscape change at scale) compared with the limited number of potential investment opportunities and attracting private capital. A full landscape approach that integrates various sectors and scales of management. The &Green Fund aimed to tackle this by selecting jurisdictions that had policies already in place to tackle deforestation and developing landscape protection plans. The four other facilities did not implement a landscape approach.
Assumptions for the change process from Outputs to Project Outcomes Companies are fully transparent of where and how they source all their products" (new in ToC at evaluation) Adequate resources committed by government donors/public financiers to unlock private capital Sufficient information provided by partners (e.g. AGRI3) to carry out additionality analysis *Proof of concept*' leads to replication & greater scale	Partially hold	Not all companies know the source of their products because value chains are long and complex and have intermediaries like traders and processing companies. This is why tracing of products is important. Donors and national Governments have allocated sufficient capital to set-up the LUF project's finance facilities, however, generally there is a shortfall in funding for nature-positive activities. The finance facilities appear to have been provided sufficient information about their deals – although the additionality rationale has not been shared with the evaluation team for all deals. The results are not sufficient for a proof of concept for private sector investors to invest into the finance facilities. In blended finance, investors can decide who to work with from a wide range of existing entities and have several options to engage (direct investment, support to funds that pool blended capital, or participate in initiatives that de-risk investments).

Governments maintain political will to implement SDGs in holistic way [post Covid-19 / as part of green recovery]		Replication of financing facilities is challenging due to set-up and transaction costs and identifying an investment pipeline with potential impact. Proof of concept needs to reach and convince potential investors beyond public banks, so far, the &Green Fund has attracted public funds while AGRI3 and RCF has attached public and private funds. AGRI3 and RCF fund conventional agribusinesses. Multinational companies invest into their own supply chain like Michelin (direct supply chain). Supermarkets from the UK invested in the RCF for four years. When companies withdraw from the facilities, they may discontinue the activities. In the case of Michelin in Indonesia, it has stated that it wants to continue selected activities at a smaller scale. The political will and implementation capacity of Governments at national and subnational level are crucial for the success of deforestation-free supply chains.
Proportion of **Project Outcomes** fully or partially achieved Finance facilities are operational and have unlocked/ are unlocking private capital by banks/ investors/ agribusinesses and other institutions towards gender inclusive sustainable land use Finance institutions, food/agri, consumer goods companies implement actions for de-forestation free supply chains for the six targeted commodities Governments endorse public policies that enable private actors to invest for sustainable land use (incl. commodity production) in targeted countries	Outcome 1 achieved Outcome 2 partially achieved Outcome 3 partially achieved	Finance facilities are operational and have unlocked capital towards gender inclusive sustainable land use. Limited engagement (for lack of supply chain approach) with consumer goods companies (TLFF, RCF investments of supermarkets). Contribution to new or existing policies could not be identified except in El Salvador. Contributed towards establishing institutions for incentive-based mechanisms in El Salvador, no significant direct contribution to defining public policies in Brazil. Contributions to implementation at farm level. Actions implemented in soy, cattle, cotton, citrus, maize, coffee supply chains at farm level introducing environmental and social management measures at landscape/ site level, not company level. The &Green Fund also requires no-deforestation commitment at company level.
Drivers to support transition from Project Outcomes to Intermediate States Project target groups acquire relevant knowledge, skills and capacity Identified risk and safeguards mitigation strategies are fully applied	Partially in place	Prospective investors and investees have access to publicly available guidance and information. Agribusiness and consumer good companies hire consultants for monitoring and implementing environmental and social programmes: But capacity building by consultants at farm level and smallholders, no at company level of agribusinesses, training institutions or associations. Private Sector finance institutions refer to leading role of public banks for taking the risks of investments. Finance facilities apply requirement in deals, and strategies may be applied but are not fully functional/ effective at scale for the landscape beyond the investment site.

Assumptions for the change process from the Project Outcomes to Intermediate States Companies & finance institutions are truly committed to "walk the talk" implementing countries reach a critical threshold or "Tipping Point" where small policy changes lead to significant development outcomes provided the policy changes are in areas where action can have the greatest impact (new in ToC at evaluation). International political and economic stability improved	Partially hold	Finance institutions 'shop' for investments and are committed to the environment for the best deal with a profit margin: Role of public policies for creating stable investment opportunities is not well represented in the ToC – needed to level the playing field which NGOs and large corporations demand. Companies' commitment is incentivised by legislation: implementation is undertaken to comply with legislation e.g. for import and export of certain products and commodities. Not all companies and finance institutions are committed to walking the talk; companies are profit driven before purpose driven. The transformative sustainable economy trajectory has not reached tipping point International economic stability is necessary to avoid fluctuation of currencies and strong shifts in demand; supply is already affected by climatic events and floating prices which not all companies are able to deal with.
Proportion of **Intermediate States** achieved Implementing countries increase their deforestation-free, nature-positive & climate-smart agriculture leads to restoration of degraded land, reduced deforestation and land degradation, (SDG 15.2), improved water and soil availability and quality	Some	Contribution to deforestation-free supply chains, all other environmental impacts limited e.g. on water and soil (which are demanded in the national programmes in Brazil) or use of chemicals, restoration activities limited to agroforestry and complying with national legislation.
Drivers to support transition from Intermediate States to Impact	In place /partially /not in place	n/a
Assumptions for the change process from Intermediate States to Impact	Hold/ partially /do not hold	n/a

Intended positive effects

161. There are demonstrated positive environmental and social impacts achieved in terms of landscape resilience (SDG 15), climate change mitigation (SDG 13). There is a likelihood of indirect contribution towards improved long term rural income/livelihoods (SDG 1) in El Salvador.

162. SDG 15 is supported as well as climate change mitigation (SDG 13).

163. Positive intended environmental and social effects are likely to be achieved for deforestation-free supply chains in Brazil that are supporting the voluntary commitments of the agribusiness industry for mitigation of climate change. The financed agricultural systems are in line with the ABC Plan in Brazil/ adaptation finance which has defined "sustainable agriculture" as Integrated crop-livestock-forest (ICLF) strategies, agroforestry systems, sustainable intensification of livestock and precision agriculture. In Indonesia, deforestation-free supply chains for rubber and palm oil of the three companies under the &Green Fund are highly likely confirmed. However, at the RLU site in Jambi, small holders continue the conversion of secondary forests into oil

palm trees. The RLU investment deal under the TLFF was intended to stop the conversion of secondary forests by small holders and halting encroachment into the BTPNP by providing protection offered via the Wildlife Conservation area, which serves as a buffer between the forest and plantations. In the concessions, social conflict challenges remain as people still stake claims to the concession areas. In El Salvador, deforestation has not been monitored. The impacts are at site level. Impacts at landscape and company levels are tied to the specific investment due to the lack of/ weak scaling mechanisms.

164. High likelihood of socio-economic impacts in El Salvador where the incentive schemes will be implemented and are supported by projects of other donors and the national budget. Substantial socio-economic impacts are less likely in the long-term in other countries apart from at the investment sites/ landscapes / concession areas, and as implementation of legal requirements for health, social protection, or training of workers / suppliers which are necessary to run the business.

Unintended negative effects

165. Investing significant public resources into large agribusiness companies could have possible adverse effects on equality (distribution of land and ownership / access to economic resources SDG 1.4), and the capacity of companies to change their business models, however, there was no evidence of any of these adverse effects in documents or interviews that were accessible to the evaluation within its limited resources. Profitable soy production will only cease when other commodities can generate similar profits in the market, agribusiness is capital intense for inputs and machinery so the business model cannot quickly be changed. Negative effects of large-scale industrial agriculture on the environment like use of fertilizers, pesticides, land erosion, soil degradation/ quality of soil, use of GMO crops and biodiversity, which can be reduced but not avoided, were also not investigated during the evaluation. The TEEB AgriFood framework could be applied to assess such effects[35].

166. For the TLFF RLU deal, due to the focus on rubber plantation at the RLU site, only patches of natural forest are left with very limited chance of being converted into bio-corridors for wildlife. Limited outreach to other landscape stakeholders by RLU and by other public and private investments have led to degradation and encroachments in buffer zones so that biodiversity and wildlife conservation may in the long run be limited to national parks only. Landscape restoration and impacts of investments by RLU and a few other investors are dependent on remote sensing data and the site visit showed that ground truthing does not always correspond with remote sensing data that only record green canopy cover (percentage of an area covered by the foliage and branches of trees, viewed from above). Rubber/oil palm vegetation is often reported as part of green canopy cover, but the plantations are not fully biodiversity friendly (for species and vegetation) and an in-depth analysis may identify possible negative ecological impact affecting other ecosystem services (water, soil carbon, soil erosion).

167. There could be a tangential reputational risk for UNEP coming from a company´s relationship with a third party (e.g. partners of partners) which is affected by reputational damage / negative public opinion. Those opinions are related to corporate behaviour of large companies. As the TLFF received some critical publicity, it is noted

[35] https://www.unep.org/topics/teeb/teeb-agriculture-and-food-teebagrifood/teeb-agrifood-resources/applying-teebagrifood#:~:text=The%20TEEBAgriFood%20Scientific%20and%20Economics,by%20United%20Nations%20Environment%20Programme.

that the investments of the finance facilities need to be well examined before a deal is made in order to avoid potential criticism.

168. UNEP is advised to note that, through the investments made by the finance facilities with the companies as investees and by UNEP's association with the finance facilities, it might be perceived as if UNEP endorses subsidizing agribusiness using public funds in high, at-risk deforestation sensitive areas.

Rating for Achievement of Likelihood of Impact: Moderately Unlikely

Rating for Effectiveness:	Moderately Satisfactory

5.5 Financial Management

169. The project was financed by six donors, including the governments of Germany, Luxemburg, Netherlands (via AGRI3), Italy as well as the Moore Foundation and TNC. The budget was revised three times, in line with new income streams.

5.5.1 Adherence to UNEP's Financial Policies and Procedures

170. The project has adhered to UNEP's financial policies and procedures, by reporting disbursing and reporting on its expenditures in a timely manner and according to processes in place. Expenditure reports were delivered to the Finance and Budget Officers biannually, and donor-specific reports were produced and shared in time.

171. One significant revision was performed as the budget overstated funding based on potential funds rather than secured funds. This was rectified in 2024, in revision #3. See also Annex XI on Finance Management.

Rating for Adherence to UNEP's Financial Policies and Procedures: Satisfactory

5.5.2 Completeness of Financial Information

172. Financial information was available for the total project by donor. It was not broken down per output or outcome.

173. The following documents requested by the evaluation team were not provided: actual cost/expenditures as of December 2024, audit report(s) for the UNEP LUF project and other audit reports available (from partners e.g. WCMC) and the first budget revision.

Rating for Completeness of Financial Information: Satisfactory

5.5.3 Communication Between Finance and Project Management Staff

174. Both the Project Manager and the Finance and Budget Officers had strong awareness of the financial status of the project. Over the course of the project, there were five different Finance and Budget Officers and two different project managers. The Finance and Budget Officers structured the handover from one to another to optimize efficient information sharing and to minimize disruptions.

175. Communication between project management staff and finance and administrative officers improved over the course of the project to become more structured. A weekly meeting was scheduled to solve any outstanding issues, and there was a running document to manage actions required for financial disbursements and reports to partners.

Rating for Communication between Finance and Project Management Staff: Satisfactory

Rating for Financial Management: Satisfactory

5.6 Efficiency

176.Efficiency is understood as the project's ability to deliver its outputs and results in a timely and cost-effective manner. This section on efficiency assesses the extent to which the project delivered maximum results from the given resources at the lowest possible cost. It includes an assessment of the cost-effectiveness and timeliness of project execution.

177.Most outputs and outcomes were delivered on time – although there was one no-cost extension. The project was extended by 6 months to ensure delivery of all target outputs, which reduces the overall efficiency of the project.

178.The innovative nature of the project at the start of the project meant that opportunities were seized as they arose and additional donors were grafted onto the project over time which meant that the project grew its ambition over time, but it also became harder to put everything in one coherent narrative and added to the reporting and other paperwork.

179. Factors that have negatively impacted efficiency include staff turnover, the large proportion of time spent fundraising and support of small sub-projects, which have administrative costs.

180.The project built upon the work of other UNEP work and divisions, notably UN REDD, UNEP FI and UNEP WCMC. RSCF was built on the existing partnership with the Frankfurt school of management and the track record of its Seed Capital Assistance Facility for the design of the RSCF and it was removed from the LUF project in 2020. More links could have been drawn with teams working on policies and with national governments, with a view to communicate innovative finance solutions to governments.

181.The project integrated some of the suggestions made in the efficiency section of the MTR – most notably packaging its potential services into one core presentation of its work, targeting bigger grants to increase efficiency, and putting in place evaluation criteria to identify projects which it should support.

182.The efficiency of support of the finance facilities was not satisfactory due, in part, to the micromanagement of ESG in AGRI3 and doubling of efforts for M&E in the facilities. The high cost of decision making about each investment in AGRI3 reflect in the overhead costs of the AGRI3. AGRI3 has recognized it has too high overhead and is in the process of restructuring to address that. The ESG of the facilities are more specific than the IFC-standard and respond to the facilities' target investees.

Rating for Efficiency: Moderately Satisfactory

5.7 Monitoring and Reporting

5.7.1 Monitoring Design and Budgeting

183. The total budget for monitoring in the initial ProDoc was USD 70,000 (USD 20,000 for outcome level and USD 50,000 for output level). Responsible staff was identified as the Project Manager. A Mid-term review was completed in 2022. The budget for this terminal evaluation was between USD 60,000-70,000.

184. The ProDoc stated that private and public finance leveraged by the project, as well as the number of deals concluded through the facilities would be in an excel sheet. The excel sheet and definition of additionality were not made available to the evaluation team.

185. The ProDoc also states that additionality is more challenging to track and that the team would discuss with experts on KPIs to track for individual deals.

186. Gender specific indicators were developed and reported on by AGRI3. The other facilities did not report on gender specific indicators – mainly because their impact on women was minimal.

187. AGRI3 and RCF report on number of farmers impacted by its investments – but does not distinguish on farmer size. &Green reports on people benefitting and people resilience but does not distinguish between farmers and workers.

Rating for Monitoring Design and Budgeting: Moderately Satisfactory

5.7.2 Monitoring of Project Implementation

188. The ProDoc states that a focal point within the team would be tasked to track all relevant milestones and indicators. The team has not had someone in that position consistently throughout the project implementation. The focal point has been the funds and facility lead consultant and is now the responsibility of the Programme Management Officer.

189. All baselines were set to zero.

190. No evidence was provided to suggest that data collected along the way was used to improve or adapt project execution, achievement of outcomes and to ensure sustainability. For instance, information on amount of capital raised or performance of partners/facilities selected was not used to inform selection of future facilities/partners.

Rating for Monitoring of Project Implementation: Moderately Satisfactory

5.7.3 Project Reporting

191. Project reporting was conducted via UNEP's project databases of PIMS and IPMR internally. In addition, reporting was conducted to the numerous donors to the project with each having their individual schedules and reporting requirements. Donor reports have not been made available to the Evaluation team.

192. In some instances, there were reports of outputs linked to other projects – which raised some questions about potential double counting of outputs towards more than one project. For example, ESG guidelines for Empower program for clean tech in SEA was cited as an output of the LUF project – but it is not clear whether it fell under the scope of the LUF project or EmPower: Women for Climate-Resilient Societies Phase II.

193.In one instance, reported data on one output indicator could not be traced to a document (output 2b). In one instance, the indicator data for specific outputs had to be revised following questions by the evaluation team (output 3b).

Rating for Project Reporting: Moderately Satisfactory

Rating for Monitoring and Reporting: Moderately Satisfactory

5.8 Sustainability

5.8.1 Socio-political Sustainability

194.It was envisaged in the ToC that the dependency of the results at company and facility levels on political factors would be low to bypass the standstill of policies. The facilities were set up to provide incentives to agribusiness companies for deforestation-free production because national policies were not implemented or enforced. Multi-stakeholder agreements at landscape level were considered to play a role in the ToC but were not included into the design of the facilities. For some commodities like coffee and cocoa and countries like Viet Nam, or Cotê d'Ivoire and Brazil, political factors in countries of consumer markets have played a major factor. The sustainability of the results at facility level depends upon the availability of investment opportunities and on private sector co-financing. The facilities support countries with a favourable forest legislation like Brazil or Viet Nam. In Brazil, the work of the IFACC is yet to feed into existing policies for blended finance and the BRB Finance Coalition founded in 2024 which weakens its sustainability. In the case of the TLFF/ RLU investment in Jambi, the economic context and forest policy created an environment in which an ambitious large-scale project was not feasible anymore. The IKI project in El Salvador has advanced the existing legislation on incentive -based mechanisms. A coalition of stakeholders and projects collaborates to support the respective policies and institutions.

Rating for Socio-political Sustainability: Moderately Likely

5.8.2 Financial Sustainability

195.Outcome 1 is very likely to be financially sustainable. At the time of evaluation, facilities such as &Green, AGRI3, and RCF had expanded beyond their initial capitalization and successfully mobilized additional funding from multilateral institutions and private sector actors. While these levels of mobilization did not fully meet initial ambitions, the facilities have been able to cover their operational costs.

196.Many of these facilities are structured as 'evergreen vehicles', meaning that over time, initial public funding is expected to be gradually replaced by capital from multilateral and private investors. However, the long-term financial viability of these facilities depends on a range of external factors beyond the control of UNEP and CFU—including macroeconomic conditions, political stability, quality of facility management, and sustained demand for sustainable products.

197.Notably, the one facility that ceased operations (TLFF) did not do so at a financial loss to public investors. In fact, RLU repaid the entirety of the loan with due interest rates (see Annex I: TLFF case study).

198.Outcomes 2 and 3 are likely to require continued funding to scale up impact—specifically to support company implementation of deforestation-free supply chains and to encourage more governments to adopt and improve policies that enable sustainable land use investment.

199.Demand by agribusinesses, financial institutions and farmers is less than expected because the companies have access to other sources of funding with less stringent conditions. Agricultural subsidies in large countries like Brazil are also directed to commodity production and agribusiness.

200. For &Green, the investment opportunities in the seven target landscapes were planned to be identified by IDH. According to the ProDoc, &Green planned to invest into smaller projects of USD 1- 4 Million. This policy was quickly changed after the set-up of the fund. &Green's current investment policy aims at investments between USD 5-30 Million. &Green made 10 investments.

201.AGRI3 has provided guarantees to financial institutions who then lend to agribusiness.

202.RCF is directed at soy farmers in Brazil. Concessional loans with rates lower than market rates, are provided to soy farmers who agree to not deforest areas they would be legally entitled to deforest.

203.The RSCF, which was removed from the LUF project in 2020 to another project, provides seed funding to selected impact funds. Some of those funds invest in projects, which derive some of their revenues from the voluntary carbon market.

204.The community of blended finance and impact investors is small, however encompasses much more facilities, project developers and knowledge providers as the community of practice – the ESKEN network.

Rating for Financial Sustainability: Moderately Likely

5.8.3 Institutional Sustainability

205.The sustainability of project outcomes needs a high degree of further support which are in-built in the design of the measures this is why the institutional sustainability of outcomes is rated as 'Moderately Likely'. After the end of financing, companies can decide whether they want to continue the conversion and deforestation-free agricultural practices or not. Here, company strategies and values play a decisive role which the investments were planned to incentivise. Ownership of the companies can be assessed as low because they needed to be incentivised. Markets do not fully reward the investments required to produce deforestation-free soy. Once the incentive ceases, company strategies decide if activities continue, unless regulation or new market incentives are in place. In the case of Michelin decided to continue activities at a smaller level to achieve the envisaged social and economic benefits.

206.The TLFF case study revealed that the RLU-site managers in Jambi were not informed about the landscape protection plan. They have established the plantation navigating the difficult socio-economic environment with encroachment of small holders for palm oil production. Michelin participates in sustainable natural rubber roundtable discussions and supports the Global Platform for Sustainable Natural Rubber's

(GPSNR) policies and frameworks for sustainable natural rubber after leaving the RLU joint venture.[36]

207.Investments like long-term investments into plantations as an alternative to soy or cattle production provides high incentives to continue versus the conversion-free soy production which can be quickly and legally expanded converting land with native vegetation. Compliance with legislation for exports like EUDR can provide an incentive for compliance.

208.In the case of El Salvador, the institutions for incentives for ecosystem services have been set up at country level which need further support and financing to become operational.

Rating for Institutional Sustainability: Moderately Likely

Rating for Sustainability (Likelihood): Moderately Likely

5.9 Factors Affecting Performance and Cross-Cutting Issues

5.9.1 Preparation and Readiness

209.The project was implemented from April 2018 to December 2024 and had four formal revisions during implementation. The corrected overall project budget, with in-kind co-finance of USD 444,080, is USD 11,799,119 in 2024.

210.Most decisions like setting up TLFF, working with &Green Facility and IDH/ Rabobank were high level management decisions. High level decisions within UNEP for setting up the project and its partnerships was made without a robust baseline survey of markets and business strategies of public and private investment sector for sustainable landscapes, and finally the appropriate governance model of such a financing facility. The assessment of the quality of the project design has been based on the project logical framework (ProDoc Rev. #4). The original project logframe differed from the reconstructed ToC in the MTR and this reconstruction was never adopted/incorporated in the formal ProDoc. The design of the TLFF was not covered in this assessment because it was not part of the ProDoc. Furthermore, risk analysis regarding values of the United Nations like inequality and human rights and reputation of being associated with companies with a history in deforestation and non-compliance with national laws and human rights violations was inadequate. Lastly, having no inception phase for pre-testing the concept of blended finance meant that an early possibility of improved design and delivery mode was lost.

Rating for Preparation and Readiness: Moderately Satisfactory

5.9.2 Quality of Project Management and Supervision

5.9.2.1 UNEP:

211.The LUF project, which was implemented from April 2018 to December 2024, was initially managed by the Climate Finance Unit, in the Nature for Climate Branch, under

[36] Michelin (2025). Article. https://natural-rubber.michelin.com/news-advancing-sustainable-natural-rubber-together [accessed on 18/11/25]

the Ecosystems Division and then moved in February 2024 to the Climate Finance Unit of the Adaptation and Resilience Branch of the Climate Change Division.

212.The LUF project was innovative for UNEP. Several revisions of project design and the last one just 6 months before the closure- as additional funding was confirmed late – indicate that project management tried to adapt to new funding streams, changing external conditions and demands. The LUF project connected experience from the different facilities, for example, e.g. it sought to use &Green experience towards management of TLFF.

213.Project management of UNEP was limited to supervising compliance with the formal reporting requirements. The issue of transparency about project implementation was raised in several steering committee meetings of TLFF but was not formally addressed by UNEP project management before the Mid-Term Review. The recommendation of the Mid-Term Review to establish a project advisory board was not implemented. With a very limited role in M&E, UNEP's scope to provide targeted supervision or manoeuvre the project towards outcomes was very limited.

214.The involvement of UNEP in the TLFF like taking on the secretariat along with ICRAF was an ad-hoc decision based on high level management decisions.

215.The integrated project management structure was complicated by a long and complex multilayered results chain, and outcome 1 largely depended on the actions of actors outside the sphere of influence by UNEP. It appears that UNEP's reputation was leveraged for credibility while UNEP was not able to formally and decisively impact investment decisions. It was claimed by UNEP Indonesia that the TLFF Secretariat, instead of the 50 staff that would be needed, it had only 5 staff, and the limited early assessment of capacity gaps of a range of stakeholders (e.g., banks, investees, agribusiness companies etc.) were not conducive to get positive environmental and social outcomes in terms of greater landscape resilience building.

5.9.2.2 Partners/Executing Agency:

216. For the part of the work that was undertaken by the financing facilities, UNEP had limited influence. The main challenge for the facilities was finding suitable investment deals, leveraging private co-funding and creating evidence for the envisaged changes. As the facilities are newly founded organisations, they have faced challenges in finding suitable staff with a relevant professional background in the finance industry and agriculture and quickly set-up efficient operational structures and monitoring, reporting and verification systems. A substantial part of implementation and verification of the investments is undertaken by consultancy companies over which the facilities have limited influence. All three supported funds (& Green, AGRI3 and RCF) were successful in meeting the challenges and ensuring a professional implementation of the projects. MRV quality varies between the facilities. AGRI3 was supported by UNEP on a case-by-case basis in selecting appropriate deals and conducting ESG assessments. UNEP-WCMC wrote case studies for businesses and selected papers on yearly contracts.

217.***Rating for Quality of Project Management and Supervision: Moderately Satisfactory***

5.9.3 Stakeholders Participation and Cooperation

218.Given the absence of a baseline study that could have provided detailed roles and capacity of primary/secondary stakeholders, limited stakeholder consultation followed which is manifested in different understandings and interests of each of them.

219. The project mainly worked with a small number of finance institutions and the finance facilities &Green, AGRI3 and RCF and IFAAC (launched 2021) to promote blended finance. This approach has paid off: however, learnings taken from TLFF on mobilising sustainable finance have been limited. UNEP has been working with a group of stakeholders in the Environmental and Social Knowledge Exchange Network (ESKEN) consisting of private investors and fund managers, commercial banks and finance facilities, advisory firms, specialists in investment due diligence, E&S monitoring and carbon banks, UNEP WCMC and donors. Engaging stakeholders through the ESKEN group has contributed to developing a common understanding of ESG issues in land use finance and mainstream ESG requirements.

220. At the level of TLFF, stakeholder participation was high involving UNEP, ICRAF, the Indonesian Ministry for Environment and several NGOs like TNC and WWF. Over the course of implementation of the project, stakeholder participation has reduced due to different reasons. At the Jambi site of RLU, stakeholder participation was limited. TLFF did participate in the landscape protection plan, involving initially multiple stakeholders in the landscape. The initiative was led by IDH. However, ongoing stakeholder participation should have been maintained through additional funding from TLFF (grant/TA).

221. The Michelin-RLU sub-project intended to have community engagement and establishing practices supporting ESAP and LPP. However, the role of communities in planning and implementation as well as in M&E was limited as extensive local consultation and engagement via consultants were mainly aimed at preparing project documents.

222. Not all relevant actors in the RIMBA Corridor initiative were proactive. Although efforts were made to engage them via multiple sources - including the conflict resolution task force, consultations led by Warsi, WWF, IDH and the provincial government, communities and private companies. More collaboration could have led to a common purpose and outcomes based on learning made by each stakeholder and pooling of resources instead of waiting for investments of international companies and donors.

223. In this context, awareness building and capacity building needs could have been done at a local level prior to launching ambitious financing investment projects of facilities that aim at several economic, environmental and social impacts.

224. If collaboration is well knitted into the ToC and the implementation mode, as shown by the IKI project in El Salvador, several projects and actors can pool resources to support the government in setting up a new policy framework. The IKI project has worked in El Salvador with public authorities to redirect public finance, co-ordinated with other projects in sector and with UN Organisations in the country.

Rating for Stakeholders Participation and Cooperation: Moderately Unsatisfactory

5.9.4 Responsiveness to Human Rights and Gender Equality

225. The project aimed at contributing to human rights and gender equality in investment projects of the financing facilities and set gender indicators in the ESG frameworks for AGRI3 and &Green. The ESG frameworks are based upon IFC Performance Standards. As most of the investment projects of AGRI3, TLFF and IFACC are directed to the agribusiness industry, their contribution to gender equality is negligible. In some investment projects of &Green and AGRI3, baselines for gender activities have been set

and measures and results were reported annually for TLFF in a third-party assessment published on the RLU website. However, this data could not be accessed by the evaluation. On the ground, the evaluator observed that in the rubber plant nursery, which is located in the wildlife conservation area, the women were the main labour force.

226.As the ESG framework is based upon IFC Performance Standards, it respects human rights. The investments are not designed as impact investments to actively promote human rights like the right to food or water because the focus is on halting deforestation/ conversion of forests and not encouraging communities to proactively engage on the human rights dimension.

227.While designing the project there is no community engagement as blended finance is really pitched very high with private sector and investors as the prime targets.

228.&Green's investments must have ESAPs and LPP, however, in the RLU project, the field visit found that the role of communities in planning and implementation as well as in M&E was limited to none. As RLU maintained, it works with social forestry groups of small holders which have to commit their land for rubber, and those who get employment with RLU have to surrender their land to RLU. The complexity of land use at scale brings diversity to the type of stakeholders with an interest and that should be considered (e.g., Rubber vs Palm Oil growers, Encroachers, Migrants, local communities in NPs). In this context, it is mostly NGOs that are hired to facilitate community mobilisation with mixed results. Especially, the ambitious concept of the RIMBA Corridor as a green economy corridor will need a massive scale and innovative ways of roping in diverse communities. In this regard a convergence platform at provincial level is the starting point as is being attempted in Jambi. As local NGOs stated during the field visit, this is an ongoing venture and unless local communities see clear and short-term benefits, it is difficult to engage with them.

Rating for Responsiveness to Human Rights and Gender Equality: Moderately Satisfactory

5.9.5 Environmental and Social Safeguards

229.The focus of the LUF project was to support blended finance facilities with ESG frameworks based upon IFC Performance Standards (PS).

230.The learning curve of the facilities and UNEP during implementation was steep.

231.One of the key outcomes of the project is that all finance facilities have strategically embedded ESG frameworks which are in alignment with IFC PS. UNEP’s involvement into the design and implementation of the facilities’ ESG policies and processes was different in each case.

232.The &Green Fund investments required Landscape Protection Plans, an Environmental and Social Action Plan (ESAP) of the Impact Targets Monitoring, Reporting and Verification Protocols.

233.In general, three key planned actions are reported to ensure that ESG frameworks are not only implemented but also monitored in terms of their progress and impacts. For instance, to analyse these aspects take the example of the &Green investment deal with the Roncador Group in Brazil (2023); here, the work is conducted through a remote analysis of documents of the Environmental and Social Management System, the Roncador Group Policies, the Code of Conduct, operational procedures related to the management system, analysis of the conservation of forest areas and operational and productive areas through satellite images, legal compliance with environmental legislation in relation to Permanent Preservation Areas and Legal Reserve, and when applicable, their restoration, the maintenance of the certification of the Jaguar Institute certification and the verification of the Exclusion List. The data on how many hectares of forest saved or CO_2 sequestered is in the open domain.

234.However, for RLU in Indonesia, as it targets the highest standards in the natural rubber value chain, including employment, health and safety conditions, engaging local communities, environmental and biodiversity protection, and the fight against pollution and forest fires by using above ESG tools, the on-ground observations differ from the information in the open domain. For production in large plantations, the Royal Lestari Utama (RLU) joint venture in Indonesia was one of the first in the natural rubber industry to implement an integrated High Conservation Value (HCV)-High Carbon Stock (HCS) approach, meant to demonstrate the implementation of zero-deforestation commitments at a large scale. Michelin, through the the Michelin RLU subsidiary (Indonesia) and Société Internationale de Plantations d'Hévéas (SIPH), West Africa, joint ventures are implementing satellite monitoring approaches with Satelligence to further mitigate deforestation risks. In smallholder supply sheds, an on-going global deforestation risk analysis, supplemented by jurisdictional environmental data from RubberWay-Risk™app., helps to highlight priority areas for risk mitigation or intervention projects. Today, Michelin as the first tire manufacturer to adopt a public commitment and source deforestation-free natural rubber, claims to provide tangible proof of the deforestation-free nature of all its rubber.

235.In the context of RLU, the Mongabay investigation can be treated as a third-party assessment of impacts of the TLFF deal through the Michelin-RLU investment of Jambi. Satellite tracking shows a widespread loss of tree cover in RLU's Jambi concession prior to the signing of no-deforestation commitments in 2015, (Andrés Alegria/Mongabay 2024). Since then, RLU has stopped commissioning progress reports from independent consultants. The latest report, covering the years 2022 and 2023, was published on May 27, 2024. Written directly by RLU, it makes no reference to the sustainability commitments made in relation to the buyers of green bonds, nor to precise conservation objectives which, previously, were quantified every year. The above third-party findings show that RLU may well fall short of achieving its vaunted eco-social benefits, particularly in Jambi. This will have repercussion on lofty targets of zero deforestation, carbon sequestration and WCAs. The onsite observation in Jambi endorses this view. Hence impact achievement related data mentioned in RLU's or any other such investee's open domain websites need to be accompanied by ground truthing.

Rating for Environmental and Social Safeguards: Satisfactory

5.9.6 Country Ownership and Driven-ness

236.As the LUF project has mainly engaged with a small group of finance facilities, country ownership and driven-ness was highly limited. The TLFF was a project of the Indonesian Government which UNEP took on. Despite that three finance facilities operate in Brazil, UNEP´s interaction with the Ministry of the Environment in Brazil and the respective national and international initiatives has been very limited and was only taken up recently.

237.Launched in 2016, TLFF in Indonesia was supported through the coordination of Ministry for Economic Affairs and the Ministry of Environment and Forestry. Its overall objective was consistent with national priorities such as reducing deforestation, achieving NDC (Nationally Determined Contributions) targets under the Paris Agreement, and supporting rural livelihoods and promoting exports of commodities.

238. In the case of the IKI project in El Salvador, national policies for incentives for ecosystem services were set up. Those policies would need further support like mobilising public banks.

239. The Ministry of Environment in Brazil is supported with a study on harmful agricultural subsidies. The interviews in Brazil could not reveal that the LUF project has actively supported national initiatives in blended finance or respective multi-stakeholder coalitions like the Brazil Restoration & Bioeconomy Finance Coalition.

240. In all other countries in which the finance facilities operate, interactions have not been reported.

Rating for Country Ownership and Driven-ness: Moderately Unsatisfactory

5.9.7 Communication and Public Awareness

241. Blended finance falls under UNEPs focus on stronger engagement with the private sector as a key partner in driving systemic shifts to sustainable pathways. Building on its strategy for private-sector engagement (UNEP, 2020b), UNEP aimed at significant shifts in its communication and public awareness that drives stakeholder engagement, communicates impacts and builds a knowledge and learning repository that drives innovative finance.

242. The LUF project has used networks, policy discussions and multi-stakeholder forums (e.g., Finance facility, Provincial advocacy platforms), partnerships and alliances that effect advocacy actions to promote the policy and cultural shifts needed to make stakeholders aware and responsive.

243. With WCMC Info briefs, annual mutual knowledge exchange events, and best practice case studies a strong guiding communication thread was formed, including with Government and investors. WCMC, in particular, has had a continuous engagement with the AGRI3 Fund and &Green Fund. LUF related investments, participatory planning tools, monitoring mechanisms and impact data are openly sourced on-line. The advantage is that mutual learning can be sourced from other similar finance initiatives.

Rating for Communication and Public Awareness: Satisfactory

Rating for Factors Affecting Performance and Cross-Cutting Issues: Moderately Satisfactory

6 CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

244. This section draws conclusions regarding the performance of the LUF project as a whole, based on its ToC, its main achievements and responds to key strategic questions included in the ToR.

245. The objective of the LUF project is for countries to increasingly adopt and implement forest-friendly policies and measures that deliver quantifiable emissions reductions as well as social and environmental benefits. This was expected to be achieved by

removing economic, financial and regulatory barriers to unlock and (re)direct private capital – effectively creating practical “business cases” – that would lead to real and tangible social and environmental benefits. The focus of the LUF has been on blended finance facilities following a path which was aligned with UNEP’s previous private sector policy.

246. The design of the LUF project is built on a ToC which is highly complex with multiple causal pathways with different layers of actors, roles and processes.

247. Elements of this ToC include using a supply chain approach for halting deforestation and supporting sustainable production of commodities and improving the lives of smallholders; and reducing the risk for private sector investors in the supply chain by offering blended finance.

248. The ToC has several assumptions that include the commitments of large consumer good companies, which pledged to halt deforestation, and that blended finance is instrumental to increase the investments of private sector actors into sustainable land use, by reducing real and perceived risks of these investments.

249. The finance facilities supported by the LUF project have offered flexible and long-term financing at market rates with advantageous conditions to companies. Each of the facilities uses different tools to catalyze or leverage private investment and targeted different segments of the value chain: the TLFF offered loans to agribusiness, &Green provides long term debt and guarantees to agribusiness, AGRI3 provides guarantees to financial intermediaries (mainly Rabobank) who then commit to lending to agribusiness, RSCF, which was removed from the LUF project in 2020 and is with another project, helps new fund managers raise funds and identify a pipeline by giving them grants and reimbursable grants, and RCF provides concessional loans to soy farmers who agree to not deforest areas which they would legally be allowed to deforest.

250. The LUF project supported the creation of the Environmental and Social Knowledge Exchange Network (ESKEN) as a community of practice of impact fund managers to share best practices on environmental and social (E&S) aspects of financing deforestation-free commodity production, protection of natural ecosystems, forest landscape restoration, and other forms of sustainable land-use. The ESKEN Network is reported to have led gatherings of over 1,000 professionals from fund managers and led to the development and sharing of case studies on how to address challenges specific to identification and management of risks and impact monitoring of investments in land use space.

251. Outreach activities also included publications, newsletters, Land Use Finance Hub website, case studies, and contributions to other websites. The yearly State of Finance for Nature Reports have aimed to raise the awareness of private sector of investment opportunities into Nature-based Solutions.

252. The financing offered by the facilities required a minimum deal size, tied to jurisdiction and ESG requirements, including zero-deforestation commitments, and therefore reduced the number of companies eligible for the finance facilities. Demand for financing has been less than expected in the case of TLFF and &Green. The amount of private sector investment into the facilities was below expected levels. This concurs with a study by UN DESA on SDGs and blended finance which found that blended finance has so far not been able to fulfil expectations of contributing to the implementation of SDGs, due to, among other things, the absence of agreed

additionality metrics, the low mobilisation ratio, its concentration in international corporations, and relatively low volume compared to what is required.

253.The facilities supported by the LUF project do not reflect the full range of finance facilities that exist in the rapidly changing context of blended finance today. Investment arms of the development banks have set up facilities for blended finance and public development banks invest in nature-based solutions. In Brazil, a national initiative for blended finance for agribusiness was set up in 2024 and a national stakeholder coalition for blended finance was formed in November 2024. The capacity building of IFACC for banks and non-banks for including ESG in their operations in the Cono Sur countries has been successful because UNEP, based on its convening power, has used its access to banks and its knowledge of ESG but has not, so far, taken full advantage of opportunities to bring its experience into those initiatives. The activities in El Salvador to set up institutional arrangements for payments for ecosystem services to smallholders show that interventions can be successful, however, results have not been fully implemented to achieve desired impacts. Working with the Central bank in Paraguay on a product was also quite successful.

254.The RLU investment by TLFF and investments by &Green show that measures for including smallholders have costs and it is not clear which parts of a supply chain bear the costs for transition. Legal requirements in importing countries, like EUDR, are an important factor in shaping supply chain strategies. Other factors are strategies at company level.

255.Most of the investments made by facilities supported by LUF are undertaken in middle-income countries like Indonesia, Brazil and Viet Nam – where a large percentage of the target commodities production takes place. Selection criteria applied by the facilities has allowed for investments in companies which have been involved in deforestation and human rights abuses, such as Marfrig. In addition, Syngenta is a member of IFACC, despite its export of pesticides linked to harmful effects on human health and lawsuits brought against the company by the Brazilian government.

256.The IKI project in El Salvador contributed to the national policies for the environment and agriculture setting up institutions and a policy for incentives for ecosystem services. Positive policy results have been achieved in El Salvador supporting policies for incentive-based mechanisms for ecosystem services. UNEP also worked with the national Indonesian government on the creation and implementation of the TLFF. Beyond those engagements with national governments country engagement, and thus country ownership, was limited.

257.In terms of likelihood of impact, halting deforestation at investment level is achieved in the landscape for the duration of the financing agreements (8-10 years for some of the facilities, annual for RCF). It is moderately unlikely that the LUF project will achieve the aspired impacts beyond deforestation and conversion free production at the investment sites as governments have not sufficiently implemented policies. The LUF is only partly linked to national policies in Brazil and other countries where the facilities operate because its focus was on activating the private sector. In order to ensure permanent reduction of deforestation, regulatory and market forces, or follow on impact investments, would need to come into place. Moreover, investee companies would have to continue their commitments to zero-deforestation. However, they retain the option to repay the financing at any time, thereby releasing themselves from the obligations set by the financing facility. This scenario has occurred in two of &Green’s investments.

258. The project's inclusion of smallholders, women and effect on job creation was limited due to its focus on commodity-driven deforestation, and the required transaction size meant mainly large companies were eligible. In the real underlying financial calculations and financial model, additional costs to meet IFC performance standards were insufficiently included in the pricing of produce (rubber), leading to not meeting the financial expectations in terms of ROI. The evaluation found that capacity building costs for small-holders and women were not always covered by partners and the company, although one respondent asserts that all costs were covered. There is a likelihood of indirect contributions towards livelihoods in El Salvador.

259. The finance facilities show that tracking deforestation from large companies is possible, which can be used to track the voluntary commitments of agribusinesses. But the implementation mode of the finance facilities is challenging as it leaves implementation of measures to companies which do not fully reveal the details of the investments or the full picture of impacts on the ground. Often, only aggregated data are reported to the public. The partnership strategy does not fully cover a partner-of-partners approach; however, the UNEP Private Sector Playbook has set criteria which reduce risks from collaboration with companies. The playbook targets private sector partnerships which are highly ambitious, aim at systems change or industry-wide platforms. IFAAC is a small group of selected businesses which does not fall under one of these categories.

260. By focussing on anticipated rather than achieved impacts in its communication, UNEP exposed itself to possible attacks on its credibility. Reputational risks may also ensue from members of IFACC and investees of the facilities. UNEP could be perceived as endorsing agribusiness and being blind to some companies' potential linkages with inequality, food security, human rights and human health. The finance facilities leave on-the-ground implementation to companies and do not fully reveal the details of the investments or the full impact assessment. In many cases, only aggregated data of the facilities are reported to the public.

261. The table below provides a summary of the ratings and finding discussed in Chapter 5. Overall, the project demonstrates a rating of 'Moderately Satisfactory'.

Table 17: Summary of project findings and ratings[37]

Criterion	Summary assessment	Rating
Strategic Relevance		**Satisfactory**
1. Alignment to UNEP MTS, POW and Strategic Priorities	Contribution to PoW 2018-2019, limited alignment with MTS 2018-2021 due to focus on commodities and working with agribusiness, limited alignment with private sector playbook 2024 due to lack of high ambition coalitions, industry-wide initiatives and systems change archetypes.	**Moderately Satisfactory**
2. Alignment to Donor strategic priorities	In line with priorities of donors.	**Satisfactory**

37 Most criteria are rated on a six-point scale as follows: Highly Satisfactory (HS); Satisfactory (S); Moderately Satisfactory (MS); Moderately Unsatisfactory (MU); Unsatisfactory (U); Highly Unsatisfactory (HU). Sustainability and Likelihood of Impact are rated, also on a six-point scale, from Highly Likely (HL) down to Highly Unlikely (HU) and Nature of External Context is rated from Highly Favourable (HF) to Highly Unfavourable (HU).

Criterion	Summary assessment	Rating
3. Relevance to global, regional, sub-regional and national environmental priorities	Contributions to SDG 15 and 13, contributions to national environmental priorities exist however contributions to policies are limited.	**Moderately Satisfactory**
4. Complementarity with existing interventions/ Coherence	Complimentary with UNEP interventions like UNEP FI and the fiscal policy project	**Satisfactory**
Quality of Project Design	General analysis of operating context, limited analysis of target groups like businesses and markets, inadequate risk analysis and risk monitoring, communication of anticipated impacts, long and complex multi-layered result chain fully dependent on actions of external actors outside the sphere of influence of UNEP, results not formulated according to UNEP´s definitions, limited assessment of partners before implementation, room for raising additional funds which led to revisions of the ProDoc	**Moderately Unsatisfactory**
Nature of External Context	The Facilities undertake investments in relatively stable middle income countries like Brazil, IKI project in El Salvador was implemented at technical level – all countries support export-led policies	**Favourable**
Effectiveness		**Moderately Satisfactory**
1. Availability of outputs	Most outputs fully and timely delivered	**Satisfactory**
2. Achievement of project outcomes	It was achieved to contribute to make the finance facilities operational which unlock private capital (Outcome 1). Finance institutions, food and consumer good companies implement actions for deforestation for commodities along their supply chains, however a supply chain approach has been used mainly in Agri3 Fund and &Green Fund. The publication "Report on the State of Finance for Nature" has been used in publications of private sector actors reflecting the awareness of the private sector for investments into nature-based solutions. The results of engagement with national Governments have been limited (Outcome 2 and 3 partly achieved).	**Moderately Satisfactory**
3. Likelihood of impact	Demonstrated positive environmental and social impacts achieved in terms of landscape resilience (SDG 15), climate change mitigation (SDG 13) and partnerships SDG 19. Unintended negative effects: investments into agribusiness which contribute to inequality (negative contribution to access to land SDG 1.4.) and industrial agriculture with well-known effects like use of fertilizer, pesticides, etc. and the capacity and commitment of companies to change their business models may not be sustained after the end of the investments. However, there was no evidence of any of these adverse effects in documents or interviews. Reputational risk for UNEP due to reporting anticipated impacts, investments into agribusiness and collaboration with companies with limited ambition and capabilities.	**Moderately Unlikely**
Financial Management		**Satisfactory**

Criterion	Summary assessment	Rating
1. Adherence to UNEP's financial policies and procedures	The project has adhered to UNEP's financial policies and procedures, by reporting disbursing and reporting on its expenditures in a timely manner and according to processes in place. Expenditure reports were delivered to the Finance and Budget Officers biannually, and donor-specific reports were produced and shared in time. One significant revision was performed as the budget overstated funding based on potential funds rather than secured funds.	**Satisfactory**
2. Completeness of project financial information	Financial information was available for the total project by donor. It was not broken down per output or outcome	**Satisfactory**
3. Communication between finance and project management staff	Both the project manager and the Finance and Budget Officers had strong awareness of the financial status of the project. Communication between project management staff and finance and administrative officers improved over the course of the project to become more structured. A weekly meeting was scheduled to solve any outstanding issues, and there was a running document to manage actions required for financial disbursements and reports to partners.	**Satisfactory**
Efficiency	Most outputs and outcomes were delivered on time – although there was one no-cost extension. The project was extended by 6 months to ensure delivery of all target outputs, which reduces the overall efficiency of the project. Factors that have negatively impacted efficiency include staff turnover, the large proportion of time spent fundraising and support of small sub-projects, which have administrative costs. The efficiency of support of the finance facilities was unsatisfactory due to the micromanagement of ESG in AGRI3 and doubling of efforts for M&E in the facilities.	**Moderately Satisfactory**
Monitoring and Reporting		**Moderately Satisfactory**
1. Monitoring design and budgeting	Milestones and indicators were tracked, no gender specific indicator.	**Moderately Satisfactory**
2. Monitoring of project implementation	Regular reporting according to PIMS, monitoring information was not fully used to improve the project.	**Moderately Satisfactory**
3. Project reporting	Project reporting was conducted via UNEP's project databases of PIMS and IPMR internally. In addition, reporting was conducted to the numerous donors to the project with each having their individual schedules and reporting requirements. Potential of double counting of outputs.	**Moderately Satisfactory**
Sustainability		**Moderately Likely**
1. Socio-political sustainability	The facilities support countries with a favourable forest legislation like Brazil or Viet Nam.	**Moderately Likely**

Criterion	Summary assessment	Rating
2. Financial sustainability	Outcome 1 is very likely to be financially sustainable, Outcome 2 and 3 would need further support.	**Moderately Likely**
3. Institutional sustainability	The sustainability of project outcomes needs a high degree of further support which are in-built in the design of the measures this is why the institutional sustainability of outcomes is rated as 'Moderately Likely'. After the end of financing, companies can decide whether they want to continue the conversion and deforestation-free agricultural practices or not. Here, company strategies and values play a decisive role which the investments were planned to incentivise. Ownership of the companies can be assessed as low because they needed to be incentivised. Markets do not fully reward the investments like conversion-free soy.	**Moderately Likely**
Factors Affecting Performance		**Moderately Satisfactory**
1. Preparation and readiness	Decisions in the beginning of the project without a clear baseline, no inception phase for testing the concept of blended finance.	**Moderately Satisfactory**
2. Quality of project management and supervision	An integrated project management was complicated by long and complex multilayered results chain. Several revisions of project design and the last one just 6 months before the closure- as additional funding was confirmed late – indicate that project management tried to adapt to changing external conditions and demands which were mostly influenced by variable and below-target fund procurement.	**Moderately Satisfactory**
2.1 UNEP/Implementing Agency:		
2.2 Partners/Executing Agency:		
3. Stakeholders' participation and cooperation	At facility level work with a limited number of stakeholders, good stakeholder involvement in El Salvador, low Stakeholder Involvement at RLU investment site in Jambi, good stakeholder involvement in TLFF.	**Moderately Unsatisfactory**
4. Responsiveness to human rights and gender equality	As most of the investment projects of AGRI3, TLFF and IFACC are directed to the agribusiness industry, their contribution to gender equality is negligible. As the ESG framework is based upon IFC Performance Standards, it respects human rights. The investments are not designed as impact investments to actively promote human rights like the right to food or water because the focus is on halting deforestation / conversion of forests.	**Moderately Satisfactory**
5. Environmental and social safeguards	Key outcomes of project is that all finance facilities have strategically embedded ESG frameworks which are in alignment with IFC Performance Standards.	**Satisfactory**

Criterion	Summary assessment	Rating
6. Country ownership and driven-ness	As the LUF project has mainly engaged with a small group of finance facilities, country ownership and driven-ness was highly limited. The TLFF was a project of the Indonesian Government which UNEP took on. Despite that three finance facilities operate in Brazil, UNEP´s interaction with the Ministry of the Environment in Brazil and the respective national and international initiatives has been very limited and was only taken up recently.	**Moderately Unsatisfactory**
7. Communication and public awareness	High number of studies, newsletters, presentations with potential investors, no tracking of communication and outreach. Good transparency of the deals and the facilities. Communication of anticipated impacts.	**Satisfactory**
Overall Project Performance Rating	**Strengths: focus blended finance in landscapes for sustainable land use and private sector engagement, communication and outreach.** **Weakness: limited engagement with governments, limited project preparedness, limited awareness of reputational risk for UNEP and risk mitigation measures.**	**Moderately Satisfactory**

Responses to Key Strategic Questions

262. The evaluation has addressed a set of key operational and high-level policy strategic questions that are of interest to UNEP.

a. Examine the suitability and adequacy of UNEP's protocol for working with partners and 'partners of partners'? Partners include blended finance institutions, banks or investors that UNEP would be working with, or clients or investee companies in the agricultural value chain including traders, processors and producers.

263. The UNEP Partnership Strategy from 2011 refers to the core UN values of integrity, impartiality, and independence as the main selection criteria for partners. Selection criteria for 'partners of partners' like clients or subcontractors do not exist in the partnership strategy. Detailed selection criteria for private sector partners are introduced in the updated 2024 *UNEP Partnership Policy* and the 2024 *UNEP Playbook on Engaging the Private Sector* and "aims to inspire all stakeholders, whatever their current level of environmental performance or awareness, to continuously improve their environmental governance and management, thereby accelerating transformational changes and concrete actions with positive impacts on the environment". The purpose of partnerships for UNEP is to catalyse access to data, innovations, best practices, and technologies by a wide range of stakeholders. The approved 2024 UNEP Partnership Policy covers the 'partner of partners' approach, however, it does not consider that implementation partnerships may have in-built partner of partners' approaches that put UNEP's partnership values under strain.

264. The list of potential investees in deals by the &Green Fund in the ProDoc contained companies which had recorded incidents of non-compliance with national environmental laws (Marfrig, Roncador) which implies that their integrity should have been reviewed and confirmed. The selection criteria applied by the facilities appear to be based on the potential impact of the investment and not on the past performance of the companies, including their alignment with UN and UNEP values. The intention

was to change the behaviour of companies by offering flexible capital to intensify agricultural production without encroaching on forests. In the case of IFACC, the initiative launched in 2021 to increase investments in sustainable agriculture in Argentina, Brazil and Paraguay under the realm of the LUF project, members went through a due diligence process according to IFACC.

265. The partnership between UNEP and the &Green Fund was in-line with the UNEP Partnership Strategy (2011). The process for the selection of the companies with which &Green entered into investment deals was also in line with the selection criteria of this Strategy.

266. The risk assessment in the LUF ProDoc contained an assessment of the reputational risk for UNEP being associated with companies with a "heavy environmental footprint" at the time of project approval, however, a risk monitoring plan during project implementation was not set up. Learning from similar cases of private sector co-operation with UN organisations or international NGOs is not apparent in the ProDoc.

267. Risk of reputational damage occurs if the actions of a company are not in line with the values of the company or with the existing laws and social norms and values beyond laws. Some of the companies had a record of potential violations of national laws, human rights or contributing to inequality in the countries, which is a 'red flag' for organizations/ entities managing public funds that operate by core values such as the UN, international development banks, etc.

268. UNEP's integrity was questioned by a Vox Media investigation into the TLFF's RLU project. Levels of interest among NGOs and media shows that the track record of companies is a critical point for investments of public funds.

b. What are the safeguards and risk assessment procedures related to deals for identifying, and accommodating risk in project/deal/transaction design and monitoring during implementation. What works and what does not work?

269. The facilities have high costs for setting and monitoring safeguards if compared with the number of deals. Blended and impact funds have higher transaction costs due to donors' and investors' expectations on due diligence processes, monitoring, and impact data. This can impact their commercial viability or their ability to have adequate resources to carry out the due diligence.

270. The finance facilities had ESG and due diligence processes in line with IFC Performance Standards, which included exclusion lists. The exclusion lists included illegal activities and deforestation in HCV and HCS zones.

271. UNEP's involvement in the design and implementation of the facilities' ESG policies and processes was different in each case:

- TLFF: The RLU deal, which predates the LUF project, was agreed by the investees without UNEP input into the ESG and due diligence process.
- &Green: UNEP provided input into the initial design of ESG policies and processes but was not involved in the review of individual deals and investment decisions, nor monitoring of implementation.
- AGRI3: UNEP contributed to the development of the ESG framework, reviewed individual deals as part of the E&S panel and gave its expert opinion, although it had

no insight as to whether its recommendations were observed given it was not a member of the Investment Committee.

- RCF: UNEP is involved in discussing the overarching selection process and frameworks as a member of the Environmental Advisory Board.

272.The learning curve of the facilities and UNEP during implementation was steep.

273.In Brazil, public banks are making investments for which safeguards exist. As an additional potentially risk reducing procedure, IFACC has introduced a capacity building approach for banks to assess potential investments.

274.Some challenges of what works and does not work:

- **Challenge 1:** Due diligence, the implementation of ESG processes and 'doubling' of monitoring for the facilities is costly and impacts the facilities' financial viability. The safeguards assessment led by UNEP in AGRI3 was done on a case-by-case basis. Third-party consultants with a background in agriculture and field experience in the investment sites/areas are necessary. The standardization of processes and investment projects, combined with the use of new technologies, could lead to reduced costs.
- **Challenge 2:** Access to the investment sites by UNEP is a challenge due to the facilities' confidentiality obligations. Without access, it is not possible to verify information so that all reporting relies on the information provided by the facilities, investees and consultants who conduct the audits. UNEP has also not conducted field visits to the investment sites during implementation of the project. A field visit was carried out successfully for this evaluation's case study of the TLFF to the RLU site in Jambi, Indonesia.
- **Challenge 3:** UNEP's role affects the extent to which it can influence and manage safeguards. For instance, if it comes in with support after key decisions have been made then it will have limited influence. If UNEP is only present at the beginning of the facility's formation and does not stay involved in implementation, then it is not in a position to manage risks and ensure safeguards are observed.

c. To what extent are management operational oversight entities at facility level (investment and credit committees) and at UNEP entity level (for example, project advisory committee, grant fund advisory committee and CFU steering committee) adequate to exert due diligence and address requirements of accountability and transparency?

275.*See above response to b*. All facilities have due diligence and risk assessment processes and mitigation plans in place, with &Green's and AGRI3's policies available online. The facilities have different degrees of transparency. For example, &Green publishes online its jurisdictional eligibility criteria, selected jurisdictional assessments, information on its investments, target impact and the LPPs and ESAPs, in addition to detailed annual reports. However, financial information related to specific deals, its pipeline, and additionality assessments were not available to the public nor to UNEP due to commercial confidentiality. AGRI3 has less information available to the public, indeed no impact report is available on its website. UNEP was not informed whether, or how, its recommendations on the E&S panel were applied to the investment contracts.

276.At UNEP level, there was no formal selection or due diligence criteria on the facilities. The facilities and partners were selected as opportunities emerged rather than through formal selection or governance processes. The lack of field visits by UNEP, limited mechanisms for consulting stakeholders and limited direct contact with companies led to limited transparency of potential investment challenges.

d. What can UNEP learn from the portfolio review and case studies conducted as part of this evaluation of facilities and funds for UNEP and UNEP's strategic engagement in such type of interventions?

277.**Learning 1:** UNEP is a small organization with a very specific mandate as a UN organization so given its size it can only pursue a few topics compared to other larger UN organisations. UNEP's technical knowledge on blended finance is limited to a few individuals, despite its long-standing co-operation with financial sector actors in UNEP-FI. This is not unique to UNEP because blended finance is relatively new and institutions that use those instruments are learning by doing.

278.**Learning 2:** While UNEP did play a central role in the creation of AGRI3 and RSCF, &Green, RCF and TLFF would have existed with or without UNEP's involvement.

279.**Learning 3:** Areas where UNEP could add value include: providing funds to the facilities; helping mainstream the fundraising process (e.g. convene donors to align on funding application processes to accelerate process); helping identify templates for blended finance facilities to accelerate and scale deployment (as current funds and facilities are all bespoke); and; helping communicate to governments what is required to scale.

280.Responses to the strategic questions e-i are presented in the following as <u>two responses</u> inspired by a scenario approach that is framed by two key assumptions about the future of sustainable land use. The two assumptions were applied in this evaluation's RToC of the LUF project:

- <u>*Assumption 1:*</u> ***'Proof of concept' leads to replication and greater scale.'*** *The understanding is that blended finance (and finance facilities) with the private sector can drive change that is framed within policies and builds on the success of the three mechanisms that determined the design of the LUF project such as making bankable investment projects available, more companies pledging zero-deforestation, and increased availability of first loss instruments to reduce credit risk.*
- <u>*Assumption 2:*</u> ***'Implementing countries reach a critical threshold or "Tipping Point" where small policy changes lead to significant development outcomes provided policy changes are in areas where action can have the greatest impact'.*** *The understanding is that change must be policy-driven to effectively address the systemic economic issues leading to unsustainable land use, and companies are reactive to policy change because companies and investors are less persuaded to cooperate on investments with public finance and projects with higher-risk profiles.*

281.The scenarios and perspectives shown in diagram 1 are not meant to capture all elements and perspectives but are intended to present two generic sets of thinking that are not inherently positive or negative about the future and UNEP's role.

Diagram 1: Types of scenarios

Assumption 1: Proof of concept' leads to replication	**Scenario 1:** **Finance facilities manage to get deals for a focused area or landscape. Engagement with already 'green' companies or companies looking for profitable deals and**	**Scenario 2:** **Finance facilities successfully replicate and upscale deals. Focus on large companies. Sustainable land use policy is in**

Holding	**access to funds but lack of systemic/ policy cohesion.** **UNEP's role: Landscape focused on unlocking niche/ specialised finance areas.**	**place and enforced.** **High policy cohesion enhances private investments.** **UNEP's role: Facilitates sustainable land use policy development and identifies large landscapes for investment, convener at national level.**
Not holding	**Scenario 3:** **Lack of investments, companies do not do deals. Policy context is not supporting change.** **UNEP's role: Normative. Focus on raising awareness of Governments and private sector.**	**Scenario 4:** **Sustainable land use policy in place and enforced.** **Concessional public finance is leveraging non-concessional public finance to support private initiatives, but no/limited participation from de-risked private sector investors.** **UNEP's role: Focus on working with ministries, development banks and donor/national grants.**
	Assumption 2: Implementing countries reach a critical threshold or "Tipping Point" where small policy changes lead to significant development outcomes provided policy change are in areas where action can have the greatest impact. Not holding → Holding	

282.As shown in the scenario diagram above: when Assumption 1 is dominant (holding), scenarios 1 and 2 are more applicable, whereas when Assumption 2 prevails (holding), scenarios 2 and 4 are favoured.

e. How can UNEP overcome the systematic challenge of finding suitable investment opportunities and promote increased financing for better land use?

Response Where Assumption 1 Dominates	Response Where Assumption 2 Dominates
The reality is that a lot of the required investments in sustainable land use in emerging countries is not suitable for mainstream and even impact investors – at least not with the risk return expectations. This is due to lack of collateral, geopolitical risks, climate risks, high transaction costs, lack of liquidity, foreign exchange risk, etc. UNEP could contribute to shaping flexible evergreen investment vehicles (also known as "open-ended funds") that can make investments at return and risk levels that are not acceptable to private sector but could be acceptable to an impact facility. An area that is often overlooked involves smallholders, because of higher risk, transaction cost and lack of collateral. Helping shape vehicles that tackle their specific needs in a transition could not only contribute to UNEP's environmental mandate but also reduce inequality and gender disparity. UNEP could use its convening power, links to governments and policies, to enhance private capacities that strengthen the landscape component of some investment vehicles or programmes. Investing at landscape level means that public and private stakeholders must be involved in addition to competing interests. Past efforts to invest at landscape level, have often been limited to specific companies or	UNEP can use its convening and norm setting role to improve policy frameworks for investments into sustainable land use and promote good examples of sustainable land use initiatives using the experience from its member countries and support to blended finance facilities. Those case studies should include a critical assessment of what kind of finance is needed. Countries like India and China have good examples of how public banks can promote sustainable land use for small holders and South-South Co-operation can play a critical role. NAPs and NDCs contain lists of investment opportunities. Countries can be supported to develop the necessary infrastructure for preparing investments. Private sector promotion boards that are engaging with government bodies and other stakeholders to address issues that affect businesses can be supported in finding green investment opportunities and promoting ecosystems for entrepreneurships.

actions, rather than encompassing competing land uses and the full array of actors active in a landscape.	

f. How could capacity building of donors be more effectively conceptualized to support the shift in thinking of governments that both public and private capital is necessary to change the deforestation trajectory?

Response Where Assumption 1 Dominates	Response Where Assumption 2 Dominates
Donors and multilaterals usually have two buckets – ***grants*** and ***investments***, with the latter expecting market rate returns and low risk – but not much in between. This means a lot of potentially *high impact-low returns* investments are not being made. There is a need to educate donors and DFIs on the trade-offs between risk and impact – higher financial risk can often mean greater impact. In some cases, DFIs crowd out private sector instead of catalyzing them. UNEP could communicate to donors how their funding processes could be reformed to accelerate flows of capital to sustainable land use. For instance, alignment on information requested and format of applications from applicants, could save time for funds and facilities. Most donors' grant-making and investment criteria do not favor investments into new entities and will require a track record. Some recent reports including Blended Finance Playbook for Climate Smart Agrifood Systems (CPI, ISF advisors and CLIC), Investing in Deforestation-Free Supply Chains as Strategic Imperative (FMO), Practical guidance to scale Blended Finance (BII and BCG) provide assessments of what has worked well and not that could inform the development of the next generation of blended finance vehicles.	Governments and international organisations have recognized that private finance is needed to address climate change effectively. The State of Finance for Nature Reports have also made that case. However, for the last few years, they have relied too much on expective results from blended finance like raising private funds instead of using public funds in mission- oriented investments. The 2025 Fourth International Conference on Financing for Development (FfD4) is a shift in thinking because the role of public banks and government spending on critical investments will be discussed. Deforestation and conversion of forests into agricultural land has been a highly profitable business for companies and banks providing loans. Private capital will always go to the most profitable activities unless there is regulation, or taxation, or subsidies. Private capital needs to be redirected to other economic activities which might not provide such high profit rates and need more technological capacities.

g. What can be learned from efforts of extending the proof of concept (PoC) into other areas such as mobilizing resources from multilateral development banks and development finance, institutions for sustainable land use, and/or working in other geographical zones or countries, and/or applying innovative finance to blended finance for marine ecosystems?

Response Where Assumption 1 Dominates	Response Where Assumption 2 Dominates
Most of the facilities have not reached their targets in terms of private capital at facility level, although many have attracted investments from multilaterals and DFIs. They have all adjusted their models and structures in order to change that going forward. Those lessons should be compiled and shared to help inform donors and future blended finance facilities. There are trade-offs between risk and impact returns. Investors want low risk and therefore may get lower impacts and additionality as they may end up financing companies that are already amongst the best practitioners in their field, or that could have obtained capital from other sources. There is a high transaction cost for dealing with diligence and monitoring of large areas, that encompass multiple land uses and thousands of landowners. This may affect the profitability of investments in sustainable land use. Fund	The PoC is here understood as sustainable land use and deforestation-free production of commodities that has been undertaken meeting sustainability standards, by NGOs or the work of public banks. Case studies for sustainable land use exist. Those cases have been documented in the Green Economy Reports, databases like Panorama Solutions, etc. They can be replicated by public banks and national employment programmes. Public banks, however, need capacity building measures to implement such programmes as well as political will. Blended finance facilities are highly flexible and specialised financing instruments with high transaction costs, which are not well suited to the mass market for commodities. They can be used for niche areas such as financing advanced research-based bioeconomy investment projects.

and facility managers have to balance profitability expectations and impact expectations. There is a disconnect between the time horizon of blended finance facilities in the land use sector (8-15 years, or evergreen structures) with the typical project/programme length of UNEP and donors (3-5 years). This may impede follow-through or full realization of impact in UNEP's project cycle.	The sources of finance like fees for use of the commons such as tropical forests or oceans by the private sector and infrastructure to be financed by public programmes need to be carefully conceptualized in order to meet public value criteria.

h. What are UNEP's comparative advantages and disadvantages of working with private sector entities on setting up, and supporting the set-up of, blended finance facilities for climate, especially with financial instruments beyond grants? To what extent should this work be further accelerated or scaled down and what roles should UNEP continue to play or to do differently?

Response Where Assumption 1 Dominates	**Response Where Assumption 2 Dominates**
With the LUF project, UNEP has developed experience on different types of blended finance structures aimed at shifting the behavior of an array of private sector actors (e.g. guarantees targeting financial institutions with AGRI3, concessional finance targeting soy farmers with RCF, debt for agribusinesses with &Green, grants and repayable grants to fund managers with RSCF[38]). As the 2025 UNDESA policy brief has flagged, blended finance tends to concentrate on lower risk, higher returns economic segments and geographies. A 2025 paper by BII and BCG called for the establishment of blended finance blueprints to enhance their efficacy. UNEP could add value by assessing and sharing how the five facilities could be scaled and create replicable and scalable blueprints. UNEP should seek gaps in activity with regards to blended finance and flows of capital to sustainable land use to maximize its value-added. E.g. working with private sector where financial risk – and therefore potential for impact – is highest e.g. with smallholders. UNEP could also play a role in educating member states on the needs of private sector transition to sustainable land use, the use of blended finance, and how lessons learned from existing facilities can be integrated into policy frameworks in both donor and other governments.	UNEP´s comparative advantage with other UN organisations in blended finance is that it has a long-standing partnership with financial sector actors in UNEP-FI which is linked to capacity building for the financial sector. Various DFIs are active in blended finance. UNDP and the World Bank have successfully worked on Blue Bonds in Indonesia with BNP Paribas and IFAD has issued a bond with the Swedish Pension Fund for its work in agriculture with smallholders. UNEP is not a member of the Brazil Restoration & Bioeconomy Finance Coalition (BRB Finance Coalition) where work relevant to the LUF project is undertaken. The LUF project has had limited exchange of information with public development banks e.g. IDB Invest. UNEP should leverage its advantage to work with private banks in capacity building for those banks which take part in public sector programmes for land use finance like in Brazil. Financial Instruments beyond grants are not necessary for those activities. Here, UNEP could leverage its advantage by working with the environmental ministries and central and public banks including private banks on such programmes. Since their creation, the facilities have faced challenges in raising and deploying capital to end-users for different reasons. UNEP should scale down its direct work with financing facilities and place those activities outside of UNEP and give IFACC a legal status outside UNEP.

i. What types of private sector entities (e.g. financial institutions, SMEs, industry associations, etc.) UNEP should engage more and in what capacity to create and foster long-lasting impacts? What are the models of collaboration?

Response Where Assumption 1 Dominates	**Response Where Assumption 2 Dominates**

[38] After LUF's involvement in the design and set-up of the RSCF, it became a separate project in 2020 (SCAF-FLR PIMS ID 2100 actual start date 27 July 2021) and was removed from the LUF project.

It is difficult to get large companies to cooperate and join forces in pre-competitive initiatives. The LUF project has shown that smallholders, and the intermediaries serving them (e.g. Coops) are often neglected by blended finance vehicles in general because the size of deals is usually too small, or there is a lack of collateral, or high transaction cost, or lack of capacity on one end, or a combination of many such factors. Project developers have to absorb most of the upfront costs and risks associated with developing projects with landowners in emerging markets. Given the lack of available capital to these players, this creates a bottleneck in the formation of supply side projects which UNEP could help address. Fund managers in the sustainable land use space are under pressure to create returns in line with private sector expectations, while doing due diligence and monitoring of impact according to public sector expectations which comes with higher transaction costs than conventional fund managers. **Opportunities:** UNEP should continue promoting investments private investments, including from supply chain actors, into blended finance facilities. UNEP could seek ways to unlock the ping pong game that supply chain actors play amongst themselves (e.g. blaming producers, who blame the traders who blame the consumer goods companies for not wanting to pay higher prices) by calculating e.g. shared benefits of action and shared costs of inaction.	The approach of the LUF project to work with agribusiness using blended finance as conditional finance from non-banking institutions is slowly progressing because conditional finance is not a well-suited instrument for changing the behaviour of companies. Those companies respond to regulations, either directly in the country or via supply chains. **Opportunities:** UNEP should work with companies which are motivated to contribute to protecting forests by developing new products from forests (advanced bioeconomy encompasses a wide range of industries, from agriculture and forestry to energy and pharmaceuticals). There is a need to explore alternatives to traditional agribusiness in the advanced bioeconomy. UNEP should work more with green businesses and their associations to promote the sustainable use of forests and native ecosystems. With companies who are already "green" the value added of UNEP may be less - given they are already engaged in sustainable businesses but also reduce reputational risk to UNEP. The LUF project should more engage in multistakeholder coalitions such as the BRB Finance Coalition in Brazil to create impact.

6.2 Lessons learned

Lesson Learned #1:	**The ToC was too long and complex, working with a partner of partner approach to deliver the expected results. The context for land use finance has rapidly evolved over time and its latest form needs to be considered for UNEPs future activities and formulation of project-level ToCs where finance facilities that use public funding can play a major role in blended finance to leverage private finance and use policies to enhance support.**
Context/comment:	At the beginning of the LUF project, sustainable land use funds for emerging markets were just starting to emerge. Over the lifespan of the project, a growing number of impact land use and nature-based solutions funds and other vehicles were established. This is why the theory of change of the project needed to be adjusted and adapted to a changing context. The ToC was too long and complex, working with a partner of partner approach to deliver the expected results. Finance facilities have a major role to play in blended finance that use public funding to leverage private finance. However, public development banks and the banking system as well as public policies have shown that there are other viable options to invest into nature-based solutions. In addition, financing economic alternatives to the conversion of tropical forest in a bio-economy strategy like in Brazil need to be considered in a ToC.

Lesson Learned #2:	**ESG commitments need to be implemented at investment level by facilities and integrated into company strategies, and the company needs to use internal management structures to comply with them.**
Context/comment:	The facilities and companies often use a third party for monitoring compliance of ESG commitments. For ESG to change company strategies, the ESG commitments need to be implemented at investment level and the company needs to use internal management structures to comply with them. There are approaches other than financing that are promising for working with companies which want to, and which are able to transform. UNEP has successfully used its expertise with private banks to train banks in ESG under UNEP-FI and in the IFACC initiative using a peer-to-peer approach. Via IFACC, UNEP has used a peer-to-peer learning approach that fosters practical exchange and capacity building on specific business cases and best practices for e.g. ESG integration.

Lesson Learned #3:	**Deforestation-free finance provides incentives to adopt voluntary commitments of agribusiness but these need to be monitored and promoted as they can show that deforestation-free agriculture is possible and can be profitable which has been demonstrated by the LUF project as well as in several publications.**
Context/comment:	Financial incentives are key to making voluntary commitments not to deforest move from a commitment to a reality. In the absence of incentives, governments, corporate and FIs do not meet them because without financial incentives it pays to deforest. Different types of business models (such as integrated crop-livestock-forest, or accelerated pastureland recovery) could be considered and financed without subsidised lending in the future if the perceived credit risk diminishes following initial transactions and more information is available about defaults or late payments. A number of voluntary commitments of agribusiness have been published which have not been monitored or recorded by UNEP, although they have been by NGOs. It is necessary to monitor such initiatives to show whether businesses are willing to comply with their own commitments and how agribusiness investments deliver socio-environmental results on the ground. Examples of businesses and financial institutions doing so could be used to inform national policies.

Lesson Learned #4:	**Working in multi-stakeholder settings where each stakeholder is clear on its role and commitment, is necessary for long-term success of initiatives. The IKI project in El Salvador demonstrated good stakeholder involvement which helped facilitate the implementation of credit incentives for small scale coffee farmers in a pilot project and set up institutions and a policy created incentives for ecosystem services.**
Context/comment:	Multi-stakeholder initiatives have shown importance at national, subnational and investment level for land use planning. If collaboration is well knitted in the ToC and implementation mode, several actors can pool resources to support the government in setting up a supportive policy framework for sustainable land use. In the example of the component of the LUF project financed by IKI in El Salvador, the project worked with public authorities to redirect public finance, co-ordinated with other projects in the sector and other UN agencies in the country demonstrating that a cohesive approach could be very effective in delivering impacts, including socio-economic benefits for women and smallholders.

6.3 Recommendations

Recommendation #1:	**UNEP's engagement in finance facilities should be closely aligned with a broad range of policy instruments. For phase 2 of the LUF project, review the ToC and consider adaptive management action, if necessary, to reflect the changes in the context and the progress of public policies.**
Challenge/problem to be addressed by the recommendation:	For the follow-up LUF project starting from 2025 the ToC should capture: • conditional finance and other instruments as tools to change land use practices of agribusinesses; • role of supply chains of large multinational companies in land use changes; • land use practices of small holders and smaller enterprises and develop strategies on how to direct public finance into small holder agriculture in co-operation with other actors and private sector initiatives; • support to countries in aligning their incentive system in public policies towards ecosystem services and forest protection; • assess the lack of public finance and the resulting finance gaps, including the role of strategically deployed public finance, and how to redirect public finance to sustainable land use, improve public programmes for financing land use using case studies from successful public finance programmes; • de-risking of private sector investments and distribution of risks and rewards. The progress in blended finance in Multinational Development Banks like, the World Bank, IDB, DFIs and national level initiatives for land use changes like in Brazil, as well as at facility level can be used as reference and be supported by a comprehensive market study assessing initiatives like the Agricultural Public Development Bank coalition, national initiatives and successful finance facilities and the influence of international finance rules and protocols like Basel and IFC Performance Standards on investments of private banks and investment funds. The update of the ToC should be conducted in consultation with a small group of experts experienced in public finance and financing land use changes proposal, including in-house expertise in programming and planning, members of UNEP-FI and public development banks. The expertise can be used for other global facilities like the One Ocean Finance.
Priority Level:	Critical
Type of Recommendation	Project-level
Responsibility:	Climate Finance Unit
Proposed implementation time-frame:	12 months

283. Cross-reference(s) to rationale and supporting discussions:

- Section 4. Theory of change at evaluation.

Recommendation #2:	**UNEP should, through its Finance and Economic Transformation Subprogramme, take stock of lessons learned across its sustainable finance portfolio of blended finance projects to assess what has worked well and what has not in terms of:** • **leveraging private finance**

	• **leveraging public and philanthropic finance** • **creating environmental impact** • **creating social impact** • **governance** • **additionality** • **effectiveness** **UNEP should use this to inform and help identify a niche for UNEP in the field of blended finance as a way of using public funding to leverage private finance and what types of blended finance mechanisms align with UNEP's mandate and its support to countries in fulfilling their environmental commitments.**
Challenge/problem to be addressed by the recommendation:	UNEP had limited internal experience on the different blended finance structures at the time of the project inception. This contributed to its support of the TLFF before a full and adequate ESG framework was in place and without a clear governance structure, exposing itself to reputational risks. The MTS and PoW of UNEP related to Climate Action and Nature Action mention "increased finance" but do not refer specifically to blended finance and finance facilities. Its role is creating an enabling environment that test and mobilize private and public finance. It is not clear how finance facilities are scaled up to build synergy with policy development. With other finance instruments available, UNEP should consider the pros and cons of investing its resources into the land use finance structures given UNEPs limited resources and experience in working with supply chains and agriculture in general. This lack of experience is reflected in the TLFF. Given the nature and set-up of the LUF team, much of this knowledge currently resides with a few individuals and has not been documented so that it can be shared more widely in UNEP and integrated across thematic areas, subprogrammes and divisions. Areas where UNEP could add value include: providing funds to the facilities; helping mainstream the fundraising process (e.g. convene donors to align on funding application processes to accelerate process); helping identify templates for blended finance facilities to accelerate and scale deployment (as current funds and facilities are all bespoke); helping develop pipeline investment opportunities; helping communicate to governments what is required to scale; and support countries in monitoring of investment projects for land use.
Priority Level:	Critical
Type of Recommendation	Project-level
Responsibility:	Climate Finance Unit
Proposed implementation time-frame:	12 months

284.Cross-reference(s) to rationale and supporting discussions:

- Section 3.1 Context, 5.1 Strategic Relevance, 5.9.1 Preparation and Readiness, 5.9.2 Quality of Project Management and Supervision, Annex I.

Recommendation #3:	**UNEP should define guidance or criteria to guide its selection of blended finance mechanisms to be supported. The guidance should be specific onrequired MRV capacities, ESG verification and due diligence processes applied by the finance facilities according to their structure.**
Challenge/problem to be addressed by the recommendation:	The blended finance facilities supported by UNEP in the LUF project were selected in an ad hoc manner without clear selection criteria and a clear strategy on how UNEP could add most value to the blended finance facilities based on their

	structure (concessional capital, guarantee/ risk insurance, technical assistance facility (connected to a fund); preparation grants/ design grants). UNEP can improve the efficiency and additionality of its support of blended finance facilities by setting clear selection criteria and evaluating how it can best leverage its unique selling proposition to add value. The criteria should address: • role of UNEP in fund management and defining impact and ESG policies and processes; • size and nature of investment projects; • sources of funding; • targeted investees (e.g. agribusiness, smallholders) and type of co-investors; • required knowledge for management; • types of land uses permitted (e.g. monoculture/agroforestry); • use of carbon and biodiversity credits as revenue streams.
Priority Level:	Critical
Type of Recommendation	Project-level
Responsibility:	Climate Finance Unit
Proposed implementation time-frame:	12 months

285.Cross-reference(s) to rationale and supporting discussions:

- Section 5.9.1 Preparation and Readiness, 5.9.2 Quality of Project Management and Supervision, 5.9.3 Stakeholders Participation and Cooperation, 5.9.5 Environmental and Social Safeguards

Recommendation #4:	**UNEP should work to promote country ownership of financial solutions.**
Challenge/problem to be addressed by the recommendation:	Countries have developed financial instruments for land use changes like incentive- based mechanisms or public policies promoting investment projects in Brazil or India. The experience from those policies can be shared. UNEP has expertise in land use policies which can be expanded more. UNEP could use the ToC assessments from Recommendation 1 to inform public policy and supply chain initiatives and work with initiatives at country level and standard- levels to promote and finance a R&D based bioeconomy like bio-based businesses and value chains from forests and use of genetic resources as complementary economic sectors to commodity production.
Priority Level:	Important
Type of Recommendation	Project-level
Responsibility:	Climate Finance Unit
Proposed implementation time-frame:	12 months

286.Cross-reference(s) to rationale and supporting discussions:

- Section 5.9.6 Country Ownership and Driven-ness

Recommendation #5:	**Explore how UNEP could pilot initiatives in sectors that are overlooked by most investors due to their risk-return profile. For example, project preparation and pooling of small projects for scaling up and financial education of smallholders, support of South-South Dialogue/learning networks among middle-income group countries like India, China, Brazil and possible trilateral cooperation.**
Challenge/problem to be addressed by the recommendation:	Use the knowledge of finance ecosystems in countries like Luxemburg or banking experts from UNEP-FI banks to channel resources into project preparation and pooling of small projects for scaling up and financial education of smallholders in order to reduce transaction costs. This could include underserved geographies (e.g. some parts of Africa), target investees (e.g. smallholders), and land use models with multiple co-benefits (e.g. agroforestry). While featuring higher risk, these underserved sectors or segments also offer the opportunity for greater impact creation. UNEP could also explore how it could support the market infrastructure for these investments to occur – via e.g. strengthening of potential aggregators and intermediaries and support South-South Dialogue/learning networks about financing ecosystem restoration among middle-income group countries like India, China, Brazil and promote possible trilateral cooperation. This could be a tangible follow-up of the High-level Dialogue on national adaptation plans of COP 29.
Priority Level:	Important
Type of Recommendation	Project-level
Responsibility:	Climate Finance Unit
Proposed implementation time-frame:	12 months

287.Cross-reference(s) to rationale and supporting discussions:

- Section 5.4.2 Achievement of Project Outcomes, Strategic Question e.

Recommendation #6:	**The desired level of independence between UNEP and IFACC should be made clear and reflect all aspects of potential risk. For example, IFACC could be positioned as an initiative fully independent of UNEP (see paras 124, 251, 256-257).**
Challenge/problem to be addressed by the recommendation:	Upholding UNEP's reputation due to potential risk through its association with corporate partners should be a priority. Selection criteria applied by the facilities have allowed for investments in companies which have been involved in deforestation and human rights abuses, such as Marfrig. In addition, Syngenta is a member of IFACC, despite its export of pesticides linked to harmful effects on human health and lawsuits brought against the company by the Brazilian government. UNEP should consider the extent and nature of its association and partnership with IFACC, including making decisions on questions such as whether the IFACC consultant should be hosted in Brazil country office, or the use of the UNEP logo on the website and how UNEP communicates on IFAAC.
Priority Level:	Critical
Type of Recommendation	Project-level
Responsibility:	Climate Finance Unit
Proposed implementation time-frame:	12 months

288. Cross-reference(s) to rationale and supporting discussions:

- Section 5.1 Strategic Relevance, 6.1 Conclusions, Annex II.

ANNEX I. CASE STUDY OF THE TROPICAL LANDSCAPES FINANCE FACILITY, INDONESIA

1. CASE STUDY CONTEXT

The Tropical Landscapes Finance Facility (TLFF) in Indonesia was one of four[39] finance facilities supported by UNEP's Land Use Finance project (LUF), which was implemented from April 2018 to December 2024. The objective of LUF was that *"Countries increasingly adopt and implement forest-friendly policies and measures that deliver quantifiable emissions reductions as well as social and environmental benefits"*. The impact statement (i.e. long-lasting environmental benefit) derived from this objective is: **"***Demonstrable positive environmental and social impacts achieved in terms of landscape resilience (SDG 15), climate change mitigation (SDG 13) and improved long term rural income/livelihoods (SDG 1)" (see Reconstructed ToC, LUF Terminal Evaluation, page 47)*. The LUF project is a spin-off from the UN-REDD Programme. The UN-REDD Programme provided initial support to the TLFF before it was functionally transferred to CFU/ LUF Project. The LUF project (PIMS ID 2009) was, according to the ProDoc, approved by UNEP on 26 of April 2018. The actual support to the implementation of the LUF project by the Climate Finance Unit (CFU) started in 2019.

The TLFF predates the LUF project, however, by its inclusion into the LUF project it was expected to contribute, within the LUF project, to its **Outcome 1**: *Finance facilities are set up by UNEP and are operational aimed at leveraging public finance to unlock private capital by banks/ investors/ agribusinesses and other institutions towards gender inclusive sustainable land use.* The TLFF chose to invest in a natural rubber plantation in Indonesia, referred to as the PT Royal Lestari Utama (RLU) Project, because it aligned with the facility's goals of promoting sustainable development and green growth, particularly on degraded land.[40] The RLU Project (2015) was the results of a joint venture between Barito Pacific Group and Michelin Group. The intention behind the TLFF deal with the RLU Project was to allow for sustainable rubber to displace illicit palm oil, leveraging Michelin's offtake agreement to ensure market viability. Forest licenses in Indonesia were a legal base for the RLU project. RLU operated under the Industrial Plantation Forest (HTI) licenses with the commitment that 70% of the land will be for commercial use, 20% for community plots, and 10% for conservation[41] .

The TLFF deal (i.e. the PT Royal Lestari Utama (RLU) Project), aimed at enabling sustainable agriculture that preserves biodiversity and strengthens local livelihoods which, if reaching scale, could contribute to the sustainability of ecosystem services of the target landscapes. Concessions in Jambi and East Kalimantan Provinces were selected due to severe degradation from illegal logging and slash-and-burn farming. On the ground RLU has a permit to manage 71,000 ha but only 23,500 ha are used for rubber. Around 52% of the total permitted area is used by palm oil smallholders where the ownership is often unclear. As against targeted 10% area to be kept for conservation, 4% is natural forest (2,850 ha in Jambi). In real terms 9,700 ha was set aside as a wildlife conservation area - adjacent to the Bukit Tigapuluh

[39] The other three facilities are: RSCF, AGR13 and &Green.

[40] The project also addressed key development priorities of the TLFF and the Government of Indonesia. "This demonstrates our commitment to a thriving, sustainable rubber market for the country and our unwavering support for local communities." See UNEP Press Release, 28 Feb 2018 (Green Economy)

[41] https://www.undp.org/liberia/blog/building-partnerships-restoring-ecosystems-liberia.

https://www.andgreen.fund/wp-content/uploads/2021/05/RLU-Landscape-Protection-Plan_final_compressed.pdf.

https://www.blendedfinance.earth/blended-finance-funds/2020/11/16/tropical-landscape-finance-facility.

National Park (BTPNP). Much of it was degraded by smallholders though it is a designated area.

The purpose of the TLFF Case Study is to provide evidence of results achieved by TLFF to meet accountability requirements, and to promote operational improvement, learning and knowledge sharing. It examines UNEP´s role in the TLFF and the extent to which the achieved results meet expectations.

The case study was prepared as part of the evaluation of the UNEP Land Use Finance (LUF) (PIMS ID 2009) project and findings are based on document review, interviews with stakeholders, and a visit to meet with partners in Jakarta and at the RLU plantation site in Jambi, Indonesia in April 2025. It contributes to the three (Operational) Strategic Questions (See LUF evaluation report).

2. ESTABLISHMENT AND EARLY YEARS OF THE TLFF (2016 – 2018)

The TLFF was a partnership between ADM Capital/ADM Capital Foundation, BNP Paribas (BNPP), UN Environment Programme (UNEP) and World Agroforestry Centre (ICRAF) established in October 2016 to provide access to long-term finance at scale to commercial projects and companies that stimulate green growth and improve rural livelihoods. The TLFF was developed as an outcome of the 2015 Tropical Landscape Summit organized by the United Nations Office for REDD+ Coordination in Indonesia (UNORCID) in collaboration with BP REDD (the Indonesian REDD+ (Reducing Emissions from Deforestation and Forest Degradation) Agency. The Facility's initial ambition was to raise a USD 1 billion **Loan Fund** (managed by ADM Capital) and a USD 100 million **Grant Fund** (managed by United Nations Office for Project Services (UNOPS)[42]. It had full support from ministries of the Government of Indonesia and other Indonesian officials with the expectation that it would contribute to addressing systemic challenges in financing sustainable land use in Indonesia.

The TLFF was aligned with the Paris Agreement, which was ratified by Indonesia on October 31, 2016, stressing the need for a transition to a low-carbon economy. However, it was evident to the signatories of the Paris Agreement that turning the agreement into action would require the entrepreneurship and finance of the private sector. Hence, the mobilization of private sector resources in addition to public resources was considered as vital to narrowing the financing gap, particularly in developing countries and in priority areas e.g., for achieving the 2030 Agenda for Sustainable Development encompassing 17 Sustainable Development Goals (SDGs). Likewise, the World Business Council for Sustainable Development (WBCSD), outlined the private sector's role in the sustainability and climate agenda. Other global institutions have since recognized blended finance as a critical tool to address market failures and scale both private solutions and private capital mobilization in priority areas.[43] With an annual USD 5-7 trillion needed to finance the SDGs alone (according to UNEP[44]) and an estimated USD 90 trillion needed to support the aims of the Paris Agreement over the next 15 years (The Sustainable Infrastructure Imperative: Financing For Better Growth and Development report, 2015), business was entrusted with a critical role to play as a source of investments and as a

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[42] https://www.unep.org/news-and-stories/story/tropical-landscapes-finance-facility-unlocks-private-sector-finance-climate.

https://www.convergence.finance/resource/4tO5LULlfeb6QJroKuVHJ1.

https://worldagroforestry.org/blog/2016/10/31/better-deal-incentivising-wise-land-use-tropical-landscape-finance-facility.

[43] IKI 2024, Blended Finance – a powerful tool to scale up private climate and biodiversity finance, Article, 09/25/2024, https://www.international-climate-initiative.com/NEWS2829-1/

IFC 2025, Blended Finance, https://www.ifc.org/en/what-we-do/sector-expertise/blended-finance

[44] https://www.unepfi.org/positive-impact-2/

driver of technological development and innovations in supporting climate, biodiversity and livelihoods agendas. In this context, the TLFF was seen as a ground-breaking and innovative financial platform, a world's first, that could transform the lives and livelihoods of millions of Indonesians in rural areas.

At the time, UNEP had identified critical gaps in long-term private capital mobilization for projects aligning with climate targets under the Paris Agreement and SDGs and took an active role in developing the TLFF.

Key drivers to the establishment of the TLFF[45]:

- **Deforestation and Degradation Pressures**: Indonesia faced annual deforestation rates of 684,000 hectares (at the time of the design of TLFF), driven by palm oil, pulp, and rubber expansion as well as degradation of ecosystem services at landscape scale that lead to heavy emissions.
- **Blended Finance Gap**: There was a common understanding that private capital mobilization could be the game changer as only 3% of global climate finance targeted land-use sectors despite their 30% mitigation potential.
- **UNEP's Strategic Mandate**: As the lead UN agency on environmental governance, UNEP sought to pilot innovative financial instruments that could decouple commodity production from ecosystem degradation and also unlock private finance by first mobilizing public finance.

The TLFF specifically aimed to demonstrate scalable models for redirecting private capital toward sustainable rubber, renewable energy, and rural livelihoods while protecting High Conservation Value (HCV) forests. Overall, the establishment was ahead of its time and innovative when it comes to blended finance to be unbundled in practice. TLFF was expected to bridge the gap between the government, private sector and communities, and coordinate cross-functionally to bring about large-scale social impact and positive change in Indonesia.

Timeline of the TLFF's establishment:

UNEP was instrumental in TLFF's creation through a multi-year process with the following process steps[46]:

- **2014: Michelin-commissioned audit** by The Forest Trust (TFT)/Earthworm Foundation (TFT/Earthworm). Not made public at the time, nor since, but alleged to record clear-felling of land included in the RLU Project and which contravened the principles underpinning 'green finance'.
- **2015: UNEP** establishes its safeguards policy, operationalizing it in 2017.
- **2016: Partnership Mobilization.** UNORCID, the Government of Indonesia and UNEP co-host the "Innovative Finance Forum: Sustaining Indonesia's Tropical Landscapes" in Jakarta that launch the partnership and collaboration with BNP Paribas (structuring adviser), ADM Capital (fund manager), and ICRAF (technical partner) to design the facility. UNEP engaged with the Government of Indonesia to

[45] https://www.blendedfinance.earth/blended-finance-funds/2020/11/16/tropical-landscape-finance-facility3
https://www.unep.org/fr/node/273014.

[46] https://www.unep.org/fr/node/273014 ; https://www.unep.org/news-and-stories/story/tropical-landscapes-finance-facility-unlocks-private-sector-finance-climate

https://www.admcapital.com/tropical-landscapes-finance-facility

https://www.euromoney.com/article/b19x6t4gd9fx25/impact-banking-tlff-a-rubber-revolution-takes-shape-in-indonesia
https://www.convergence.finance/resource/4tO5LULlfeb6QJroKuVHJ1/view.

align the TLFF as a lending platform with national priorities that included reducing emissions by 29% by 2030.

- **2016: Jakarta-based secretariat co-managed by UNEP and ICRAF** established to oversee environmental safeguards and stakeholder coordination [6][7]. The partners comprised a diverse group of institutions which had not collaborated before and were tasked with the challenging mandate set for TLFF. The Frameworks that initially were drawn up at this time incorporated a wide range of objectives and standards such as SDGs, the Paris Agreement, New York Declaration on forests, Bonn Challenge, HCV, and finally IFC Performance Standards and were influenced by sector commodity specific standards (e.g., Forest, palm oil, rubber, etc.).
- **2016: Launch of the TLFF.** The Government of Indonesia, in partnership with UNEP, the World Agroforestry Centre (ICRAF), BNP Paribas, and ADM Capital, launch TLFF. Formal support was sought from Indonesia's Coordinating Ministry for Economic Affairs and Ministry of Environment and Forestry at the launch of TLFF.
- **2016: ADM Capital** develops ESG statement for RLU (ADM Sustainability Report, 2020).
- **2017: UNEP** involved in development of the Environmental, Social and Governance (ESG) framework for AGRI3. Codification of good practice knowledge projects, such as non-financial KPIs, was not yet mature. UNEP and BNP Paribas on 12th December, 2017 sign milestone agreement at the One Planet Summit to establish Sustainable Finance Facilities, collaborative partnerships aimed at raising development capital to drive sustainable economic growth in emerging countries with the aim to collaborate on identifying suitable commercial projects with measurable environmental and social impact, with a target of capital funding amounting to USD 10 billion by 2025 in developing countries. The focus is to support smallholder projects related to renewable energy access, agroforestry, water access and responsible agriculture among other sustainable activities[47].
- **2018: Inaugural Transaction by TLFF to RLU Project.** The Barito Pacific Group and Michelin Group sign a Joint Venture Agreement to develop PT Royal Lestari Utama (RLU). RLU receives a landmark USD 95 million Sustainability Bond to finance sustainable natural rubber production across heavily degraded concession areas in Jambi and East Kalimantan Provinces. This was Asia's first corporate sustainability bond. RLU's subsidiary on the ground is PT Lestari Asri Jaya (LAJ). RLU, through its subsidiaries, is engaged in the integrated natural rubber sector in Indonesia, aiming to become a leader in sustainable natural rubber development in an area of around 88,000 hectares located in Jambi and East Kalimantan. This indicates that TLFF was created prior to the creation of the Climate Finance Unit and prior to the approval by UNEP of the Land Use Finance Prodoc. The initial support by UNEP was provided under the UN-REDD Programme ProDoc. The operational support for TLFF by CFU - under the Land Use finance project - essentially started in 2019.
- **2019**: **Recognition for Innovation.** TLFF's project bonds received *Environmental Finance's* "Award for Innovation - Bond Structure" at the "Green, Social, and Sustainability Bond Awards 2019", recognizing the innovative approach to financing sustainable land use projects.
- **2019: UNEP** introduces a Safeguard Risk Identification Form (SRIF) to screen programmes and projects for potential environmental and social risks and impacts.

[47] https://www.unep.org/news-and-stories/press-release/un-environment-and-bnp-paribas-partner-bring-private-capital

- **2020: UNEP** revises the SRIF to become the Environmental and Social Sustainability Framework (ESSF)
- **2020:** report by **Mighty Earth (2020)** presented a critical assessment of wide scale illegal logging in Jambi Province.[48]
- **2020:** TLFF initiates its own **research** in PT RLU in Tebo District, Jambi Province and the surrounding landscape, in particular the Bukit Tigapuluh National Park to understand the historical deforestation trends emerging in the concession of PT RLU before and after the joint-venture establishment with Michelin[49].
- **2021: TLFF** considered applying for "Yayasan" legal status[50] with its legal partner sitting in the steering committee because there was a concern about the legality of the agreements it signed with Indonesian parties as the agreements were non-binding (local governments, Indonesian companies, etc.). The Yayasan (foundation structure) was not implemented due to the unclear operational procedures. Also, the Yayasan structure was not acceptable to the Coordinating Ministry of Economic Affairs.
- **2022: Michelin Group Ownership.** The Michelin Group announced that it had acquired PT Barito Pacific's shareholdings making it the sole owner of RLU. The change in ownership structure triggered the repayment on 18 August 2022 of the long-dated sustainability bond to all investors.

3. TLFF GOVERNANCE STRUCTURE

The structure[51] of the TLFF was designed to deliver: a structured credit facility through the TLFF; a Medium-Term Note; a programme to ultimately offer securities to "patient" investors; technical support (e.g. ESG due diligence); advisory support (by participating in Steering or Advisory Committees). Managing good relationships with financial institutions was inbuilt in the structure. TLFF's governance structure reflected UNEP's emphasis on multi-stakeholder collaboration, and the institutional set-up reflected the high expectation of partners despite the partners having divergent understandings of the ultimate processes and activities yet to take place:

- **Steering Committee**: Comprised of UNEP, ICRAF, ADM Capital with BNP Paribas as originator and structurer of TLFF deals and joined by Indonesian ministries. This body provided strategic oversight and ensured alignment with the SDGs.
- **Secretariat**: Jointly managed by UNEP and ICRAF, responsible for project pipeline development, environmental and social safeguards, and monitoring. It was expected

[48] Mighty Earth (2020), Complicit: An Investigation into Deforestation at Michelin's PT Royal Lestari Utama Project in Sumatra, Indonesia. https://www.mightyearth.org/wp-content/uploads/Mighty_Earth_MichelinReport8Oct2020FINAL.pdf

[49] The specific questions underlying the research were: 1.What was the deforestation trend in the area before the joint-venture establishment?, 2. How and when did the forest transition from deforestation to reforestation?, 3.What were the drivers of deforestation in the concession?, 4. To what extent did the joint-venture establishment manage to avoid and reduce deforestation and its impact on biodiversity conservation? The combination of high and medium-resolution satellite imagery data covering the period of 1990–2017 was also employed and subsequently analyzed to get a clear picture and better understand historical deforestation trends and the drivers. In addition, a desk study into publications, policies, and regulations, and informal consultations were carried out to enrich the analysis. However, a ground truthing of analysed and interpreted data was not done. The Impacts of the TLFF Sustainability Bond on Royal Lestari Utama (RLU) Industrial Forestry Practices: A Landmark from Deforestation to Revegetation, by Bambang Arifatmi[49] and Johan Kieft[49] , 2021.

[50] A Yayasan is a non-profit organization in Indonesia that performs social, religious, and humanitarian activities. It can be established by both Indonesian and foreign individuals, groups, or legal entities.

[51] https://www.unep.org/news-and-stories/story/tropical-landscapes-finance-facility-unlocks-private-sector-finance-climate
https://www.admcapital.com/tropical-landscapes-finance-facility
https://www.euromoney.com/article/b19x6t4gd9fx25/impact-banking-tlff-a-rubber-revolution-takes-shape-in-indonesia
https://worldagroforestry.org/blog/2016/10/31/better-deal-incentivising-wise-land-use-tropical-landscape-finance-facility

that the Secretariat would have up to 50 staff. In the end only five staff were hired. The roles of UNEP and ICRAF in the overall structure were not well defined and their governance roles were not clear.

  - **UNEP** had no decision-making or veto power on TLFF's investments. Its guidance on safeguards was not fully formed when UNEP started the work with the Facility; they were created in parallel. UNEP was to ensure governance transparency by embedding its Environmental and Social Risk Management Framework into TLFF's operations and development of ESAP. However, UNEP safeguards didn't resonate with banks and facilities and their clients, because internal corporate policies were very largely based on IFC Performance Standards. IFC PS were introduced as part of the transaction. UNEP added more value on impact, rather than on risk management, which was more of a collation of different other risk management best practices. UNEP's role as a convener and technical advisor, alongside ICRAF was pivotal in balancing commercial viability with conservation objectives. For furthering of blended finance or promotion of TLFF there was not much of attention paid by the Government in general (e.g., in monitoring of whether investments in RLU were having positive impacts on wildlife conservation or zero deforestation).
  - **ICRAF**'s role was to provide relevant technical expertise on the transformation to sustainable land use (e.g. from monoculture systems to agroforestry), playing an advisory role and providing substantive inputs. Although ICRAF partly joined TLFF to provide technical, policy and implementation support – given its agreement with the Government in Indonesia – this aspect never materialised. For ICRAF, as the resource mobilization period was prolonged and limited response was received from partners to enhance the finance facility, it started losing interest and belief in the concept would work. Nevertheless, for ICRAF, it was a learning process that a facility such as TLFF could set the lower targets and work with smaller enterprises at ground level where achievements could potentially be substantial and visible. Other potential corporate sector investors were making their own investments and therefore did not see a need for them to tag with TLFF.

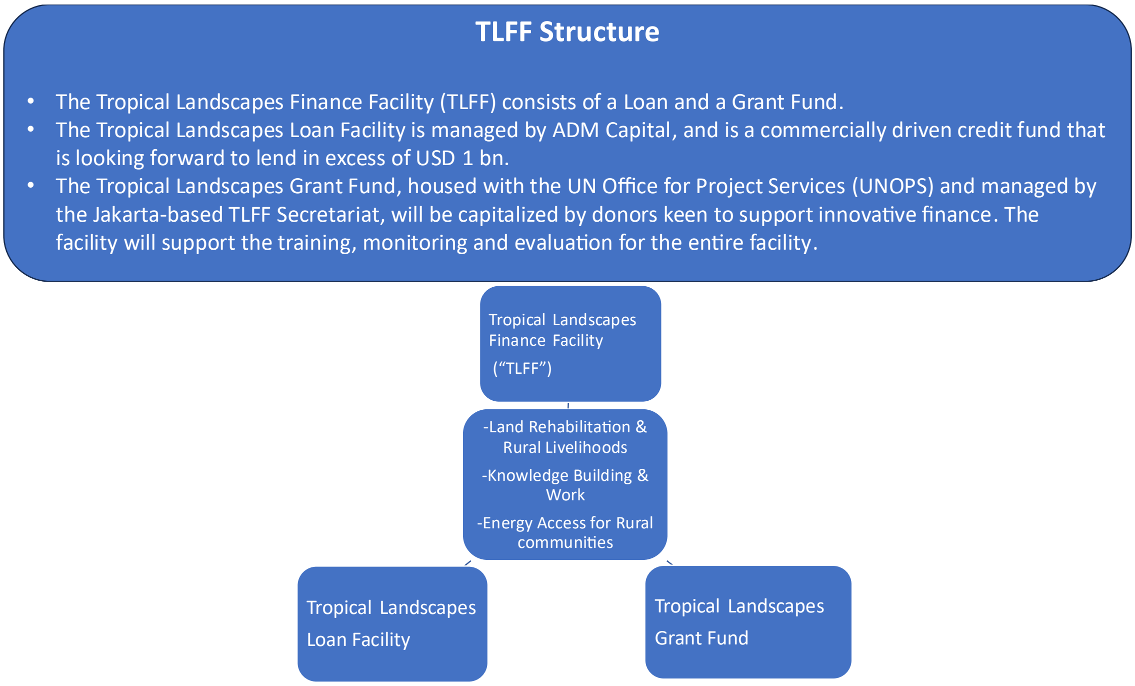
- **Grant Fund Management**: Administered by UNOPS to provide technical assistance and de-risk projects.

Independent Audits: Annual reviews by Proforest and Daemeter to verify compliance with HCV (High Conservation Value)/HCS (High Carbon Stock) standards[52]. Originally, this was the inception study for the bond issuance - Daemeter then provided ongoing monitoring reports annually, as did Ramboll later.

Figure 1 shows the TLFF structure at inception with a Secretariat [not shown in figure 1] of the TLFF with two entities: TLFF and the Tropical Landscapes Grant Fund (TLGF).

Figure 1: TLFF Structure at inception

[52] https://www.admcf.org/wp-content/uploads/2017/02/TLFF-Introduction-20170201-Final.pdf.

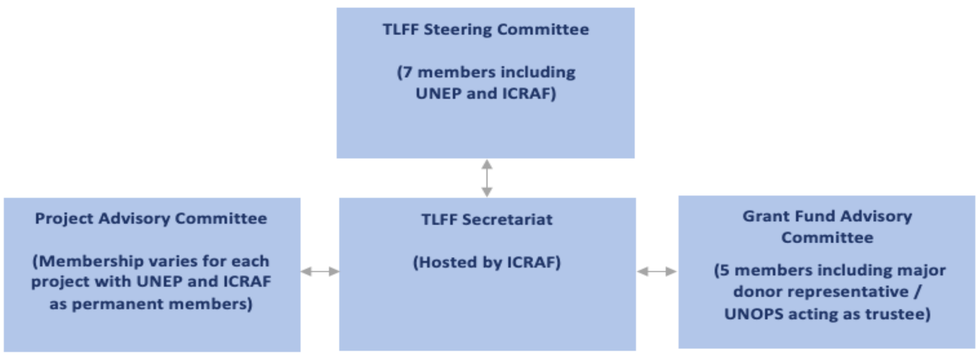


Note: Figure by prepared by the evaluator.
Sources: Various initial project documents and publicly available information on the TLFF in 2016.

In 2020, the governance structure of TLFF was amended. The relationship of the structure's four components is outlined in Figure 2:

- The TLFF Secretariat coordinates and facilitates work among the TLFF partners and supports the Steering Committee (SC), Project Advisory Committee (PAC) and the Grant Fund Advisory Committee (GFAC).
- The SC provides strategic oversight and makes decisions on the adoption and revision of TLFF governance structure and processes, ESG impact management policy, and other core issues, where relevant.
- The PAC advises on all matters related to the development of the investment pipeline and investments.
- The GFAC makes decisions related to all aspects of the TLFF Grant Fund in line with the Terms of Reference for the TLFF UNEP-UNOPS Grant Fund.

Figure 2: TLFF amended governance structure as of 2020



Source: TLFF ToR (2020).

4. FINANCING OF TLFF

TLFF combined concessional and commercial capital[53]:

- **Loan Fund**: Structured as a Medium-Term Note (MTN) program arranged by BNP Paribas (BNPP), targeting USD1 billion in issuances, with BNPP aiming to securitize the loans and thus provide liquidity to the platform.
- **An initial USD95 million** was raised in 2018 through Asia's first corporate sustainability bond.
- **Grant Fund**: The target was USD100 million as funding for project sponsors, rural communities, and the facility's own operations with the overall aim of enabling and de-risking the sustainable investments with measurable environmental and social impact in Indonesia. UNEP and ICRAF were to provide technical assistance to projects, support pipeline development, community programmes, and environmental monitoring as well as in monitoring and evaluation of the entire Facility, but the funds could not be raised. TLGF continues to be operational and is implemented by UNEP with funding from Canada.
- **Risk Mitigation**: USAID's Development Credit Authority (DCA) provided a 50% guarantee for Tranche A notes, achieving a Moody's AAA rating.

Box 1: Financial Structure of TLFF

Class A: USD30M, 15 yrs, AAA rated by Moody's, 4.14% coupon p.a.
Class B1a: USD20M, 15 yrs, 9.00% coupon p.a.
Class B1b: USD15M, 5 yrs, 8.38% coupon p.a.
Class B1c: USD15M, 7 yrs, 8.88% coupon p.a.
Class B2: USD15M, 15 yrs, 2.00% coupon p.a.
USAID Guarantee of USD70M.
USD3.5M of first loss absorbed by RLU and 50% of remainder absorbed by USAID, capped at USD33.25M.

Source: Convergence TLFF Case study, 2019.

In an internal UNEP Mission Report[54] (2017) TLFF's prevailing approach was described as project-level monitoring of progress against ESG action plans as required of borrowers, with the fund manager responsible for monitoring and supporting compliance for individual projects. At that time a facility-level results framework and its associated monitoring were yet to be developed – and the stated intention was to report against objectives in an annual report. Due diligence procedures were outlined and included an initial background evaluation of borrowers' corporate environmental and social commitment. It was also mentioned that Facility level monitoring could entail, inter alia, establishing environmental and social baselines. In other words, there was ample time prior to the RLU deal in 2018 to develop a baseline to describe possible deforestation scenarios and drivers prior to investments in the current RLU site in Jambi/Tebu and build on the Daemeter/ Proforest inception study.

5. RLU PROJECT

[53] https://www.admcf.org/alliance-tropical-landscapes-finance-facility ; https://www.admcf.org/wp-content/uploads/2020/11/Convergence__TLFF_Sustainability_Bond _Case_Study__2019_1__compressed-1.pdf

https://www.admcapital.com/tlff-i-sustainability-bond-for-natural-rubber-company-repaid-in-full .

[54] *UN Environment Mission to Jakarta: Environmental, Social and Governance Framework for Sustainable Finance Facilities 28 August-1 September 2017.*

The concession area of RLU which used to be under the management of PT LAJ is in a tropical rainforest landscape, historically stemming from the former concession of PT Industries et Forest Asiatiques (PT IFA)[55] which operated from 2001 to 2008. PT IFA, during its licensed operating period, as a timber selective-logging company with an area of 300,000 ha, was well known for its poor management, aggravated by poor governance (specifically cutting down trees in a number more than the allowable number for cutting) and oftentimes had to fight against community claims over its concessions, which failed to reach a complete settlement. As a result, the company left behind serious problems in the form of land conflicts in their concession and environmental and social related issues at the landscape level to its successors. The entire concession area of 61,496 ha managed by PT LAJ[56] was classified as degraded land in accordance with requirements for IUPHHK-HTI areas regulated in Chapter 3, Article 5, of Regulation of the Minister of Forestry No. P.12/MENLHK-II/2015 on Timber Estate Development. In theory, concessions granted by the government for timber plantation purposes (HTI) are categorized as production forests[57] (secondary forests) and should not include any primary forest, settlement, or land licensed under other permits in place (TLFF 2021). There was a sharp upturn in the plantation forest area in 2016 compared to the preceding year, which appears to be the result of the joint venture establishment (Policy commitments made by the two partners in the RLU joint venture, the Barito Pacific Group and Michelin, in 2015 became a turning point from uncontrolled, massive deforestation to reforestation). Moreover, the plantation area grew significantly by more than 6,000% and at the same time both bare ground and mixed-agriculture areas decreased by around 20.1% and 20.8%, respectively[58].

The USD95 million bond in 2018 for PT Royal Lestari Utama (RLU) exemplified UNEP’s innovative approach for Asia’s first corporate sustainability bond. The targets for the use of the resources were: 45,000 ha of degraded land converted to sustainable rubber plantations and 54,000 ha set aside for conservation, including a 9,700 ha Wildlife Conservation Area adjacent to Bukit Tigapuluh National Park.

The roles of parties in the RLU Project were that PT Royal Lestari Utama was to create a wildlife conservation area as the buffer for the rubber concession, for which is carried out the planting and conservation; Michelin Group was concerned with investments in rubber planting and provided offtake agreements for rubber and NGOs such as the World Wide Fund for Nature (WWF), the Frankfurt Zoological Society (FZS) and the Forum Konservasi Gajah Indonesia (FKGI) were collaborating partners, between 2018 and 2020. The Partnerships for Forests programme (P4F) support to the Global Platform for Sustainable Natural Rubber (GPSNR) contributed towards enhancing Indonesian smallholder participation in addition to its support to make RLU conservation oriented[59] by funding wildlife corridor rehabilitation in the area. To establish the wildlife conservation area, a contract was given to Warsi NGO to work with RLU on indigenous matters and indigenous peoples’ framework and then

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[55] PT. Industries et Forest Asiatiques (PT IFA) based on the Letter of the Minister of Forestry No. 608/Menhut-IV/1993 dated 31 March 1993.

[56] the Minister of Forestry issued Decree No. 141/Menhut-II/2010, dated 31 March 2010 concerning the granting of Business Permits for the Utilization of Industrial Forest Timber Forest Products (IUPHHK-HTI).

[57] Regulation of the Minister of Forestry No. P.19/Menhut-II/2014 on Procedures for establishing indicative map directions for forest utilization area not licensed for utilization of wooden forest products (article 2, paragraph 3a).

[58] The Impacts of the TLFF Sustainability Bond on Royal Lestari Utama (RLU) Industrial Forestry Practices: A Landmark from Deforestation to Revegetation, By Bambang Arifatmi[58] and Johan Kieft[58] , 2021.

[59] Niras International 2021: P4F Evaluative Case Studies: Synthesis. Foreign, Commonwealth & Development Office (FCDO) and Department for Business, Strategy and Industrial Strategy (BEIS).

community engagement to expand the jungle rubber and intercropping programs at RLU. IDH was also part of the latter.

Box 2: Overview of the TLFF Deal with RLU Project

TLFF Deal: PT Royal Lestari Utama (RLU) – A Natural Rubber Company **Joint Venture Structure** 51% owned by PT Barito Pacific (Indonesia), 49% by Michelin (France). Michelin committed to purchasing 75% of production for premium eco-tyres. **Investment Highlights**: Land Use: 88,000 ha total, with 54,000 ha conserved or restored and 45,000 ha of degraded land converted to sustainable rubber plantation. **Community Programmes:** Plasma smallholder schemes for 7,000 farmers. Health clinics and schools built near plantations. **Biodiversity Protection:** Wildlife corridors (RIMBA Corridor) created for Sumatran elephants. Collaboration with Bukit Tigapuluh National Park rangers on anti-poaching and with the national park on monitoring re-logging.

Field Mission – site visit to RLU Jambi:

The evaluator made a field mission to Indonesia in April 2025, visiting The Wildlife Conservation Area (WCA) in Jambi Province. The site was selected based on the following three main criteria:

i) Major RLU/Michelin Sustainable Rubber Investment Site of erstwhile forest areas within the selected Country Case of Indonesia
ii) Accessibility within the given short time of field evaluation
iii) Report on implementation of Environment and Social Safeguards and establishment of WCAs.

WCA is an isolated forest area, and such forest areas are very rare, small islands that cannot be converted into bio-corridors or biodiversity reserves in the short-term, especially when the space between such islands is broad and often occupied by villages and illegal occupants. Nevertheless, these patches are part of the green cover increase. WCA aims to contribute to the Ecosystem Essential Area (Kawasan Ekosistem Esensial/KEE), a government programme for elephant corridors initiated by BKSDA of Jambi Province (Balai Konservasi Sumber Daya Alam Jambi also referred to as the Natural Resources Conservation Agency). A KEE is not a protected area under the law. Regulations regarding essential ecosystem areas can be found in the Director General of KSDAE Regulation P.1/2021. Critical ecosystem areas in these provisions refer to areas outside nature reserves, natural conservation areas, and hunting parks that are ecologically important for biodiversity.

Box 3: Wildlife Conservation Area, Jambi

Wildlife Conservation Area

Established in 2018, the Area comprises of 9,700 hectares (±8,300 Ha protected area and ±1,400 ha of conversion productive rubber area) located within PT Lestari Asri Jaya (LAJ) HTI concession, a subsidiary of PT RLU in Jambi, Sumatra.

The WCA is strategically located adjacent to Bukit Tigapuluh National Park (BTPNP) with aims to restore and preserve critical wildlife habitat, notably by ensuring sustained forested areas provide pathways of the critically endangered Sumatran Elephants and serves as buffer zone of BTPNP.

The WCA-led programs implemented by RLU are supported by Partnerships for Forests (P4F).

The field visit to the RLUs site confirmed that in 2015 the area had been badly deforested by local people and migrants, who were using heavy equipment and chainsaws to do logging. The RLU Project established a conservation department with the goal of protecting the forest and wildlife and a social department to make sure everyone living in the concession would understand the value of diversity. The conservation department has patrol rangers tasked with installing signboards and making sure markings are put up. The department also aims to raise people's awareness about the importance of forests. It conducts wildlife monitoring, particularly of elephants and tigers. In collaboration with the Bukit Tigapuluh National Park, the RLU conservation department calculates the population of tigers every five years. For this, it collaborates with the provincial forestry office in organizing human-elephant conflict mitigation training. Accordingly, four stakeholders in the Bukit Tigapuluh landscape (i.e., the Bukit Tigapuluh National Park office, RLU, ABT, and Sinarmas Forestry) co-patrol the area with WARSI every month.

The provincial government's involvement in RLU's working area is focused only on wildlife monitoring, which is conducted by the provincial forestry office and the signing of the certificate/license given to smallholders participating in the forest partnership scheme inside RLU's working area. The certificates are signed by district and provincial governments, and the Ministry of Forestry.

Every two weeks, the conservation department monitors the area using Sentinel satellite imagery for real-time data.[60] RLU gives two choices for people who already live in the concession and conclude agreements with commitment to no encroachment: 1. Joining in the social forestry scheme and converting their palm oil smallholdings to rubber smallholdings; 2. Returning the occupied land to RLU and the person who was occupying the area is recruited as employee and the land becomes the property of RLU. Rangers mark the encroached area, warn the encroachers and destroy their huts. The conservation department reports any illegal activities in the area to the police and the provincial forestry office on a monthly basis. The local rubber smallholder interview for this case study expressed satisfaction with the type of support and economic benefits derived from having committed to the RLU terms but was critical of lengthy requirements for registration and link to the

[60] High-resolution optical images captured by the Sentinel-2 satellites, which are part of the European Commission's Copernicus program. These satellites provide detailed observations of Earth's land surfaces, coastal areas, and inland waters, allowing for monitoring of vegetation, soil, and water cover, as well as other applications.

highest level of "green scale" of social forestry.[61] Despite the efforts, field observations made by the evaluator, revealed that the instruments and tools used by RLU to woo smallholders and contribute through WCAs' and other social initiatives, has yet to reach the optimum level of impacts envisaged in the concession area. A Grievance Redress Mechanism (GRM) did not appear to be in use based on interviews conducted during the site visit.[62] Although it was mentioned that reciprocal responsibilities of other stakeholders are key to the success of RLU's activities in the wider landscape, there is, in reality, a very limited stakeholder consultation or dialogue or response at the landscape scale as mentioned by a local resource person.

Key observations derived from the site visit:

- The Wildlife Conservation Area (WCA) visited by the evaluator [**Latitude: –1.184486°** (South) **Longitude: 102.489268°** (East) researchgate.net+2andgreen.fund+2mightyearth.org+2mightyearth.org] is an isolated forest area . However, such forest areas are very rare islands and so small that these cannot be converted into bio-corridors or biodiversity reserves in the short-term especially when the space between such islands is broad and often occupied by villages and illegal occupants. Nevertheless, these patches are part of the green cover increase.
- There are 16 Groups each with 20-30 members arranged with a local committee and with small fund as cash that the treasurer (No bank accounts) are using for the needs of sick, education, marriage etc. The relative low number of such smallholders show that it is a long-drawn-out process to convince encroachers and palm oil farmers to change land use to rubber; but it is not impossible as RLU is also using NGOs to mobilise local communities.
- A very small natural species-oriented nursery (less than 500m^2) was shown, and plants are being produced of 100 species with 25,000 seedlings being prepared for next plantation on 25 ha this season. The nursery shows that RLU is trying to enrich the degraded forest/landscape with local species as tenets for rich biodiversity.
- Polybags of used plants are being recycled at the site where there is a processing plant so that polythene does not land in the landscape and are reused.
- For awareness building, RLU works with a local NGO. Employment is being provided for those who gift/or surrender their land to the company for rubber production. In the rubber plant nursery, which is located in the wildlife conservation area, the women were the main labor force..
- Numerous stakeholders are using the landscape and currently engagement is only with a few of them such as social forestry permit holders and the rest are still practicing/exploiting as before, making it difficult for RLU to procure more land for rubber due to competition with other actors promoting palm oil and timber production.
- It was claimed that no deforestation has happened, at least in the RLU core area. However, resource persons did concede that encroachments are still going on there even if reduced.

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[61] The Ministry of Environment and Forestry and DG SF in Indonesia applies a hierarchical structure for Social Forestry Business Units (KUPS) and categorize KUPS into three levels: Gold-standard KUPS (legally registered/has tax ID and business license, have audited financial records, organic/agroforestry certified, have market access/export or offtake agreements) – this qualifies to "Green Scale"; Silver-standard KUPS (group registered but no full legal entity, have basic financial records, some sustainability practices, have local/regional market access); Blue-standard KUPS (new/informal group, limited financial track records, still learning sustainable practices, subsistence-level production). The KUPS are aiming to improve community livelihoods and forest conservation.

[62] Observation based on interviews by evaluator at site. The evaluator's interview with a farmer on site revealed that those affiliated with RLU are satisfied economically.

- The area does not appear to have any Landscape Protection Plan (LPP) or Environmental and Social Action Plan (ESAP) (contrary to information on the &Green Fund website: https://www.andgreen.fund/how-we-invest/#landscape-protection-plan) and activities such as patrolling by its rangers, awareness building of local communities on biodiversity protection and signages to highlight the significance of certain pockets of land were done and were visible. The upholding of the enforcement modalities of the LPP/ESAP are unclear.
- Now that the connecting forest roads within the concession area, and in adjoining areas, are there and one main road leads to Jambi in the middle of the RLU site, accessibility has increased. It was observed that there is no buffer forest actually visible as the surroundings of RLU area are dominated by palm oil plantations, fresh and old ones, which indicates that the thrust on palm oil is the dominant land use. Soil erosion scars are obvious, and it can be assumed that ecosystem services are affected. This was reflected by the Frankfurt Zoological Society whose representatives questioned the current conservation approach in buffer zones and maintained that greater focus now needs to be on the inner parts of 4 National Parks (Kerinci National Park, Rimbang Baling Wildlife Sanctuary, Bukit 30 National Park and Berbak National Park) as buffer zones are already occupied with encroachers, settlements and industrial investments.
- Investing in rubber is a long-term investment as there are limited short-term benefits and cash flows remain negative for prolonged periods. High projections from both Michelin & Barito on the ability to plant quickly (too many people - 50,000 - in the landscape) while applying IFC PS and a resettlement plan - as well as to avoid social conflict - needed intensive participatory processes and technical adaptability which resulted in the planting to slow down. Also, the price of rubber never met expectations, nor did yield. Barito felt the cost of sustainability was too high compared with a low rubber price, whereas Michelin is accepting the losses in the business still prevailing from RLU area in Jambi and is expecting to start making profits in a year or two.
- Despite having started to invest in social activities such as building a school for children and giving employment to women, there has been slow progress on releasing land from encroachers or converting palm oil plantations to rubber. Apart from existing social upheaval and uncertainties, change depends on a cultural change to secure a suitable forest protection strategy and forest management.
- Possible solutions to counter planting dominated by palm oil would have to be based on studies of social and environmental cost benefits as compared to other crops/rubber and consider awareness building and public/private programmes that are designed to incentivize those who are using sustainability standards as well as have perceptible economic benefits.

Deforestation effects:

The site visit confirmed that RLU has processes and investments in place that in the longer run could deliver results in conservation of nature, improvement in climate resilience and improved livelihoods for local people. RLU appear to be gradually moving towards an optimum impact in the operating landscape in areas of biodiversity and wildlife conservation, carbon sequestration and enhancement of local livelihoods but this would depend on constant ground truthing to collect accurate, verifiable data by direct observation and measurement. Remote sensing data also shows increase in green cover as an indicator linked to biodiversity which needs to be further described and verified. RLU may invest judiciously but its area as part of the larger landscape will be affected by drivers of change surrounding it such as faster (than rubber) land use change to palm oil production or fragmentation of natural forest cover, thus the risk of being a zero-sum game for conservation. In the buffer zone to the RLU site the degradation factors may have reduced their effect but still persist.

The following is available data on deforestation, intended to contribute to an assessment of whether deforestation has reduced due to the initiatives of RLU or similar investments made by public and other private companies:

- Natural forests used to cover 40% of Jambi in 2006, but by 2017 this had fallen to only 22% (based on Ministry of Environment and Forestry 2017 analysis report of satellite images for Jambi).
- This is reflected in the fact that in 2001, Jambi had 1.61 Mha of primary forest, extending over 33% of its land area. In 2023, it had lost 9.82 kha of primary forest*, equivalent to 7.33 Mt of CO_2 emissions.
- As per the above report from 2000 to 2020, Jambi experienced a net change of -337 kha (-7.8%) in tree cover. Current data for Jambi mentions stable forest as 2.37 Mha, and the gain made is 204 kha.
- RLU on ground maintained that the area it is managing has had, overall, reduced deforestation although in surrounding areas encroachments and other factors for degradation are ongoing, albeit in reduced form. The Indonesian Conservation Community WARSI (NGO) also stated that deforestation in the area has considerably reduced. Although it is questionable if an increase in rubber plantations as green cover will have the same impact as a plethora of ecosystem services produced by surrounding residual natural forests.
- TLFF on its part, initiated an assessment of deforestation trends emerging in the concession of PT RLU (TLFF Study by Arifatmi and Kieft, 2021) covering the period before and after the joint-venture establishment with Michelin. However, instead of conducting a ground survey, it measured the deforestation rate within the concession of PT Royal Lestari Utama (RLU), land use change and deforestation by using remote sensing data of the Ministry of Environment and Forestry (1990-2017) collected and analyzed spatially. In addition, a desk study into publications, policies, and regulations, and informal consultations were carried out.
- According to above-mentioned TLFF Study, there were no primary forests in the concession areas by 2015 because all primary forests had been logged over under the timber extraction concession by 1990. Therefore, any allegations of primary forest clearing are based on misinterpretation of satellite imagery in which secondary forests are seen as primary forests. In this case, Decree of the Minister of Environment and Forestry No. P. 12/MENLHK-II/2015 on Timber Industrial Plantation Development, chapter III, article 5, paragraph 1(a) is referred to.
- Above study concluded that RLU has significantly contributed to reduced encroachment and illegal logging in the Bukit Tigapuluh National Park, as compared with the Tesso Nilo National Park located in the same ecological region in Sumatra.

The evaluation field trip through the forest areas around RLU site consistently showed largescale palm oil and rubber plantations interspersed with slash and burn agriculture and soil erosion sites. On the other hand, young palm oil plantations had very low crown cover so that until the canopy cover is 100%, heavy erosion in the landscapes will persist.

It was mentioned on the site that RLU does not have any ESAP or LPP anymore. The deforestation rate has reduced but is still happening and biodiversity of the area is affected as plantations of rubber and palm oil are dominating the landscape cover. Hence, it is unlikely that the environment and social safeguards are used to optimum effect or that they will contribute to preservation of the WCAs and Bio-Corridors in the short run. In addition, alternative timber investment by using Eucalyptus, as observed by the evaluator, is grown by

Sinar Mas[63] in the RIMBA Corridor landscape and is questionable in the long run since it is proven that ecosystem services (e.g., water resources, biodiversity) can get affected and result in soil degradation. Improvement in tree cover with economic benefits as against ongoing degradation needs to be weighed against no action at all. It is also important that such rubber best practices are shared with neighboring stakeholders. The adoption of landscape scale plans should be a condition for future investments and include a requirement for awareness raising and involvement of stakeholders in the planning.

Box 4: Achievements and closure of TLFF Deal with RLU Project

TLFF Deal: PT Royal Lestari Utama (RLU) – A Natural Rubber Company

Financial Performance:
Bond repaid in full with 6.5% annualized return, validating that the blended finance model was possible.

Repayment
Full repayment to the investors by 2023, marking a successful exit and conclusion of the RLU deal.

RLU Outcomes:
23,000 ha of rubber plantations established, creating 4,000 jobs [12][10].
3,600 farmers trained in agroforestry under the Community Partnership Program.
70% reduction in illegal encroachment in Jambi through patrols and alternative livelihoods.

UNEP's Exit Strategy:
Knowledge transfer to Indonesia's Financial Services Authority (OJK) to replicate TLFF for peatland restoration.

Challenges associated with the TLFF RLU deal

- **Yayasan Status:** The downside of the TLFF was the unavailability of people on the ground. In comparison, Yayasan Konservasi Alam Nusantara (YKAN: earlier TNC) has scientists, people to work with the Indonesian policy makers, and people on the ground to work with indigenous peoples and local governments. YKAN works in 17 locations in Indonesia on community empowerment in marine protected areas (MPAs) and non-MPAs. The model has started to be adopted by the Government of Indonesia, after 40 years working on the ground. YKAN has also established a coral triangle center in Bali.

  The establishment, management and dissolution of a "Yayasan" is governed by Law No. 16 of 2001, which requires a minimum asset of IDR 10 million [USD600] for the establishment) and to have a board of trustees, a board of management, and a board of supervisors in its governance structure. In 2021, TLFF also talked about getting "Yayasan" legal status because there was a concern about the legality of the agreements it signed with Indonesian parties (local governments, Indonesian companies, etc.). However, this could not be pursued. However, UNEP was not providing grant funding and also did not have NGO status.

[63] Sinar Mas is an Indonesian company involved in growing eucalyptus trees, primarily for pulp production.

- **Risk Appetite and De-Risking:** There was a mismatch between the types of deals that ADM Capital (as facilitator of the TLFF transaction) could source and the types of deals that BNP Paribas was willing to underwrite and sell to clients. The deals were either too small, would take too long to become cash-flow positive, or were instances where the (perceived) credit risk was deemed too high by BNP Paribas. Unlike deals canvased and entered into by other finance facilities supported by UNEP, e.g. AGRI3 - there wasn't a standard way to de-risk deals. The challenge was to find a large buyer like Michelin willing to put equity into a large land use project in Indonesia. The rubber deal that was financed was made possible through a guarantee from USAID Development Credit Authority (DCA). But relying on external donors/guarantors for each and every deal is a very risky and costly approach. The Global Climate Fund (GCF) took a long time to ultimately decline investing in TLFF. ADM Capital thought it would be able access USD100M – cost free capital, while GCF had very high expectations of leverage ratios of the banks and those expectations were not discussed early on so that things had to be closed. This highlights the mismatch between the lengthy process multilateral funds operations and the speed that banks and investors require. It also highlights the difference in perceptions between the commercial side (BNP Paribas, ADM Capital) and development funding sources such as the GCF. According to UNEP, the GCF changed objectives and goal posts several times (e.g., from requiring one overall proposal by UNEP and BNP Paribas together, to demanding two separate proposals; to changing the financing terms). UNEP spent a considerable amount of time and resources (staff and consultants') on the proposal, but without an approval, it ultimately had to be written off even though it was short-listed by GCF.
  Private investors' risk appetite to invest through blended finance in the TLFF were affected due to i) limited awareness and experience in environmental conservation, etc. and ii) their non-willingness or preparedness to incorporate ESG framework as a common denominator for achievements that were targeted through investments. Given the non-binding nature of the overarching partnership maintenance partners, potential investors may have been casual about achieving environmental and social benefits; this is also given the fact that public institutions (e.g., Forest Units) were already facing huge challenges in forest landscapes with fires, illegal logging, encroachments etc.).

- **Testing Reality on the Ground:** As one respondent noted, as this was an ambitious project based on non-binding partnerships, more needed to be done to test the ground realities on how, in real-time, such finance models would reach out to relevant stakeholders (e.g., encroachers and poachers, Slash and Burn farmers, NGOs, Small Enterprises, Private Investors) and outreach was further complicated by long transactional period.

- **Local Smallholders:** Local smallholders were reluctant to participate as the gestation period of rubber plantations before yielding profits/incomes is long. Further, getting more land under rubber cultivation also meant that less natural forest area would be left and those stakeholders who were still openly using the landscapes would have to look for new areas. This is in addition to the fact that rubber plantations are not biodiversity friendly and the Non-Timber Forest Products (NTFPs) local communities collect from the forest are gradually reducing. Both these claims – slow profitability and problems in conservation – were confirmed to the evaluator by RLU during the field visit in Jambi. The local public was provided with selected information initially on the Wildlife Conservation Area. Overall, the work with small holders and High value forests barely exists outside the national parks (FZS 2025). At landscape level communities were hardly given the full picture that the rubber plantation are established on cleared secondary forest, the jobs created were mainly converted jobs from smallholders which would change from palm oil to rubber (so limited social effects), the Indonesian government wanted a rubber plantation and local stakeholders have not been involved in the planning. UNEP did not question the national permits nor did it undertake its own assessment of the ecosystem services of the area.

- **Advocacy and Communication:** It was also mentioned that advocacy for the concept was not innovative and didn't communicate or display the benefits of blended finance in the long run to be attractive enough for other investors. One of the aspects mentioned by a Steering Committee member was that "we need the right people" and "we need to prepare the right people before we test such models".

- **COVID:** In addition, the "COVID Phenomena" in 2020 led to reduced risk appetite of private investors as profits dwindled and combined with complexity of adding parameters such as ESG safeguards, the willingness of these key stakeholders to go to lending platforms was minimal.

6. ENVIRONMENTAL AND SOCIAL SAFEGUARDS

The primary environmental safeguards' concern related to this project regards the allegation that the Indonesian companies, who were the recipients of the USD95 million raised through the 'green' bonds, had clear-felled a large part of the original forest in the years immediately prior to the bonds' issuance (i.e. pre-2014). It is believed that the TFT/Earthworm audit report, which was commissioned by Michelin in 2014, concluded that clearcutting in the concession had also affected areas of high biodiversity alongside the Bukit Tigapuluh National Park, that should have been protected. However, the TFT/Earthworm report was not made public by Michelin and an independent journalist (Voxeurop/ Stefano Valentino) was unable to confirm whether the report had been shared with staff at the TLFF. TLFF staff interviewed for this evaluation confirmed that the Earthworm was not known to them. Questions arise around: a) which parties had knowledge of the contents of the audit report and, b) if there was knowledge that the deal was not founded on agreed 'green-finance' principles, why did it go ahead.

This evaluation exercise, carried out to assess the performance of the LUF Project and taking place in 2025, has only been able to gather circumstantial evidence to address these questions of events that occurred between 2014 and the issuance of a similarly critical Mighty Earth report in 2020.

- **Michelin:** it is clear that Michelin, at the time, was putting efforts to green its operations and its image, across the world. This appears to have paid off as the firm received the highest score prior to 2015 as reported in (https://truestoryaward.org/story/390, 2022) for corporate social and environmental responsibility among the companies audited under France's Duty of Vigilance law. In March 2015, Michelin and RLU signed a no-deforestation commitment: future expansion of RLU's rubber concessions would only be possible on existing farmland, respecting wildlife habitats. A funding-starved project was saved by the green-bond with the aim to increase production in the Barito concessions from 0.7 to 1.8 tonnes of natural rubber per hectare. The annual target was around 80,000 tonnes per year. Michelin invested into short supply chains to secure future supply of rubber and joined the Round Table for Sustainable Rubber to work with other companies on self binding standards to increase the sustainability of rubber.
- **RLU:** when the Mighty Earth report (2020) revealed the extent of deforestation carried out by its subsidiary LAJ in its Jambi concession, RLU explained that industrial deforestation prior to the signing of the joint venture was only in areas "…already

considered degraded, logged or shrub land at the time these licences were initially granted". During the site visit for this evaluation, it was reported that RLU field site staff did not know of the audit information. The RLU project's achievements have been assessed annually (from 2018, date of the bonds issuance), based on environmental, social and governance (ESG) criteria to which RLU has signed up, including those stipulated in the TLFF guidelines. The evaluation site visit was carried out three years after the bond was repaid, and staff had changed and there was no longer any leverage from finance in the transaction. However, compliance with these criteria is entirely voluntary and cannot be enforced by public authorities except during the time that the finance is active and included in the bond documents. The prospectus accompanying the green bonds[64] also states that the ESG principles mentioned "are not [...] legally binding on the issuer or any other party (including RLU, currently a subsidiary of Michelin)".

- **BNP Paribas**: It mentioned in the bond description that the bond was used to payback previous loans to RLU / Barito Pacific for preparing the investment. Specifically, one-third of the bond (i.e., part of it) was used to payback previous loans. The final report of the UNEP staff in charge at the time clearly indicated that the Environmental Impact Assessment of the project was done under national law in 2009 and national laws allow the clear felling of secondary forests for plantations. The permit for the plantation was a signal that the forest cover in the buffer zone was given up and a plantation was chosen as a concept to protect further encroachment in the national park. RLU purchased the concession from another company with the existing permits and started / continued clearing the forest. There was more forest cleared than the permit allowed which has not been mentioned in any UNEP report but by Earthworm in 2020. The 2014 report of Earthworm was not made accessible to UNEP in 2018; UNEP had no awareness of the commercial details of the deal.
- **UNEP:** the Voxeurop reports (September, 2022) that some UNEP staff, knew that the audit report had been carried out but had not seen, nor knew its contents. The quotations suggest that, without having read the report, UNEP staff believed the clear logging was legal, by virtue of a government licence and/or were small areas that had been independently verified as having low biodiversity or low carbon (storage) value. Further responses during this evaluation suggested that UNEP staff would have interpreted Government endorsement of the deal as supporting the legality of the clear-felling.
- **UNEP Safeguards:** this evaluation also notes that, at this time, UNEP's experience of green-finance, along with the rest of the world, was nascent and the development of its own safeguarding requirements and frameworks was ongoing, producing and operationalizing its own Safeguards Policy in 2015 and 2017 respectively. It is unlikely that the full sensitivities of 'reported' (i.e. anecdotal) information would have been easily or quickly internalised and escalated to any institutional decision-making level.
- **ICRAF:** ICRAF's understanding[65] was that the ESG due diligence was satisfied by prior work of WWF and RLU as well as screening work by UNEP and ADM Capital working with relevant ratings agencies criteria (Moodys) and the Daemeter/ Proforest report; this view was confirmed by ICRAF in the evaluation interview.
- **WWF:** despite having campaigned with other NGOs, for the creation of the large Bukit Tigapuluh Protected Area that was agreed – on paper – with the Indonesian authorities in 2009, WWF withdrew from its role as a collaborating part with the RLU project in March 2020 due to "concerns about [Michelin's and RLU's] commitment to conservation and [the] lack of transparency. However, in a 2019 report evaluating its

[64] The terms green bond and sustainability bond are sometimes used interchangeably by respondents.

[65] TLFF: SECOND PARTY OPINION ON THE SUSTAINABILITY OF TLFF I'S SUSTAINABILITY NOTES, 2 January 2018.

partnership with Michelin, WWF at no point mentioned RLU's responsibility for clearcutting forests, referring simply to "a largely deforested wildlife-hostile environment". This was followed by a split within WWF between the international office and the Indonesian branch. Stakeholder interviews in Jakarta and Jambi suggest that there was a strained relationship between WWF and the MoFE; WWF appeared not to have acknowledged the support of MoFE despite getting projects from it and personal miscommunication between the two institutions, which led to the withdrawal of WWF. However, there is yet another opinion, which the evaluation could not verify, that after the WWF MOU with the government was terminated, RLU in 2020 embarked on a second HCV/HCS assessment, again verified with HCVRN and taking into account WWF concerns, with additional activities set aside. The resource person at RLU was not aware of this information as he was not at RLU at that time. By 2024, WWF is reported to be back working in the Bukit Tigapuluh landscape "*…on the Thirty Hills concession's doorstep and within its borders are rubber trees. Given rubber's prevalence in and around the concession, in the form of jungle rubber and monoculture plantations, and the increasing market demand, PT ABT and WWF have begun implementing business plans for sustainable rubber production*"[66].

On this issue the evaluation team concludes that UNEP staff involved in project management at that time were aware that a report had been carried out, but a) did not know its contents and b) accepted logical explanations that the clear-felling had been carried out under licence and was verified as being 'appropriate'. The evaluation team do not have evidence that, at any institutional level, or in any concrete way, UNEP staff knew that the green bond standards may have been compromised on the land that was later included in the TLFF deal.

Regarding the withdrawal of WWF from their partnership with Michelin and RLU, no explicit reasons were given. According to RLU, it is likely to have been understood that there was a difference in priorities or decision-making between the Indonesian branch and headquarters.

The TLFF Environmental and Social Action Plan (ESAP) was tied to the bond issuance and drawn up in 2019 and mandated zero deforestation, fire prevention, and community benefit-sharing.[67] Since then, the project, and all of UNEP's green finance work, has been governed by UNEP's Safeguards Policy and related safeguards frameworks. On the ground at RLU site, application though in operation still needed to rise to optimum level which to great extent was influenced also by its buffer zone where changes marked by further degradation of buffer zone are reported (Interview with FZS and evaluator's own observations in the forest).

The evaluation team does note, however, a lack of site visits and ground surveys during the project's implementation. Physical visits and interactions with the local community would have provided opportunities to gain more in-depth understanding of the project's operating conditions and work on the ground for effecting an appropriate course correction in practice and strategy.

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[66] WWF (2024), Tapping into success: How rubber may hold the key to conserving a tropical rain forest. Story. 24 August 2024. https://www.worldwildlife.org/stories/tapping-into-success

[67] A detailed Environmental and Social Management System (ESMS) was developed in partnership with the consultant company, Daemeter. Documents under this ESMS were expected to include: an environmental and social action plan, which would be audited for progress annually, an integrated forest management plan, and a community partnership program. In: DESIGN GRANT CASE STUDY TLFF INAUGURAL TRANSACTION: CORPORATE SUSTAINABILITY BOND FOR NATURAL RUBBER PRODUCTION JANUARY 2019 (Convergence-TLFF-Bertha Centre, 2019 also see https://www.convergence.finance/resource/tlff-inaugural-transaction:-corporate-sustainability-bond-for-natural-rubber-production/view

7. NEW FINANCE INITIATIVES AND TLFF SPIN-OFF INVESTMENTS IN INDONESIA

Finance facilities in Indonesia are actively operating and mobilizing private capital—from banks, investors, agribusinesses, and other institutions—to support gender inclusive sustainable land use. A few examples are: A multi stakeholder program (2024–2027) backed by USD 22 million, aimed at mobilizing private/public investment into social forestry, payments for ecosystem services, and community-managed landscapes; Indonesia Impact Fund (USD 5–25 million) managed by Mandiri Capital targeting gender-equitable, early-stage sustainable ventures and, taking their cue from TLFF/UNEP, UNDP and Impact Investment Exchange (IIX) hosted an SDG Investment Facilitation Lab. This platform matched early-stage, gender-inclusive agribusiness and social forestry ventures (like pond farmers, water startups) with impact investors across Southeast Asia. Similarly, the Indonesia Environment Fund, with UNEP collaboration, has a strategic role in catalysing loans such as for timber, spices and livestock related economic activities via smaller investors.

Indonesian financial institutions, agribusinesses, consumer goods, and food companies are advancing deforestation free supply chains—particularly for agriculture (palm oil, rubber, coffee)—and including emerging efforts around natural rubber. Indonesia's Ministry of Economic Affairs launched a digital commodity tracking dashboard (covering palm oil, coffee, rubber) to increase traceability ahead of the EU's EUDR rules, aiming for deployment by August 2024. Olam Agri teamed with GIZ under the EU funded SAFE project to map 42,000 rubber smallholder plots, train farmers in sustainable practices, and boost traceability and legality toward deforestation free rubber.

The Indonesian government does endorse public policies that enable private actors to invest in sustainable land use, including for commodity production, particularly in forested and agricultural landscapes. Over the past decade, Indonesia has made significant strides toward balancing economic growth with environmental protection and sustainability goals. Increasing incorporation of ESG frameworks into financial and regulatory systems, including by the Otoritas Jasa Keuangan (OJK) – Indonesia's Financial Services Authority is one example. This encourages banks and investors to finance sustainable land-use projects and discourages high-risk, unsustainable ones. Similarly Public-Private Partnerships (PPPs) in Land Restoration via Social Forestry (Perhutanan Sosial) – allowing communities and companies to manage forests sustainably and Ecosystem Restoration Concessions (ERCs) – long-term licenses allowing companies to restore degraded forestlands, are now common initiatives.

There are several mechanisms being sponsored in Indonesia which may be seen as 'spin-offs' from TLFF, UNEP or other partners.

Tropical Landscapes Grant Fund (TLGF)
At the forefront is TLGF funded by Global Affairs Canada and overseen by UNEP. TLGF offers grants of USD 100.000 - 300.000 per grantee. These are conventional grants with no expectation of repayment or financial return to the donor. The TLGF has currently eight Projects operating with smallholders focusing on agri-commodities (Rattan, Coffee, Social Forestry) having an outlay of USD1-3 million. The TLGF is aimed at scalable micro, SMEs, business incubation, business development to access private finance. As of late 2023, TLGF had identified 22 enterprises in different stages of bankability. Out of the 22 enterprises, 9 reached their readiness and awarded grants to 7 projects which represent diversified products spreading out across Indonesia. To date, these 7 TLGF projects cover a total landscape of 19,000 hectares, for which the management is to be improved with smart agroforestry interventions. This exceeds the overall TLGF target of 16,000 hectares.

Badan Pengelola Dana Lingkungan Hidup (BPDLH)

The Indonesian Climate Finance gap is being filled by Indonesian Environmental Fund. Badan Pengelola Dana Lingkungan Hidup (BPDLH), also referred to as the Indonesia Environmental Fund Management Agency, acts as a financial intermediary, channeling funds from international donor, carbon markets, and government budgets under this arrangement. It provides grants, loans, and blended financing. In blended financing, as an example, BPDLH partners with banks (e.g., BRI, Mandiri) to provide low-interest loans for agroforestry startups. Social Forestry Business Groups (KUPS), with a valid social forestry permit, can access loans from BPDLH by submitting a business plan, showing its sustainable forest use (for agroforestry, NTFPs, ecotourism), market potential (offtake agreements with buyers), and financial projections (cash flow, repayment capacity). Project proposals seeking to be eligible for support from BPDHH must align with the Ministry of Forestry's SF guidelines (Regulation of the Ministry of Environment and Forestry Number 9 of 2021) and environmental safeguards (no deforestation, peatland damage) with an interest rate of between 3-6% p.a.

RIMBA Corridor Project

UNEPs support to the RIMBA Corridor initiative is based on the view that large rubber companies, like RLU, perform intensive management, which reduces biodiversity richness but are good for carbon sequestration.

In the northern part of RLU's area, there is an elephant corridor. A few years ago, the provincial government proposed the establishment of the area as an essential ecosystem area to the Ministry of Forestry. The proposition fell through due to the lack of a supporting regulation.

The RIMBA Corridor Project[68] is trying to reactivate the elephant conservation forum, with the forestry office and RLU as the members, located in the area. The forum, in collaboration with the RIMBA Corridor Project steered at the national level by the Department of Land Affairs and Spatial Planning, has already prepared actions plans to be proposed to Corporate Social Responsibility programmes of the companies working in the area. The Project focuses on strengthening forest and ecosystem connectivity in the RIMBA Landscape of Central Sumatra, aiming to protect biodiversity and increase carbon stocks. It involves enhancing connectivity through green economic development and investing in natural capital. The project also aims to reduce poverty and promote green economic growth through sustainable practices. It is pivoting on the "Green Economy Plank" thus is aimed to bring businesses, agriculture, biodiversity and industry etc. together as part of broader stakeholder group. Apart from payment of water services via Hydropower in the upstream, it is also focusing on peatlands and involving NGOs to facilitate negotiations and universities to provide science for managing and reviving the carbon rich ecosystem. The RIMBA Corridor project is linked to new projects and investments in the area.[69] UNEP and WARSI institutions in Jambi and also FZS, have mentioned linking fresh projects and investments to RIMBA. On the ground, RLU resource persons did not know much about RIMBA Corridor Project but were aware that elephant corridors are being planned where cooperation is being sought.

The &Green Fund

Beyond its USD23.75m contribution to TLFF, which was part of the USD95m deal with the RLU Project in Jambi and East Kalimantan, the & Green Fund has also provided a USD 30 million loan over 10-years to PT Dharma Satya Nusantara, a palm oil producer in Kalimantan,

[68] UNEP/GEF project "Strengthening Forest and Ecosystem Connectivity in RIMBA Landscape of Central Sumatra through Investing in Natural Capital, Biodiversity Conservation, and Land-based Emission Reductions (RIMBA) project" (GEF ID 5285. The project was approved by GEF for implementation in 2016. It started in 2021 and is expected to end in 2028.

[69] According to interviews with UNEP, Komunitas Konservasi Indonesia (WARSI) [NGO] and Frankfurt Zoological Society (FZS) during field visit.

to work towards a deforestation-free palm oil supply chain (https://impact-investor.com/the-green-fund-large-scale-impact-by-investing-in-drivers-of-deforestation).

UN-REDD Programme
The UN-REDD programme assists Indonesia in developing a comprehensive REDD+ strategy, which is a crucial step in preparing for REDD+ implementation while preparing scientific base of historical deforestation and harmonising forest related definitions in Indonesia with globally accepted ones which connects to One-Map Policy of Indonesia. Taking the cue from investment made by TLFF by channelling private investments, the programme also facilitates private sector engagement in REDD+ initiatives, aiming to unlock investment for forest conservation and sustainable livelihoods. The focus is on 5 projects (e.g. Carbon, Waste, Biodiversity) and is marked especially by the "GREEN for Riau" initiative**.** This is a province-wide programme in the forest-rich province of Riau, aimed at reducing emissions, strengthening sustainable forest management, and empowering local communities. Key stakeholders are micro to small medium enterprises. Business incubation and business development to access private finance is being continued in a convergent learning with other programmes at UNEP Indonesia.

UNEP in Indonesia however must keep on working for crowding in capital of national asset managers – such as climate resilience fund as part of UN REDD work. Being the facilitator – and bringing the different players together, e.g. the Indonesian Environment Fund (IEF) rather than working into the architecture of the facilities and sitting on committees.

Asia Climate Smart Landscape Fund (ACLF)
In December 2023, ADM Capital launched the Asia Climate Smart Landscape Fund (ACLF). The Fund has secured seed commitments from Ceniarth, the David and Lucile Packard Foundation, the John D. and Catherine T. MacArthur Foundation, Margaret A Cargill Philanthropies and RS Group and is targeting total commitments of up to USD200 million in further closes. ACLF, which is ADM Capital's first Indonesia-focused impact fund, aims to address the significant funding gap that exists for small and medium-sized enterprises engaged in sustainable agriculture, agroforestry and aquaculture by providing medium-term senior secured lending. The fund also links 50% to achieving impact, which will be verified annually and two projects have been completed.

8. BROADER LESSONS AND LEARNING PROCESS WITHIN UNEP

Broader lessons:

Challenges

- **Regulatory inconsistency** between national and regional governments, where often implementation is weak, and donors work with their own standards.
- **Land tenure uncertainty**, especially in forest frontier areas where variable stakeholders interact between domains of conservation and unplanned development.
- **Limited incentives** for small- and medium-sized enterprises to adopt sustainability standards which often is due to lack of awareness and capacities that are needed to work with blended finance concept integrated with ESG safeguards.
- **Enforcement issues** occasionally hamper transparency and fair investment as code of conduct and standard planning, implementation and M&E procedures get compromised.
- Indonesian officials acknowledge that EU's **EUDR** may be unworkable for smallholders lacking geolocation and data infrastructure, however, Indonesia, Malaysia, and the EU

are jointly developing smallholder-friendly guidelines to help comply with EUDR covering coffee, palm oil, rubber, timber, and cocoa.

- **Lack of process and procedures**, strategic agenda and goals (beyond RLU transaction). The TLFF successfully attracted high-profile steering committee members and partnerships, however, the TLFF required unifying leadership to align founding partners' interest and commitments.

Opportunities

- **Inclusivity and Gender-responsive metrics may be further developed to t**rack how many e.g., women-led enterprises access funding and their land-use outcomes.
- **In-depth local case studies will need to be conducted to assess long term impacts of concepts such as** SLIP, TLFF, and BPDLH-backed e.g., social forestry projects for gender and tenure security impact results.
- **Further research into how to mainstream convergence amongst stakeholders to reach scalability thresholds for which further i**nvestigation of government and private interest and strategies in expanding these programs at provincial/local levels need to be analysed.
- **Smallholders' tech/data readiness** to be part of land use finance and issues they face in terms of variable regulatory hurdles, uncertain markets and benefit sharing etc.

Key lessons which have been integrated into UNEP's Climate Finance Unit[70]:

- **Government Alignment:** National buy-in is critical-TLFF's success could have relied not only on Indonesia's regulatory support (Convergence of Policies, alignment with national/local business development plans, stronger and visible connect to global (Paris Agreement, AICHI Targets) and local commitments (Settlements of tenure issues, alternative for encroachers) but also proactive supervision of such investments by governments (National/Provincial) and complementing with public finance vis-a-vis use of monitoring data to facilitate corrective course, if required. "One thing that other companies can learn from [this] experience is a commitment to allocating a large enough area for wildlife conservation," according to a local NGO. "This approach needs to be adopted by other commodities companies, but encouragement from the government, NGOs and investors, such as the [landscape facility] is required."
- **Concessional Capital:** In addition to guarantees by a funding institution, grants that could cover project costs of selected activities (e.g., awareness building, stakeholder consultation processes, capacity building, other entry point activities, etc.) may improve confidence of potential investors thus contributing also to bankability for private investors. For the TLFF, some grants were recycled in the Tropical Landscape Grant Facility (TLGF) and some of the mobilized private capital was due to a guarantee from USAID. In that the joint UNEP-Rabobank objective to direct USD 1 billion in capital to farmers / businesses in developing countries with positive livelihood, forests and climate impact was done by creating a guarantee + TA facility (called AGRI3). Rather than relying on external concessional capital providers (like the USAID DCA for the RLU guarantee) the idea was to create a guarantee facility that can de-risk multiple deals. This countered the weakness of the TLFF approach in relying on a deal-by-deal basis

[70] https://www.blendedfinance.earth/blended-finance-funds/2020/11/16/tropical-landscape-finance-facility
https://www.unep.org/fr/node/273014 ; https://www.admcapital.com/tropical-landscapes-finance-facility
https://www.admcf.org/wp-content/uploads/2017/02/TLFF-Introduction-20170201-Final.pdf
https://www.admcf.org/alliance-tropical-landscapes-finance-facility

on external concessional capital providers. With the UNEP-Rabobank partnerships this was dealt with through the creation of the AGRI3 fund.
- ➢ **Impact Measurement:** Monitoring needs to be based on baseline data/studies (e.g., on ESG aspects, potential expected economic impacts, stakeholders interest, etc.), have uniformity and apply standardized metrics that are in alignment with public sector monitoring systems (e.g., hectares conserved, reduction in deforestation in operating areas, human-wildlife conflict management, jobs created, etc.) are essential for investor reporting that are easy to understand, ground-truthing based and can be applied in practice.

UNEP disseminated TLFF's outcomes through[71]:

- ➢ **Case Studies:** Featured in UNEP's Finance Initiative and Convergence's blended finance database.
- ➢ **Global Advocacy:** Showcased at COP26 and the One Planet Summit as a Paris Agreement implementation model.
- ➢ **Partnerships:** Collaborated with the &Green Fund on other deals in Brazil.

9. CONCLUSIONS

The natural rubber value chain is complex and fragmented; much work remains to be done on a commercial, environmental, and social level. RLU (now Michelin) wants to generate a positive impact and to make ongoing efforts on all fronts: commercial, ESG responsible conflict resolution, mitigating human-wildlife conflicts, implementing community partnership programs, and influence. Michelin intends to foster responsible land management, promote best farming and labour practices, and support the development of local populations. Michelin asserts that quantitative achievements are substantial and encouraging:

- Over 10 million rubber trees planted across ~23,500 hectares of the concessions;
- More than 15,000 ha of conservation and biodiversity areas fully controlled and protected, which is about 20% of the total surface of the concessions;
- More than 4,000 direct and indirect jobs created;
- 30% of these jobs held by women;
- 5,000 people (employees and their families) living in 1,200 houses built in villages around it and developed infrastructure within these villages include clinics, schools, access to water, electricity, waste management, etc.).

Despite these reported results, ground truthing and M&E systems need to be much more robust to ensure that local assessments provide valid, credible and publicly available information on the impacts of land use finance.

Capacity building gaps and divergent awareness amongst investors as well as private companies to invest in high transaction costs as well limited commitment to environmental and social aspects were key factors in TLFF not being able attract more investment.

The processes and investments on sites of RLU as well as that in the RIMBA Corridor are actively happening and projects that target forest conservation and biodiversity are gradually

[71] https://www.euromoney.com/article/b19x6t4gd9fx25/impact-banking-tlff-a-rubber-revolution-takes-shape-in-indonesia
https://www.admcf.org/alliance-tropical-landscapes-finance-facility
https://www.admcapital.com/tlff-i-sustainability-bond-for-natural-rubber-company-repaid-in-full/13
https://blueearth.capital/news/pg-impact-investments-makes-an-investment-in-indonesias-first-blended-finance-facility-which-combines-social-and-environmental-impact-tropical-landscapes-finance-facility-i

becoming visible. The rate of deforestation has reduced, and it is assumed that positive impacts will follow. However, it will be important to continue the monitoring of actual status and content of LPPs and ESAPs and risks that may be associated with non-performance of LPPs and ESAPs. In this context landscape scale good governance mechanisms must be ensured and will depend on stakeholder awareness and collaboration. At best, this can be governed by the provincial government that has convening power to converge ideas, resources and plans and it can also modify polices/strategies that are conducive to biodiversity conservation and zero deforestation.

Some key conclusions with suggestions[72]:

Conclusion 1: Blended Finance Success: TLFF proved – in one deal – that long-tenure sustainability bonds can attract institutional capital when paired with guarantees. However, it needs to verify that baselines on deforestation and institutional profiles are not flawed with previous histories of malpractice, such that the green bond standards could be called into doubt. The value added of this type of initiatives in Indonesia need to be customized to the needs of conservation and rural livelihoods security such as being attempted through the P4F programme. In this context, companies (e.g., SINAR MAS) can report on the scaling and transformative change as an input to learning.

Conclusion 2: Replication at Lower Scale: The model is being replicated in Indonesia's energy sector (geothermal) and Côte d'Ivoire's cocoa sector. Other initiatives in Indonesia are underway that build on the blended finance concept, albeit, at lower scale. For example, BPDLH acts as a financial intermediary, channeling funds from international donor, carbon markets, and government budgets. It provides grants, loans, and blended financing. In blended financing, BPDLH partners with banks (e.g., BRI, Mandiri) to provide low-interest loans for agroforestry startups. This lower-scale replication offers a possible way forward. Prior stakeholder consultation for lower-scale investments is a must; if smallholders and buffer zone stakeholders are not aware of the long-term benefits of such investments and the need for application of good ESG standards vis-à-vis their monitoring then positive impacts could be marginal. With better-tailored instruments, meeting the needs of the Indonesian financial sector, like guarantees, more is possible as there is sufficient financial liquidity.

Conclusion 3: UNEP's Role as Catalyst: As a catalyst, UNEP was able to bridge public-private financial divides, and it contributed by bringing in environmental and social aspects into the equation as per its mandate. Key lessons from the TLFF have been integrated by UNEP's Climate Finance Unit in to advise Côte d'Ivoire on adapting TLFF's model for cocoa landscapes. There is a need for UNEP to be involved in designing capacity building packages connected to ESG frameworks and likewise it would be effective if it has a stake in monitoring, reporting and verification (MRV). Learning from Indonesia is also emerging in India between HSBC and the AGRI3 Fund but so far only a study has been conducted on the potential of blended finance in larger agri-dominated landscapes.

Conclusion 4: Key challenges of the TLFF and the RLU project as confirmed through the field visit are summarized as:

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[72] https://www.blendedfinance.earth/blended-finance-funds/2020/11/16/tropical-landscape-finance-facility .

https://www.unep.org/fr/node/273014.

https://www.admcf.org/alliance-tropical-landscapes-finance-facility.

https://www.admcapital.com/tlff-i-sustainability-bond-for-natural-rubber-company-repaid-in-full.

1. Complex governance and operational structure of multiple stakeholders and bureaucratic delays in decision-making.
2. Limited private sector engagement or efforts to make them aware based on a good baseline was lacking which to some extent got further complicated by an uncertain regulatory environment, risks in sustainable land use finance (given factors of degradation in the landscape) which in turn deterred potential investors.
3. Inadequate risk mitigation mechanism as land tenure issues, environmental uncertainties and market fluctuations were evident.
4. Insufficient capacity building/awareness/preparedness of stakeholders including local communities and small investors (e.g., Value Chain based enterprises, Selected NGOs, Cooperatives).
5. Economic and political instability (e.g., rubber prices going down, regulations not in time)
6. Competition from other initiatives (expectations were ambitious and groundwork done to address these were limited).

Image: Road building and fencing as causes of a fragmented bio corridor, Jambi Province, Evaluation Mission (2025).
©UNEP/ Rajan Kotru

ANNEX II. COUNTRY STUDY BRAZIL

1.CASE STUDY CONTEXT

The finance facilities supported under UNEP's Land Use Finance (LUF) project made several investments in Brazil.[73] The objective of LUF was that "Countries increasingly adopt and implement forest-friendly policies and measures that deliver quantifiable emissions reductions as well as social and environmental benefits". The impact statement (i.e. long-lasting environmental benefit) derived from this objective is: "Demonstrable positive environmental and social impacts achieved in terms of landscape resilience (SDG 15), climate change mitigation (SDG 13) and improved long term rural income/livelihoods (SDG 1)" (see Reconstructed ToC, LUF Terminal Evaluation, page 47). The LUF project was implemented from April 2018 to December 2024.

Investments made in Brazil were made by the finance facilities of the &Green Fund, the AGRI3 Fund and the Responsible Commodities Facility (RCF) and were expected to contribute, within the LUF project, to its three outcomes with emphasis on *Outcome 3:*

- *Outcome 1: Finance facilities are operational and unlocking private capital by banks/ investors/ agribusinesses and other institutions towards gender inclusive sustainable land use.*
- *Outcome 2: Finance institutions, food/agri, consumer goods companies [implement actions for deforestation free supply chains for commodities among the six targeted commodities]*
- *Outcome 3: Governments endorse public policies that enable private actors to invest for sustainable land use (incl. commodity production) in targeted countries." (see RToC reformulation, LUF Terminal Evaluation, page 47).*

For Outcome 3, the understanding of the indicators is that change is measured in 1) Number of governments creating or revising fiscal policies or regulations that support deforestation-free sustainable land use, and 2) Number of governments starting to invest into nature-based solutions (see Reconstructed ToC, LUF Terminal Evaluation, Table 5).

This case study of Brazil aims to **assess the contribution of the LUF project at country level** and provide a broader picture of the political environment, market, companies (investees), design of the interventions, outcomes of the interventions (which are an equivalent of the results leading to the project impact), challenges and opportunities, and opportunities for scalability / replicability.

In Brazil, the LUF project covers different sites so the expectation is that the cumulative effects of the interventions can be identified. In the case of Brazil, the political environment has been conducive to reducing deforestation and UNEP has worked at the policy level so that a broader approach is expected to allow an assessment of the likelihood of impact in the form of positive (or negative) intended and unintended effects, taking into account the drivers and assumptions identified in the reconstructed ToC.

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[73] The LUF project was expected to engage with the following countries through the finance facilities: Indonesia, India, Viet Nam, Thailand, Brazil, Côte d'Ivoire, Ghana, Liberia, DRC, Tanzania, Colombia, Paraguay, Peru, Costa Rica, Kenya, Argentina, El Salvador. Reconstructed TOC, LUF Terminal Evaluation, page 42.

2. CAUSES OF DEFORESTATION IN THE AMAZON, MATO GROSSO AND CERRADO AND GOVERNANCE GAPS

Brazil is the largest exporter of soybeans, accounting for over 50% of the global soy market. It is also a major beef exporter, and was the largest in 2023, with exports of 2.9 million metric tonnes. Brazil's beef exports are a major source of revenue for the country and are linked to significant deforestation and environmental impacts, particularly in the Amazon and Cerrado biomes.[74]

Currently, about 280 million hectares in Brazil are used for agriculture and livestock, including 165 million hectares of pasturelands, of which 82 million are degraded. The government's target is to restore up to 40 million hectares of pasturelands over the next decade The World Bank (2023) called for better governance in forest protection and in the implementation of the Forest Code including the need for command-and-control approaches and unlocking the value of forests through bioeconomy[75].

A recent study found that access to finance, adapted technologies to tropic specific solutions are the main obstacles for Brazilian farmers. 70% of all farms in Brazil are family-owned employing 28 Million people across its value chains. Beside family-owned farms, co-operatives play an important role. The capabilities and strategies of the farmers towards technology, innovation, risk and change vary. Credits allow larger farms to diversify their investments while smaller ones face greater access and risk constraints to invest. The study identified seven different farmer types/ profiles, with two of them being highly attuned to sustainability (15% of all farmers). In a survey of farmers conducted for the study when asked about the greatest risks and opportunities for their businesses, farmers overwhelmingly cited climate change as the top threat, 50% said it was the main reason their business could fail, surpassing concerns about business knowledge (17%), economic instability (16%) or access to credit (6%). When it came to investment strategies, only 9% prefered to expand into new areas, 49% of producers wanted to increase productivity, especially ranchers. Among large-scale producers, 39% planned to open new productive areas to growth their business, compared to 22% of medium and 19% of small farmers. Several low carbon practices were found to be firmly embedded like no till farming, pature and crop rotation or pastureland recovery for growers and pasture recovery for ranchers.[76]

Land grabbing

In the Amazon, forest destruction mainly results from illegal activities driven by land grabbing, illegal logging, mining and drug trafficking. In contrast, in the Cerrado, a considerable amount of conversion into agricultural land happens based on the Brazilian Forest Code, which permits the removal of up to 80% of native vegetation on rural lands. A study by the Climate Policy Initiative found that still *95% of all deforestation is illegal.* These situations necessitate tailored solutions that address each specific context.[77]

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[74] Stockholm Environment Institute (SEI), https://www.sei.org/features/trase-brazil-beef-exports-deforestation/

[75] World Bank (2023). A Balancing Act for Brazil's Amazonian States: An Economic Memorandum [report] https://www.worldbank.org/en/news/press-release/2023/05/09/brazil-world-bank-report-calls-for-a-new-development-model-amazonian-states

[76] Boston Consulting Group (2025). The Pulse of Brazilian Farmers [report]. Survey, N=1,358. https://web-assets.bcg.com/9a/50/17b9e85b4749b3795523f1ddffe6/the-pulse-of-brazilian-farmers.pdf

[77] Climate Policy Initiative (2024). Where Does Brazil Stand with the Implementation of the Forest Code? A Snapshot of CAR and PRA in Brazilian States – 2024 Edition https://www.climatepolicyinitiative.org/publication/where-does-brazil-stand-with-the-implementation-of-the-forest-code-a-snapshot-of-car-and-pra-in-brazilian-states-2024-edition/

Lack of Governance

The implementation of the Forest code is primarily the responsibility of the States (federal units) which implement the guidelines established by law. The lack of governance is reflected in the role of the States in Brazil being responsible for granting permits for deforestation and for implementing the Rural Environment Cadastre System (SICAR) of which the Rural Environmental Cadastre Registration (CAR in Portuguese) is the main element.[78] Despite national guidelines of SICAR, the requirements and requested data vary within and across the States. Each property needs a CAR which contains information about forest cover and other environmental data. The CAR system has only been implemented in some selected areas; however, it has made progress in 2024[79].

A CAR has the following advantages:

• Suspension of sanctions for infringements

• Access to agricultural credit

• Adherence to agricultural insurance

• Deduction in tax for Permanent Preservation Areas: (1), Legal Reserve (2) and restricted use (Compliance with the Forest Code)

• Ease of obtaining financing lines

• Tax exemption for key inputs and equipment.

Land use planning

Another governance issue is land use planning at the level of the Brazilian States. Land use planning has become an instrument for halting deforestation and increasing production. In December 2015, during COP 21, the Government of Mato Grosso launched the Produce, Conserve and Include (PCI) Strategy. The strategy comprises of intensification of production and adoption of good practices (Produzir), areas of native vegetation are protected or restored (Conservar) and small scale farmers and communities improve their livelihoods (Incluir). The PCI Strategy was built to raise financial resources for the State of Mato Grosso to support the expansion and increase in the efficiency of agricultural and timber production, the conservation of native vegetation, and the restoration of environmental liabilities in line with the Brazilian Forest Code Law. It also aims to foster family farming and traditional communities, while reducing GHG emissions and enabling carbon sequestration, by controlling deforestation and developing a low-carbon economy. The Federal States and the Municipalities have different regulations for granting permits for deforestation and establishing the CAR. So, the main responsibilities for implementing forest management are located at State and local levels. Several Technical Assistance projects have supported the land use planning registration of properties under CAR. The States of Pará and Maranhão have developed their own tracing systems for soy and beef[80].

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[78] SICAR and CAR by Decree No. 7.830 regulating the Rural Environment Cadastre System (SICAR) of 2023. https://www.fao.org/faolex/results/details/en/c/LEX-FAOC119999/

[79] https://www.climatepolicyinitiative.org/publication/where-does-brazil-stand-with-the-implementation-of-the-forest-code-a-snapshot-of-car-and-pra-in-brazilian-states-2024-edition/

[80] https://de.apdbrasil.de/category/leadership-im-dialog/

Among newer governance arrangements are several voluntary multi-stakeholder initiatives with private sector involvement. Examples are the *Boi na Linha* from 2019 for registering cattle production in the Amazon[81] which has been the blueprint for the Cerrado Protocol for Beef[82], the Soy Moratorium in the Amazon from 2006 establishing deforestation free soybean supply chains and the Cerrado Manifesto from 2017 to halt the loss of forest and native vegetation. The soy Moratorium has been successful in slowing down deforestation rates[83]. Partly as a result of the deforestation avoided in the Amazon, there has been an increase in deforestation in the Cerrado[84].

The main gap for forest protection is the lack of implementation of the Forest Code. This gap was aggravated during the Bolsonaro Government which cut resources for forest protection and monitoring and effectively froze processes in place for forest monitoring and identifying and fining offenders of the Forest Code. The National Environmental Agency (IBAMA) implements a satellite-based forest monitoring system, which provides free data. In addition, MapBiomas, a data initiative with participation of universities, NGOs and companies, provides freely available data, which is used by public and private banks, among others. The data allow the tracking of the loss of native vegetation, forest fires, deforestation and/or quality of pastures.

3. KEY POLICIES FOR THE PROTECTION AND USE OF FORESTS

TIMELINE OF REFORESTATION POLICY RELATED EVENTS:

- **2012:** Major revision of the Forest Code (of 1965) resulting in the *"New Forest Code"* (Law nº 12.651/2012) aiming to protect native vegetation, promote sustainable land use, and encourage the restoration of degraded area.
- **2015:** The *Brazil Climate, Forests and Agriculture Coalition* (Coalizão Brasil Clima, Florestas e Agricultura) Brazilian Coalition on climate, forest and agriculture is created.
- **2015:** The Government of Mato Grosso launch the Produce, Conserve and Include (PCI) Strategy. The strategy comprises intensification of production and adoption of good practices (Produzir), areas of native vegetation are protected or restored (Conservar) and small-scale farmers and communities improve their livelihoods (Incluir).
- **2019:** President Jair Bolsonaro is inaugurated. (2019–23). Large-scale deforestation accelerates reaching a fifteen-year high in 2021 and scale back of the enforcement of environmental laws and push to open indigenous lands to commercial exploitation.
- **2021:** Ministry for Agriculture, Livestock and Food Supply adopts the second cycle of the *Brazilian Agricultural Policy for Climate Adaptation and Low Carbon Emission (ABC+ Plan)"* which encompasses an integrated landscape approach with regional level actions,
- **2023:** President Luiz Inácio Lula da Silva (2nd time; 2023–) is elected, introducing a shift in policies.
- **2023:** The *Green Path* Programme (Caminho Verde) is launched - a joint initiative of the Ministries of Finance, Environment and Agriculture – aimed at restoring degraded land, especially pastures over the next 10 years.

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[81] Beef on Track. https://www.beefontrack.org

[82] Valor International, Article 04/26/2024. https://valorinternational.globo.com/agribusiness/news/2024/04/26/meatpackers-join-cerrado-protocol.ghtml

[83] WWF (2021), Brazil's Amazon soy moratorium, case study. https://forestsolutions.panda.org/case-studies/brazils-amazon-soy-moratorium

[84] Global Environmental Change (2025), Why has the Brazilian Cerrado been left behind by voluntary environmental policies? Vol. 92 July 2025. Article. https://www.sciencedirect.com/science/article/pii/S0959378025000421

- **2023:** The *Brazilian Coalition on Climate, Forests and Agriculture* (Coalizão Brasil Clima, Florestas e Agricultura) presents a *proposal* with initiatives aimed at eliminating illegal deforestation to the UN in September.
- **2023:** The President sanctions Decree No. 7.830 regulating the *Rural Environment Cadastre System (SICAR) and Rural Environmental Cadastre Registration (CAR)* to integrate environmental information from all states and serving as a national platform for managing environmental data related to rural areas.
- **2024:** The Ministry of Finance of Brazil launches the *Novo Brasil* - a plan for the ecological transformation of the country which resembles the Green Deal of the EU.
- **2024:** The *National Bioeconomy Strategy* is launched in June 2024 as a forward-looking initiative of the G20 presidency of Brazil. Bioeconomy is a new production paradigm which encompasses enabling growth while conserving biodiversity and promoting social justice.
- **2024:** The first *Eco Invest Auction* is launched and nine national and international banks are selected to invest in a range of projects like bioeconomy and infrastructure for climate change adaptation. The target leverage rate of private capital was 10. The Amazon biome, due to its unique characteristics, will be addressed separately through a dedicated auction scheduled for the coming months
- **2024:** The *National Impact Economy Strategy* is coined encompassing a series of ongoing initiatives and policies aimed at promoting a more sustainable and socially inclusive economy, including the National Circular Economy Strategy (ENEC) and the National Bioeconomy Strategy.
- **2024:** The *Brazil Restoration & Bioeconomy Finance Coalition* (BRB Finance Coalition) is launched in November 2024 as a strategic alliance focused on mobilizing USD10 billion by 2030 to accelerate forest restoration and bioeconomy initiatives.
- **2025:** In November, Brazil will host the 30th Conference of the Parties (COP 30) to the United Nations Framework Convention on Climate Change (UNFCCC) in Belém.

The policies and initiatives presented below outline the policy context for the LUF project activities. The timeline above shows that during the previous government which sidelined the Ministry of the Environment and the National Environmental Agency, there were multistakeholder initiatives and niches existed for policy engagement like the national adaptation plan for agriculture ABC+ Plan.

The government under the current presidency offers unique opportunities to engage at policy level and bring policies forward. The 2023 proposal of the Brazilian Coalition on Climate, Forests and Agriculture sets the bar for the investments into agriculture like landscape approaches, reforestation with native species, benefits for communities and a focus on ecosystem services like soil and water. In addition, the bioeconomy opens for opportunities to invest into R&D for products from forests and native vegetation or biotechnology which might offer high returns in the future and be an alternative to the conversion of forest and agricultural exports of commodities.

The Green Path (2023)

The most recent initiative is the Green Path (Caminho Verde) – a joint initiative of the Ministries of Finance, Environment and Agriculture – aims at restoring degraded land especially pastures over the next 10 years. The programme is co-ordinated by the Ministry of Agriculture and Livestock (MAPA) and implemented by financial institutions, agricultural producers and Federal Institutions.

Proposal by the Brazil Climate, Forests and Agriculture Coalition (2023)

The Coalition consists of more than 400 actors from the private, financial, academia sectors as well as NGOs. It has created proposals for the future of Brazil´s climate change agenda and calls for a more innovative and integrated approach towards the protection of forests.

The proposal consists of a list of initiatives aimed at eliminating illegal deforestation:

- Effective implementation of the Forest Code
- Ensure the implementation of the Rural Environmental Registry (CAR)
- Promoting traceability and transparency within production chains
- Increasing the allocation of public forests towards protection and sustainable use
- Expand sustainable forest management by assigning public forests to federal and state concessions. Increasing the scale and diversifying the economic activities of these concessions – including restoration efforts.

It also contains efforts to deter authorized deforestation by promoting **the implementation of the national bioeconomy strategy**, implementing public policies and financial incentives to promote the bioeconomy, and lowering **operational and financial expenses to enhance** and the feasibility of bioeconomy initiatives and advance their development.

In addition, it aims to strengthen the landscape and forestry restoration sector through secure funding and resources to enforce public policies to restore native vegetation at the federal and states levels; enhance the restoration process emphasizing the strengthening of the industry responsible for growing seeds and seedlings of native species; strengthen public-private partnership frameworks for concessions in forest restoration and management; structure financial and contractual incentives that attract investors with high integrity and ensure the economic viability of restoration efforts; and encourage a comprehensive landscape approach in forest concessions, supported by public policies that benefit communities and the areas surrounding the restored areas. There is also focus on creating incentives for silviculture of native species federal and state regulatory frameworks, regulating the Payment for Environmental Services Act by ensuring Guarantee legal clarity for public or private projects, plans, or programs to preserve ecosystems, water sources, soil, biodiversity, genetic resources, and traditional knowledge, and finally Regulate the Brazilian Greenhouse Gas Emissions Trading System (SBCE) to allow payments for producers who preserve or restore vegetation on their land.

Novo Brazil (2024)

The aim of the Novo Brazil is to promote an economy which encompasses industrialisation, technological complexity and higher value-added economic activities and employment. Addressing inequalities and environmental sustainability are priorities of the plan.

One pillar is to direct public finance into sustainable activities inducing private sector investments. Several Funds like the Amazon fund (a REDD+ Fund) have been established as well as an Emission Trading Scheme. The Development Bank of Brazil (BNDES) is involved in the implementation of the Amazon fund activities. The resources shall be used for biotechnology, R&D for green technologies, reforestation and low carbon agriculture. Other instruments will be a tax reform or the diffusion of information about sustainability.

Eco Invest Brazil (2024)

Eco Invest Brazil is an initiative of the Brazilian Government developed together with other ongoing reforms aimed at providing stability and predictability to the country's macroeconomic framework, create structural conditions to attract necessary external private investments for the ecological transformation of the country. The goal is to adopt innovative concepts and best financial practices, with the inclusion of climate, environmental, social and governmental criteria. It has a line of Blended Finance to mobilise external private capital.

The National Bioeconomy Strategy (2024)

Bioeconomy is seen as a strategy to create value from forests. The National Bioeconomy Strategy was launched in June 2024 as a forward-looking initiative of the G20 presidency of Brazil. It is part of the 2024 National Impact Economy Strategy (Enimpacto) which sets financial and social and environmental targets for the restoration of natural resources and inclusion of communities.[85] Bioeconomy is a new production paradigm which encompasses enabling growth while conserving biodiversity and promoting social justice. The predecessor programme – the Bioeconomy Brazil Socio-biodiversity programme (2019) aimed at promoting partnerships between the government, family farmers, small scale and medium-scale farmers, traditional communities and their enterprises, and the business sector. The first result of the bioeconomy strategy is the establishment of an innovation center *Centro de Bioeconomia, Biotecnologia Médica e Inovação* (CEBBI)[86] in the Caatinga biome in the Northeast of the country which shall serve as a global reference. The center links local producers, consumers and technology valuing the natural and cultural heritage of Brazil. Through the Bioeconomy Productive Chains Programme, the Inter-American Development Bank (BID) and Banco do Brasil provide support to expanding access to credit for local bio business value chains in the Amazon[87]. In addition, the BRB Finance Coalition, which include public and private banks, investment funds and the World Bank among others, seeks to support projects with the aim of restoring at least 5 million hectares of Brazilian forests, sequester at least 1 gigaton of CO_2 emissions, and invest USD500 million in initiatives benefiting indigenous peoples and local communities, with a focus on the Amazon region[88].

4. ROLE OF PUBLIC FINANCE, PUBLIC AND PRIVATE BANKS

The LUF project aimed to incentivize the adoption and implementation of forest-friendly policies and measures by promoting blended finance through its finance facilities. Most of climate finance in Brazil comes from domestic sources (95%). "*About two-thirds of climate finance came in the way of private finance because all banks, whether public or private, are legally required to contribute to financing agriculture. International finance accounted for 5% of climate finance flows. Rural Credit is the main instrument to finance agriculture, 8 % of all rural credit activities are aligned with climate objectives for land use. Most investment go into the crop sector, followed by forest and cattle and bioenergy. Climate finance is mainly directed to mitigation and to a lesser degree to adaptation*".[89]

Credit and financing through public schemes are important because they serve as blueprints for the private sector investments like the recent environmental requirements. The finance mechanisms that are presented below are key to understand the financing of agribusinesses.

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[85] https://www.gov.br/mdic/pt-br/assuntos/enimpacto/sobre-a-enimpacto

[86] https://www.cebbi.org.br

[87] https://www.bb.com.br/pbb/pagina-inicial/imprensa/n/68631/

[88] Brazil Restoration & Bioeconomy Finance Coalition (BRB Finance Coalition)

[89] Climate Policy Initiative (2023), Landscape of Climate Finance for Land Use in Brazil. Article. https://www.climatepolicyinitiative.org/publication/landscape-of-climate-finance-for-land-use-in-brazil/

The National Rural Credit System

The National Rural Credit System (SNCR) was established in 1965 and is designed to provide rural credit at low interest. The Brazilian Agricultural Plan (Plano Safra) of the Ministry for Agriculture and Livestock provides the annual budget for farming support. Measures to promote investments are subsidised rural credits mainly to large producers. Producers have to comply with specific requirements. Recently, it has been tied to environmental performance criteria. All public and private actors involved into the SNCR must implement the environmental performance criteria: the Plano Safra offers favourable credit conditions for producers with a Rural Environmental Registry and the Forest Code Compliance. A small number of large properties which took out subsidised rural credits are associated with deforestation mainly in the Cerrado but also in the Amazon.[90]

The Brazilian Rural Credit Manual (MCR) outlines the rules and regulations for rural credit operations in Brazil, aiming to support agricultural development and sustainability. The National Development Bank (BNDES) plays a pivotal role in channelling investments into preferred areas.[91]

BNDES has Environmental and Social Safeguards (ESG) criteria for lending; prioritises sustainable development projects in specific areas like cattle production; provides concessional finance and supports the implementation of environmental regulation. The main implementation gap is that BNDES works through commercial banks which do not thoroughly implement the environmental performance criteria. The data from MapBiomas are used by BNDES for tracking compliance for its loans.

The Sustainable Agenda of Banco Central do Brasil

The National Bank of Brazil (Banco Central do Brasil) has added a sustainability dimension to its agenda in 2020 classifying climate as a risk for financial stability.[92] It has adopted a sector specific policy for agriculture emphasising rural credit. The measures involve regulations to align agricultural financing to sustainability goals by restricting access to rural credit for farmers who do not comply with environmental criteria. The Brazilian Federation of Banks (FEBRABAN), the primary representative entity for the banking sector in Brazil, its Socioenvironmental Responsibility Protocol (SARB14) in 2014 when the Central Bank untertook ist first initiative for sustainability. This protocol has laid the foundation for a self-regulation program, offering comprehensive guidelines and procedures. All relevant international regulations of the banking sector related to sustainablity have been officially established in recent years.[93]

In 2021, the Ministry for Agriculture, Livestock and Food Supply adopted the second cycle of the Brazilian Agricultural Policy for Climate Adaptation and Low Carbon Emission (ABC+ Plan) which encompasses an integrated landscape approach with regional level actions, strengthening Monitoring, Reporting and Verification (MRV) mechanisms and the adoption of science based Sustainable Systems, Practices, Products and Production Processes

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[90] https://www.climatepolicyinitiative.org/publication/credit-where-its-due-unearthing-the-relationship-between-rural-credit-subsidies-and-deforestation/

[91] The Central Bank of Brazil (CBB) and the Brazilian Development Bank (BNDES) are distinct institutions with different mandates within the Brazilian financial system. The Central Bank is the monetary authority, while BNDES is a development bank focused on long-term financing for projects that promote economic and social development.

[92] https://www.bcb.gov.br/en/financialstability/sustainability

[93] https://www.climatepolicyinitiative.org/wp-content/uploads/2024/07/Regulatory-Mapping-BCB-1.pdf

(SPSABC). Emphasis is placed on the efficient use of areas suitable for farming, with strong incentives to comply with environmental rules, to recognize the value of native landscapes, and to recover and conserve soils, water and biodiversity. Additionally, local goods and regional cultures will be recognized and empowered. The strategy calls for conservation agriculture promoting diversification of species in rotation, intercropping and succession of cultures. The adoption of SPSABC, is also present in the previous cycle, namely: (i) integrated systems (Integrated Crop-Livestock-Forestry (ICLF), Integrated Crop-Livestock (ICL), and Integrated Livestock-Forestry (ILF) and other agroforestry systems), planted forests; (iv) restoration of degraded pastures.

The previous ABC+ Plan had a financing component which encouraged compliance with environmental regulation. The uptake of the loans was slow due to the lack of banks readiness and the low volume of financing 1.8 % compared to the total rural credit available. Another programme is Planaveg from 2017 to maintain the native vegetation in the country.

Agribusiness Receivables

Several financial instruments exist to incentivize investments in agriculture like Agribusiness Receivables[94] (CRA) – a financial instrument to provide pre- financing of harvests for farmers which is tax-deductible for investors. The World Wide Fund for Nature (WWF)-Brazil has published case studies on how this instrument can be greened. This is the instrument leveraged by RCF – one of the facilities supported by the LUF project.

The Green Path, 1st and 2nd Eco Invest Auction

The Green Path Initiative, a strategy introduced in 2023, targets blended finance at large scale. Eco Invest Brazil is financing its first phase. The 2nd Eco Invest Auction was launched in April 2025 aiming to restore up to 1 Million ha of degraded land across the Atlantic Forest, Cerrado, Caatinga, Pampas, and Pantanal biomes within 10 years. The financial aim is to raise USD 1 billion in blended finance supported by the Inter-American Development Bank and implemented by local financial institutions. The investments of co-operatives, companies and producer organisations is expected to increase productivity, increase permanent land cover and water retention. The minimum threshold for investments is Brazilian reais (BRL) 100 Million (approx. USD 17 Million). The investments are required to have strong environmental criteria like avoided deforestation, soil and water management. Envisaged social impacts are the inclusion of small farmers and the production of food. Required environmental impact will include greenhouse gas emissions measurement; periodic soil quality assessments; and the close monitoring of the expansion of permanent vegetation cover.

The Initiative has incentivised the creation of Investment Funds for Agro-Industrial Production Chains (FIAGRO) and Fundo de Investimento em Direitos Creditórios (FIDC). The latter is a financial instrument widely used in Brazilian credit markets. The participating financial institutions are expected to direct at least 50 % of their investment portfolio into the production of food, i.e. crops and protein from animals.

5. UNEP ACTIVITIES IN BRAZIL RELATED TO REFORESTATION AND FINANCE

TIMELINE OF UNEP ACTIVITIES RELATED TO REFORESATION AND FINANCE:

[94] https://www.bcb.gov.br/en/financialstability/ruralcredit

- **2018-2024:** The Trade, Environment and Environment Hub (TRADE Hub) Trade, Development and Environment Hub, a UNEP project[95], conducted a stakeholder consultation on sustainable trade in the region and analysis of the sustainability of commodities like soy.
- **2018-2024:** The LUF supported finance facilities of the & Green Find and the AGRI3 Fund implement/ enter 10 investment agreements/deals.
- **2023:** The UNEP country office is requested to contribute to the National Bioeconomy Strategy by the Ministry of Environment.
- **2024-ongoing:** The LUF project has supported the UNEP/UNDA project Financing Nature-based Solutions (NbS) for a Green and Inclusive Recovery in Latin America'-Columbia and Brazil[96] for a study to identify fiscal instruments which have detrimental effects on the environment in agriculture.
- **2023- ongoing**: UNEP Finance Initiative (FI) supports the work on financial taxonomy.
- **2023-ongoing:** UNEP-FI supports the development of a new CRA mechanism for small scale farmers in the Amazon[97] which is part of a larger global project on revenues for nature with UNDP BioFin Initiative.
- **2019-2023:** The UNEP TEEB AgriFood Project supported the Brazilian Ministry for Agriculture, Livestock and Food Supply by conducting several studies: low carbon agriculture; cattle and soy / maize value chains and on urban and peri-urban agriculture. The project worked with the Capitals Coalition and the Brazilian Business Council for Sustainable Development supporting case studies in five agribusinesses for milk and seed production or organic value chains. Those pilots have been included in the TEEB AgriFood for Business component. The project provided options for reforming the public credit schemes such as the Low Carbon Agriculture (ABC) plan of the Ministry of Agriculture[98].
- **2021:** *Innovative Finance for the Amazon, Cerrado and Chaco* (IFACC) was launched by The Nature Conservancy (TNC), Tropical Forest Alliance (TFA) and United Nations Environment Programme (UNEP).
- **2025:** UNEP, through the second phase of the LUF project, The Moore foundation, The Nature Conservancy (TNC), and the World Economic Forum (WEF) are working to set up a Brazilian catalytic fund, the *Catalytic Climate Finance Facility* (CCAT). This will be connected to the Eco Invest Programme of the Brazilian Government. UNEP has provided support to structure the CCAT, connect with the main players and now on its fundraising journey for public funds. Fundraising is expected to finish before COP-30.

6. PERFORMANCE OF THE LUF PROJECT IN BRAZIL

6.1 Alignment of project activities with national policies

Significant contributions to public policies and institutions have not been planned for the LUF project because the focus is on leveraging private sector finance despite of its objective and outcomes related to public policies. Therefore, relevance of the activities in Brazil is limited to support public policies related to the implementation of forest governance and the forest code on investment sites. The LUF project explained that they work more like an INGO and not like

[95] The Trade, Environment and Environment Hub (TRADE Hub), a project funded by the UK with UNEP as leading implementing partner. The project closed in October 2024 and contributed to the umbrella project Supporting Inclusive Green Economy Approaches to Sustainable Development (SMA ID 135870).

[96] The UNEP/UNDA project on Financing Nature-based Solutions (NbS) for a Green and Inclusive Recovery in Latin America'-Columbia and Brazil is included in the umbrella project Supporting Inclusive Green Economy Approaches to Sustainable Development (SMA ID 135870).

[97] https://hive.greenfinanceinstitute.com/wp-content/uploads/2025/06/R4N-GUIDEBOOKS-BRAZIL-LAM.pdf

[98] https://wedocs.unep.org/20.500.11822/47273

a development bank in Brazil. The ESG requirements of the facilities do not differ much from the Public Investment Schemes which are not fully implemented by the banking system.

6.2 Working with other stakeholder groups like private sector associations

The LUF project has operated without links to public policies at national and sub-national level. Even with business associations being responsible for voluntary agreements, no contacts have been revealed in the evaluation. The LUF mainly focuses on a group of selected financial sector actors in the IFAAC. Activities with associations of banks or within the voluntary agreements at state or sector levels could not been observed.

6.3 Coherence with other UNEP projects in Brazil

The coherence with other activities of UNEP in Brazil has been ensured by the country office. The work with UNEP-FI is well aligned. The LUF project has co-operated with the Project on fiscal policies on identifying policies and instruments impacting deforestation like agricultural subsidies.

The LUF project was not well aligned with the TEEB AgriFood after its activities started in Brazil in 2021. The TEEB AgriFood also aimed at working with agribusinesses in Brazil to assess their impacts on ecosystem services. The project worked with the Ministry for Agriculture, Livestock and Forest providing inputs on assessing the impact of agrifood businesses on ecosystem services.

6.4 Contributions of the LUF project in Brazil at project outcome level

Related to Outcome 1: Finance facilities are operational and unlocking private capital by banks/ investors/ agribusinesses and other institutions towards gender inclusive sustainable land use.

The &Green and AGRI3 facilities have implemented 13 investment deals so far in Brazil. All AGRI3 deals were implemented through the partner financial institution, Rabobank. The investments are presented in Table 1. The Responsible Commodities Facility (RCF) is in its fourth year of providing annual loans. In 2023-2024, it invested in 122 farms from 23 farming groups located in 48 municipalities in 8 states in the Cerrado.

Table 1. Overview of investments by facilities supported by LUF, 2018-2024

	Number of active deals	Land use	Investees/ Companies	Target Ha protected forest	Target Ha under sustainable production/intensification	Target Ha forest /agricultural land restoration	Location of investment
&Green	3	Corn and biomass	Fueling Sustainability	224,000	40,000	5000	Mato Grosso
		Cattle	Marfrig	1,200,000 (of which 600,000 is in excess of legal obligation)	-	-	Mato Grosso
		Integrated crop and	Roncador	71,000	60,000	200	Mato Grosso

		livestock – mainly soy					
AGRI3	10	Citrus and sugarcane	Agro São José	1,305 (including 91 hectares in excess of legal obligation)	8,909	-	Sao Paulo
		Citrus, livestock and coconut	Terral Agricultura e Pecuaria	3,342	6739 + 530	-	Sao Paulo and Minas Gerais
		Cattle	(Lindolpho Pio de Carvalho Dias group - LPCD)	2,316	-	1,465	Mato Grosso
		Livestock Crop Integration	GVQ	1,550	-	4,215	Mato Grosso and Rondonia
		Pastureland renovation	Verni K. Wehrmann	2,325 2,000 (excess of legal reserve)	-	4,187	Goias
		Sugarcane	São Manoel		18,000	90	Sao Paulo
		Soybean, cotton and corn	Scheffer	1,300	10,000	-	Mato Grosso
		Grain, cotton and cattle	Samuel Locks	19,705	11,000	-	Mato Grosso
		Cattle (pastureland renovation)	Renova Pasto	1,665 681.48 (excess of legal reserve)	-	-	Amazon and Cerrado
		Soy	RCF	33,418 8,701excess	-	1,715	
RCF	122 farms from 23 farming groups located in 48 municipalities in 8 states in the Cerrado. (2023-2024 season)	Soy	-	11,346 ha of native vegetation conserved in excess of legal requirement (2023-2024)	-	-	Goiás, Mato Grosso do Sul, Mato Grosso, Tocantins, Maranhão, Piauí, Bahia, Minas Gerais, São Paulo, Paraná and the Federal District

Note: In the table "-" indicate that no data is available for the categories applied in the table e.g.an investment may have reported on forest protection but not restoration.

Sources: Various agreements and annual reports from finance facilities.

The finance facilities compete with other sources of finance for companies like the public and private banks. The Marfrig deal of &Green supports the voluntary agreement *Boi na Linha*, which is used for registering cattle production [and is platform for buying and selling cattle] in the Amazon. Several NGO projects use Marfrig as an entry point for supply chain activities. The AGRI3 backed loans which support compliance with the Forest Code like acquisition of forested land, maintaining legal and excess legal reserves of forest. The RCF finances soy production with registered CAR on properties that preserves the native vegetation. Data and satellite imagery from MapBiomas is used for monitoring compliance.

Innovative Finance for the Amazon, Cerrado and Chaco (IFACC)

In 2021, the LUF project, together with TNC and TFA, has set up the Innovative Finance for the Amazon, Cerrado and Chaco (IFACC), which is intended to significantly increase and accelerate lending and investment in sustainable agriculture in Brazil, Argentina and Paraguay. The aim of IFAAC is to scale proven deforestation free business models for soy and cattle production[99]. Members are mainly banks, impact investment banks and Syngenta – a multinational company selling agricultural inputs in Brazil. Members provide information about their planned investments into deforestation-free agriculture as part of their investment portfolio. The IFAAC Knowledge Hub[1] provides financial institutions with information about innovative finance for agricultural production like market reports about finance products and information about investment opportunities. The LUF has implemented trainings for private banks in Brazil and other South American countries. The training material mainly promotes blended finance, the IFAAC initiative, and examples of sustainable land use transactions. Banks in Brazil taking training included the private banks Caixa and Bradesco. IFAAC is promoted in investment fora in Brazil. A peer-to-peer approach was used in trainings with banks in Argentina and Paraguay when Brazilian Banks explained ESG and provided examples of investments in sustainable land use to private banks from those countries.

OUTPUTS TO ACHIEVE OUTCOME 1	**BRAZIL CONTRIBUTIONS**
1a. Bilateral funding sources have been provided with a business case for concessional finance for finance facilities accepting project proposals.	Yes, though the investments made by &Green, AGRI3 and RCF.
1b. Partnerships/ commitments established with finance institutions/agribusinesses or relevant (private sector) initiatives to scale up investment into sustainable land use	IFACC as a newly founded initiative which works in parallel with national associations, voluntary agreements which have already made commitments.
1c. Finance facilities have access to Environmental and Social Impact Frameworks for their investment policies	LUF contributed to the design and operationalization of Environmental and Social Impact Frameworks of AGRI3 and RCF – and to a lesser extent &Green.
1d. Private sector partners have access to business cases that increases the likelihood of success of private capital flows to sustainable land use to member states	Three case studies on land use finance in Brazil are published on the *Land Use Finance Impact Hub*[100] . The first study presents the Green Agribusiness Receivable (CRA) of Instituto Conexsus, Belterra,

99 [1] https://www.ifacc-initiative.org/knowledge-hub

100 The Land Use Finance Programme is a collaboration between UNEP and UNEP-WCMC to develop and provide tools and guidance to support impact investors to create effective environmental and social impact frameworks for land use investments. https://landuseimpacthub.com/en

	Grupo Gaia and Santander which supports agroforestry enterprises. The second study shows a blueprint for long-term loan to pasture recovery using the experience from AGRI3, Rabobank and IDH. The third study analyses the Amazon Biodiversity Fund which RSCF supported (removed from the LUF project in 2020) financing ad-hoc studies with project beneficiaries to assess the social impact. IFACC shared business cases with members. The uptake of the business cases by actors in Brazil has not been documented by the LUF project.
1e. Finance industry and investors have access to non-binding opinions that assess degree to which novel land use finance deals deviate from business-as-usual	Knowledge on land use deals and the facilities supported by LUF was shared through IFACC.

Related to Outcome 2: Finance institutions, food/agri, consumer goods companies [implement actions for deforestation free supply chains for commodities among the six targeted commodities]

OUTPUTS TO ACHIEVE OUTCOME 2	BRAZIL CONTRIBUTIONS
Output 2a. Finance industry, agribusiness sector as well as governments have access to "blueprints for concessional finance and sustainable land use" developed by UNEP	Three case studies on land use finance in Brazil are published on the *Land Use Finance Impact Hub*. Case studies were disseminated by IFACC. Agribusinesses can obtain other economic benefits like tax cuts from CAR registration or excess vegetation cover; those positive environmental effects should be properly explained in the case studies of AGRI3 to give a full picture of the incentive structures for businesses in Brazil.
Output 2b. Finance and business coalitions established bringing finance, agri/food, public sector to commit to ambitious targets & stimulate action around increased investment into sustainable land use, incl at regional level	IFACC as a group of investors.
Output 2c. Project websites &knowledge platforms created demonstrating the (anticipated) impact, lessons learned and partners of finance facilities that UNEP is supporting	No information on how this website and knowledge has been used in Brazil, one means of communication has been the peer-to-peer trainings.

Related to Outcome 3: Governments endorse public policies that enable private actors to invest for sustainable land use (incl. commodity production) in targeted countries. "

OUTPUTS TO ACHIEVE OUTCOME 3	BRAZIL CONTRIBUTIONS
3.a. Governments have access to options on fiscal, trade and other relevant policies aimed at aligning, conservation, agricultural production and economic growth	Options for subsidies on agriculture will be available in 2025.
Output 3b. Governments in countries where finance facilities invest in sustainable land use have access to relevant TA.	Technical advisory on finance for sustainable land use was not provided to the Government of Brazil.
3c. Governments have access to the State of Finance for Nature and its derivative reports	The Government of Brazil would have had access to the State of Finance for Nature report and related reports. However, the use and uptake of the reports were not confirmed.

6.5 Contributions of the LUF project in Brazil towards likely impact

The case study will now consider the extent to which the LUF project's contributions in Brazil have played a catalytic role or have promoted scaling up/ replication towards the stated LUF project impact statement: "Demonstrable positive environmental and social impacts achieved in terms of landscape resilience (SDG 15), climate change mitigation (SDG 13) and improved long term rural income/livelihoods" (SDG1).

In order to assess the likelihood of the project leading to its intended impact, the evaluation team has analysed the extent to which drivers and assumptions that support the outcomes hold in the Brazil context in Table 2 and Table 3. In Brazil, the evidence suggests that of the intended LUF project-level outcome 1 has partly been achieved, contributions to outcomes 2 exist but have become less relevant in the changing context and contributions to outcome 3 could not be identified.

Table 2. Assessment of Drivers

DRIVERS	BRAZIL ANALYSIS
1.Landscape approach applied to avoid leakage	Protected forest and reforestation incorporated in the investment deals made.
2.Effective communication reaches all relevant stakeholders	Selected group of stakeholders.
3.At least four facilities fully operational (i.e. officially established and functioning (TLFF, RSCF (removed in 2020), AGRI3, &Green)	&Green, AGRI3 and RCF have made 13 investments deals and reached a small group of farmers.
4.Project target groups acquire relevant knowledge, skills and capacity	Not confirmed.

5.Identified risk and safeguards mitigation strategies are fully applied.	&Green, AGRI3 and RCF have developed and applied risk and safeguards mitigation strategies.

Table 3. Assessment of Assumptions

ASSUMPTIONS	**BRAZIL ANALYSIS**
1.Adequate resources committed by government, donors/public financiers to unlock private capital (post Covid-19)	Holds[101]
2.Sufficient information provided by facilities to carry out additionality analysis	Additionality analysis performed by the finance facilities and/or UNEP has not been shared with the evaluators.
3.'Proof of concept' leads to replication and greater scale	Other sustainable finance products have been developed by the Brazilian Government and development banks.
4.Companies and finance institutions are truly committed to 'walk the talk'	The facilities supported a total of 13 companies and 122 farmers (as of 2023). Most of the AGRI3 deals have Rabobank as partner financial institution. The facilities compete to a certain extent with public and private sources of funding for investments to agribusiness. Lack of funding is a challenge for companies in the sector, but rather for smaller or not well-performing companies. AGRI3 and &Green invest in the largest players in the sector like Grupo Scheffer, Marfrig, etc. which use the facilities to finance their sustainability efforts. The commitment of companies such as Marfrig has been questioned by some NGOs. Most notably, a group of 200 NGOs have called for IDB to not invest in Marfrig due to concerns over vague targets, loopholes and past failures.
5.Governments maintain political will to implement SDGs in holistic way (post Covid-19/as part of green recovery)	While forest protection is often referred to as a mitigation option for climate change at the international level, the discussion in Brazil is much broader capturing the economic, cultural and social value of forests. The main policy initiatives of the Government of Brazil appear to be starting to reflect those values.

[101] https://valorinternational.globo.com/agribusiness/news/2025/06/25/rural-credit-could-reach-r600bn-in-new-crop-plan.ghtml

	The Green Path (2023), The National Bioeconomy Strategy (2024), Eco Invest (2024).
6.International political and economic stability improved.	The election of President Luiz Inácio Lula da Silva in 2023 is associated with a shift in policies. Brazil will host the 30th Conference of the Parties (COP 30) to the United Nations Framework Convention on Climate Change (UNFCCC).
7.Companies are fully transparent of where and how they source all their products" (new in ToC at evaluation)	Initiatives for traceability have started at commodity and State level. Companies are not fully transparent on sourcing of their projects.
8.Implementing countries reach a critical threshold or "Tipping Point" where small policy changes lead to significant development outcomes provided the policy changes are in areas where action can have the greatest impact (new in ToC at evaluation).	The main gap for the protection of forest in Brazil is the lack of implementation of the respective public policies and contradicting agricultural and environmental policies.

The impact was focused on limiting deforestation; other environmental impacts of large-scale, input intensive agriculture were addressed to a smaller degree: like use of legal pesticides, impacts on water and soil degradation. Impacts like employment were limited and contributions to reduce inequality or gender not addressed. The direct environmental benefits achieved by the LUF project in Brazil are avoided legal and illegal deforestation, forest restoration and intensified agricultural production in those investment projects.

The facilities' ESG frameworks did identify potential negative impacts on the environment which go beyond legal requirements like for biodiversity. So negative impacts on the environment, for example, from intensified agricultural production were not explored by the evaluation team based upon data made available by the facilities. As a note on association, IFACC partner Syngenta sells pesticides in Brazil which are not allowed in the EU and was sued by IBAMA for their effects on biodiversity and health in 2024[102].

The findings of the mid-term evaluation of the AGRI3 were found to be valid. Some of AGRI's products were innovative (e.g. maturity extension) and enabled Rabobank to finance land rehabilitation and forest protection, but AGRI3 could take on more risk and disseminate more actively its financial innovations and the technologies adoption it enables.

Agricultural experts employed by the LUF project have not been involved in assessing the degree of novelty and sustainability of those investments. Newer requirements of the Brazilian ABC+ Plan like agroforestry or restoration of degraded pastures (not conversion into soy production) were reflected in a few investment projects shown in the Land Use Impact Hub case studies.[103]

Spillover effects on the sector or cumulative effects of the investments could not be observed as they are in the early stages of development. As State programmes mainly support the same

[102] https://agribrasilis.com/2024/04/25/thiamethoxam-syngenta/
https://www.reuters.com/world/americas/brazil-sues-syngenta-alleged-environmental-damage-2024-07-04/

[103] https://landuseimpacthub.com/en/info-briefs

changes in land use, the case study has identified the contributions that can be claimed to have been made by the project.

7.CONCLUSIONS

The LUF project was set up to halt land use changes, especially the conversion of primary forest into agricultural land. The LUF project was implemented from April 2018 to December 2024.

Positive catalytic contributions in Brazil on businesses beyond the facilities' clients could not be identified. Many of the promoted land use technologies are already on the market except large-scale agroforestry using native species which has not been implemented yet.

The activities of the LUF project in Brazil do not reflect newer political developments related to forest protection and green economy strategies like The National Bioeconomy Strategy (2024) or the 2023 proposal of the Brazil Climate, Forests and Agriculture Coalition comprised of 400 public and private actors. The impacts qualify as implementation support of national level policies in selected cases. UNEP is not a member of the relevant national level initiatives like the Coalition for Blended Finance founded in 2024 so a catalytic role at national level is challenging. The target group of the LUF project are potential international impact investors for which the case studies are written. How those investors perceive the case studies could not be revealed.

Scalability/ replication

The impact of the facilities and the financing solutions supported and promoted by the LUF project in Brazil are visible but still fragmented and will need an integrated approach that brings public and private actors and their planned actions to convergence as well as utilization of MRV data for any course correction. There are different options as to whether the Government should have the steering role or not as the private sector may find government initiatives to be bureaucratic. As this case study has highlighted there are new policies and incentives, and credit lines and UNEP would need to be involved in the multi-stakeholder processes including national banks to promote replication and scaling.

Challenges and opportunities

The main gap for the protection of forest in Brazil is the lack of enforcement of public policies and contradicting agricultural and environmental policies. The LUF project has operated with weak indirect links to public policies at national and sub-national level despite UNEP's engagement with the Ministry and the Central Bank / public banks. The focus of the LUF project was on leveraging private sector finance via finance facilities addressing those implementation gaps via private sector instruments which proved to be challenging and only scalable to a limited degree. The focus also prevented UNEP to take part in the setting of public policies and new public financing instruments.

Opportunities for future engagement in Brazil arise from its access to banks and investment funds in Brazil via UNEP-FI to mainstream ESG and potential investment cases in peer-to-peer exchanges among banks as tested by IFACC. Private banks have obligations for financing agriculture and implementing ESG which they are not able to implement due to lack of capacities. This is considered a main obstacle for implementing public policies and agricultural funds. UNEP could use its convening role in multistakeholder coalitions to: 1) advance finance solutions to promote investments in geographical areas and investee archetypes that are underserved by large finance institutions, or: 2) direct blended finance into niches like agroforestry with native species, financing cooperatives or bringing in knowledge on climate change adaptation and risk management.

UNEP could also build on its experience and expand South-South exchange in Cono Sur countries transferring knowledge from Brazil to the other countries or facilitating dialogues between countries about how to involve the private sector into adaptation finance in agriculture. A very promising opportunity arises from the sustainability innovators in agriculture identified by the evaluation, which UNEP could link with impact investors for financing novel products and using novel technologies in the bioeconomy. Those companies have value-based strategies and therefore a good fit for UNEP. This could also generate the future alternatives to prevailing pattern of land use.

ANNEX III. RESPONSE TO STAKEHOLDER COMMENTS

Response to stakeholder comments received but not (fully) accepted by the evaluators, where appropriate

No.	Chapter/ Section	Comment	Evaluation Team's Response
1	Executive Summary, Recommendation 3, Para. 29, page 20	I don't understand this phrase. Your recommendation is actually already effective, and captured in publicly available documents, on the UNEP Land Use Finance Impact Hub here (resources tab, info briefs, trainings, fact-sheet…)). It's been shared with the evaluation team already.	It simply means to assess if UNEP should collaborate with facilities on projects with high risks on ESG and work with high-risk companies if there are other options. For example, so far the role of the Central and Development Banks in countries has been undervalued by finance facilities aiming to leverage private capital in El Salvador or Brazil.
2	5.1.3 Relevance to Global, Regional, sub-regional and National Priorities, para. 137, page 51	The RIMBA corridor was planned in line with the spatial planning law and led by the coordinating ministry of economic affairs	The leadership of Coordinating Ministry for Economic Affairs has been added. Additional text inserted: RIMBA falls within the jurisdiction of the Provinces of Riau, Jambi and West Sumatra and 19 Districts (Kabupaten). Each of these provincial governments has indicated strong support for the RIMBA Project concept, as have the national government ministries of BAPPENAS, Home Affairs, Public Works, Environment and Forestry that are signatories to the Sumatra Roadmap 2020.
3	5.4.2 Achievement of Project Outcome, Table 15: Achievement of project outcomes	-Outcome 1/ Performance against indicator(s) and Target(s): "TLFF was support and closed in 2022". Comment: Grant fund? -Outcome 1/ Narrative Assessment: "…was an initiative of the Ministry of Economics." Comment1: Not the right name? -Outcome 1/ Narrative Assessment: "The case of RLU project shows that the landscape protection plan was mainly made for investors and implementation is left to site managers/ consultants." Comment: Engagement -Outcome 2/ Narrative Assessment: "Michelin decided to shorten its supply chain and run the RLU project plantation and other plantations in Asia on its own". Comment 2: No other plantations - it was always a plantation project with a strong community development aspect. Conservation of the BTP National Park, stopping logging and encroachment from the southern boarder was always a key objective, alongside jobs and purchases of jungle rubber from communities -Outcome 2/ Narrative Assessment: "Gender aspects have been considered in the ESG policies of &Green and AGRI3 but…" Comment 3: And ACLF - and this was present in all documents relative to the company - 30% female participation in the workforce - and in fixed jobs Outcome 2/ Narrative Assessment: "The TLFF has…of the international press". Comment 4: Only Vox, supported by Mighty Earth, which had a communications	1) Corrected to the Coordinating Ministry for Economic Affairs. 2)Text has been edited to emphasize engagement. 3)Deleted mention of Michelin's other plantations. 4)The Asia Climate Smart Landscape (ACLF) is a facility designed by ADM Capital and not included in the evaluand (LUF). No change.

		strategy relative to rubber and a fundraise target on top of that. Other intl press did not pick up the story.	
4	5.4.3 Achievement of Likelihood of Impact, Unintended negative effects, para. 165, page 65	This sentence is confusing " Negative effects of large-scale industrial agriculture on the environment like use of fertilizers, pesticides, land erosion, soil degradation/ quality of soil, use of GMO crops and biodiversity, which can be reduced but not avoided, were also not evidenced during the evaluation." Could you clarify your intention behind your sentence? UNEP precisely worked with finance facilities to build strong ESG Frameworks that address those unintended negative effects. And so, these negative effects were avoided through exclusion list, selection criteria, due diligence review, ESAPs…	Edited and referred to TEEB AgriFood Framework
5	5.6 Efficiency, Para. 182, page 67	Could you clarify what you mean by "the micromanagement of ESG in AGRI3 and doubling of efforts for M&E in the facilities " UNEP has never micro-managed ESG in Agri 3. Instead, we advised, recommended, and trained our counterpart to empower them to manage their own ESG issues.	UNEP has revised all potential deals of AGRI3 which is a highly specific input which cannot be offered to every financing facility. The costs for deal review are high. The M+E in the facilities has to report to its stakeholders, if sustainability standards like FSC are implemented. M+E discloses information according to the standards. The facility will have to report on IFC-Standards specific to each MDB if MDBs are involved and (if applicable) finally report according to EUDR. No change.
6	5.8.3 Institutional Sustainability, para. 206	"Michelin joined the Roundtable on Sustainable Rubber after leaving the RLU joint venture despite TLFF offering technical assistance". Comment: Not true - they were a founder of GPSNR. Not sure what that second statement refers to? "Despite TLFF offering technical assistance - TA was provided to RLU throughout, with additional support from IDH and P4F. The Landscape Protection Plan was the &Green document for the purposes of joining the transaction. RLU committed to managing the IFC PS. Since the bond repaid, the site managers have been replaced	Michelin now works with the Roundtable on Sustainable Rubber and has not continued to take on support by IDH, UNEP or other organisations. Edited text to refer the GPSNR.
7	5.9.3 Stakeholders Participation and Cooperation, para. 220	"…stakeholder participation has reduced due to different reasons. At the Jambi site of RLU, stakeholder participation was limited". Comment: TLFF was participated in the landscape protection plan, involving multiple stakeholders in the landscape. The initiative was led by IDH. However, stakeholder participation should be maintained through additional funding from TLFF (grant/TA).	Edited
8	5.9.3 Stakeholders Participation and Cooperation, para. 221	Comment: This was a transaction with multiple partners - extensive local consultation and engagement via consultants building project documents. Suggest consult with partners - IDH, P4F, Ramboll as the monitoring partner	Edited
9	5.9.3 Stakeholders Participation and Cooperation, para. 222	"Not all relevant actors in the RIMBA Corridor initiative have been involved like the provincial government and communities and private companies." Comment: All were engaged via multiple sources - inlcuding the conflict resolution task force, consultations led by Warsi, WWF, IDH and others.	Edited
10	5.9.5 Environmental and Social	"…no reference to the sustainability commitments made in relation to the buyers of green bonds". Comment: This	Text is referring to the RLU report published in 2024. No change.

	Safeguards, para. 235	is post-bond repayment and actually shows the benefit of holding companies to account via finance	
11	6.1 Conclusions, para. 255	"Capacity building costs for small-holders and women were not always covered…" Comment: Definitely covered - by the company and project partners	Text is edited
12	6.1 Conclusions, para. 255	"The project's inclusion of smallholders, women and effect on job creation was limited due to its focus on commodity-driven deforestation, and the required transaction size meant mainly large companies were eligible." Comment: In the real underlying financial calculations and financial model, additional costs to meet ifc performance standards were insufficiently included in the pricing of produce(rubber), leading to not meeting the financial expectations in terms of ROI	Edited
13	Conclusion: page 76 - 83	The conclusion again only focus on the facilities - which covers one out-of-three work areas. It is unfortunate to see that the other elements of the ProDoc have not received due attention.	The selected findings that amount to key conclusions on the LUF project's performance as per its ToC are presented. The executive summary provides more findings, some of which have now been repeated in the Conclusions section.
14	6.1 Conclusions, Table 16. Summary of project findings and ratings, page 79 [point 3 – Quality of Project Design]	Insufficient attention to ESG terms by the CFIU in terms of the use of pesticides widely used, like glyphosate, which in Brazil and Indonesia were allowed to be used	Simply yes. The project team did not undertake a full environmental impact assessment of the deals.
15	6.1 Conclusions, Table 16. Summary of project findings and ratings, Page 79, effectiveness, 3. Likelihood of impact	I don't understand the "Moderately unlikely". This second paragraph is suggesting unintended negative impacts occurred, while we never reported on any. So, I understand it would make sense delete the following sentence and change the rating "Unintended negative effects: investments into agribusiness which contributes to inequality (negative contribution to access to land SDG 1.4.) and industrial agriculture with well-known effects like use of fertilizer, pesticides, etc. "	The rating is moderately unlikely because once the financing is terminated, the company will do whatever they want, so long-term changes are unlikely. The TEEB AgriFood framework could be applied to assess such effects. Text is edited to make the commitment of companies clear.
16	Annex I. Case Study of the Tropical Landscapes Finance Facility, Indonesia, 1. Case Study Context, p. 96	First paragraph. "The Tropical Landscapes Finance …" Comment: Bond repaid in August 2022 Comment: Grant fund continues?	The bond is repaid is mentioned in Box 4. The TLGF, is mentioned in section 3. TLFF Governance Structure and 7. New Finance Initiatives and TLFF Spin-off Investments in Indonesia.No change.
17	Annex I. Case Study of the TLFF, Indonesia, 2. Establishment and early years of the TLFF (2016-2018), p. 97	"The Facility's initial ambition was to raise a USD 1 billion Loan Fund (managed by ADM Capital) and a USD 100 million Grant Fund (managed by United Nations Office for Project Services (UNOPS)." Comment: BNPP was securitization here Comment: And UNORCID was lead with ICRAF	UNORCID added in text on governance structure. UNORCID closed on 31 March 2016 on the completion of its mandate. BNPP financing is detailed in section 4. Financing of TLFF. No change.
18	Annex I. Case Study of the TLFF, Indonesia, 2. Establishment and early years of the TLFF (2016-2018), Timeline of the	2014-2016: Comment: ADM was not involved in 2014 - the BNPP/ADM/UNEP/ICRAF partnership came at the Forest Conference hosted by UNORCID in Jakarta in 2016	Added as an event in 2016.

	TLFF's establishment, p. 98		
19	Annex I. 2. Establishment and early years of the TLFF (2016-2018), Timeline of the TLFF's establishment, p. 99	2018: "The Barito Pacific Group… to finance sustainable…. Comment 1: Didn't mention that TLFF was rooted in the HCV assessment, the WWF go-no-go zoning work with RLU (WWF actually was an RLU partner since 2015 and started the project, giving all partners comfort. Then there was the multi-partner ESG dd report by pro-forest and Daemeter - the ESAP for that was the basis for the transaction and the commitment by RLU to manage to IFC PS 2018: "…under the Land Use Finance project – essentially started in 2019". Comment 2: started prior to this with UNORCID 2021: "TLFF considered applying…unclear status of ADM capital". Comment 3: have no idea what this means	1: Daemeter/ Proforest inception study is added in section 4. Financing of TLFF, p. 105 2: UNORCID role added in establishment of TLFF and events in 2016. 3: Edited to clarify events in 2021 and deleted ADM Capital.
20	Annex I. 5. RLU Project, p. 105	**Key observations derived from the site visit:** Comment: WCA aims to contribute to the Ecosystem Essential Area (Kawasan Ekosistem Esensial/KEE), a government program for elephant corridors initiated by BBKSDA of Jambi Province. This is not well reflected, as a KEE is not a protected area under the law. Regulations regarding essential ecosystem areas can also be found in the Director General of KSDAE Regulation P.1/2021. What is meant by critical ecosystem areas? In these provisions, essential ecosystem areas refer to areas outside nature reserves, natural conservation areas, and hunting parks that are ecologically important for biodiversity. Please correct	The text has been added.
21	Annex I. 5. RLU Project, p. 106	**Key observations derived from the site visit:** -"For awareness building…NGO. Employment is being provided for those who gift/or surrender their land to the company for rubber production. In the rubber plant nursery, the women were the main labour force." Comment: This is in the wildlife conservation area - so not right to not define that. The focus is returning the area to conservation	Edited to clarify it is in the wildlife conservation area.
22	Annex I. 5. RLU Project, p. 106	**Key observations derived from the site visit:** -…as social forestry permit holders and the rest are still practicing/… promoting palm oil and timber production." Comment: You don't mention anywhere the indigenous framework and work with Orangrimba via Warsi and their own team in the WCA. WWF during the project had 20 people working in that landscape, which is adjacent to their concessions. Did you look at the lack of success of the WWF ABT concessions - degradation there etc as a gauge against the benefits of the RLU concessions?	Sure, WARSI has different activities but they did not mention work with the Orang Rimba indigenous people and their rights to land and natural resource management as related to RLU. It is beyond the scope of this evaluation to assess the work of WWF. WWF in the field/Jakarta was not available for an interview but a representative at WWF HQ was interviewed. No change.
23	Annex I. 5. RLU Project, p. 106	**Key observations derived from the site visit:** -"The area does not appear to have any Landscape Protection Plan (LPP) or…on biodiversity protection and signages…" Comment: LPP and ESAP were part of the transaction - without finance docs mandating change how to enforce?	Edited text.
24	Annex I. 5. RLU Project, p. 106	**Key observations derived from the site visit:** -"Investing in rubber is a long-term investment as there are limited…but is expecting to start making profits in a year or two." Comment: That's a vague statement and	Edited text.

		not accurate. More interesting to look at why the partnership between michelin and barito failed if you want lessons learned - high projections from both on the ability to plant quickly (too many people - 50,000 - in the landscape) if you want to follow IFC PS and a resettlement plan - as well as avoid social conflict. So that slowed down planting. Also, cost of rubber never met expectations, nor did improved yeild expectations. Barito felt the cost of sustainability was high with rubber price low. That's a more interesting learning	
25	Annex I. 5. RLU Project, p. 106	**Key observations derived from the site visit:** -"…slow progress on releasing land from encroachers or converting palm oil plantations to rubber." Comment: Yes - palm oil is more profitable for communities and managing the land for communities, conservation and commercial activities means avoiding social conflict that would come with removing people who encroach from the land. What is the solution?	Added a bullet point on addressing encroaching and counter planting dominated by palm oil.
26	Annex I. 5. RLU Project, p. 106	**Deforestation effects:** -"The Indonesian Conservation Community WARSI…as a plethora of ecosystem services produced by surrounding residential natural forests." Comment: I dont think the comment related to platations, whcih have not increased since 2022 bond repayment -	Data is quoted from government sources and it reads that WARSI mentioned that things have improved. No change.
27	Annex I. 5. RLU Project, p. 107	"…depend on constant ground truthing to collect accurate, verifiable data by direct observation and measurement." Comment: The project is 89,000 ha, 70,000 ha in Jambi. Also, I se no mention of East Kalimantan - 20,000 ha of concession, 5,000 ha of planting and the rest set aside for conservation.	The field visit was to the RLU site in Jambi. The evaluator did not East Kalimantan.
28	Annex I. 5. RLU Project, p. 107	"On the other hand, young palm oil plantations had very low crown cover so that until the canopy cover is 100%, heavy erosion in the landscape will persist." Comment: Yes - this is the problem with encroachment. But how do large concessions handle this if they can't expel people who move into the concessions and stake claims? The landscape is huge - more interesting to look at how that can be managed within international standards. The initial approach was to plant quickly - but that involves more rubber. SO in this case you have only 23,000 ha of rubber and the rest set aside for conservation (regrowth - WCA) and community. The pressures from palm oil are substantial as it's much more profitable than rubber given offtake price. Again - what are the solutions? More interesting to look at that?	Added bullet point addressing solutions related to comment 48. Without a participatory approach, awareness building, and incentivization to those who plant the right species while also addressing resilience and livelihoods, and preferably profits, it will not be sufficient toissue a Presidential promulgation and expect it to solve problems.
29	Annex I. 5. RLU Project, p. 107	"Hence, it is unlikely that the environment and social safeguards are used to optimum effect or that they will contribute to preservation of the WCAs and Bio-Corridors in the short run." Comment: Well the financing is no longer in place so how to manage that? Worth considering that in innovative projects like RLU Mighty Earth, a communications group, can do great damage - there were no solutions in a high conflict concession area with extreme social pressure other than asking to be paid via Aid Environmnt to work with the company (there were already many consultants working in the landscape toward solutions.) Is the landscape better off without the interventions, finance holding the company to account (which we did when there were issues, supporting the transition with grant funding?) All criticisms were relative to action prior to the finance. WWF was working with the company closely in that period and like us was very clear that interventions in the landscape were critical - there is	Text edited to include a few suggestions.

		no steady state. TLFF btw was a sustainability bond - not a green bond.	
30	Annex I. 5. RLU Project, p. 108	**Challenges associated with the TLFF RLU deal** -Yayasan Status: "…unavailability of people on the ground". Comment: There were a lot of people working on the ground - not sure how a yayasan would have helped - that's an internal UNEP matter. As mentioned, IDH, WWF and P4F all had people working locally. UNEP was NOT providing any grant funding. -Yayasan Status: "(YKAN) has scientistist…" Comment: YKAN is TNC! -Yayasan Status: "However, this could not be pursued." Comment: Because UNEP is not an NGO	This is based on the interview with the former TLFF Steering Committee. Edited to include TNC.
31	Annex I. 5. RLU Project, p. 108	**Challenges associated with the TLFF RLU deal** -Risk Appetite and De-risking: "There was a mismatch between the types of deals that ADM Capital (as developer) … willing to underwrite and sell to clients." Comments: 1) referred to us as fund manager, pipeline manager and now developer. Which are we? We were facility manager for the TLFF I transaction. 2) And this is not correct - all in TLFF were looking for pipeline. The issues were quite other - finding a large buyer like Michelin willing to put equity into a large land use project in indonesia and change practice.	Edited text to clarify ADM Capital's role as facilitator and Michelin's role as a willing investor.
32	Annex I. 5. RLU Project, p. 108	**Challenges associated with the TLFF RLU deal** - Risk Appetite and De-risking: "(GCF) took a long time to ultimately decline investing in TLFF." Comment: They didn't decline to invest in TLFF I - BNPP declined to be accredited at that time.	Text refers to UNEP's work on the proposal. No Change.
33	Annex I. 5. RLU Project, p. 108	**Challenges associated with the TLFF RLU deal** "Private investors' risk appetite to invest through blended finance in the TLFF were affected…ESG framework as a common denominator for achievements that were targeted through investments." Comment: Not sure this was the issue - the bond was sold	The emphasis is on the ESG framework. No change.
	Annex I. 5. RLU Project, p. 109	-Local Smallholders: "At the landscape level… converted jobs from smallholders which would change from palm oil to rubber". Comment: moving smallholders out of palm oil into jobs is not significant?	Smallholders changed from palm oil to rubber.
34	Annex I. 6. Environmental and Social Safeguards, p. 109	"The primary environmental safeguards' concern related to this project regards the allegation… clear-felled a large part of the original forest…". Comment: This is not correct and not substantiated by the HCV/HCS assessments - this is a might earth claim (and they wanted to run a campaign on natural rubber - we were visible so a good target.) It tiook them quite some time to find anything worth writing about. The amounts in discussion I think were around 5,000 ha in 90,000 ha - and attribution in a fully encroached landscape was not clear at all. Finally, what's the alternative - do nothing? Then you lose the landscape and the BTPNP. Again - these were sustainability bonds because of the community aspects of this. NOT green bonds. No one in TLFF saw the Earthworm report that I am aware of BTW. The transaction was rooted in the Daemeter/proforest dd report. All working in the landscape were very keen for TLFF I to move ahead to be able to provide capital to sort out a very challenging situation. AGAIN. WWF's presence	Edited to clarify that the evaluation in interviews with TLFF staff was informed that they did not know of the Earthworm report.

		in the landscape, working closely with RLU, with 20 people workin on the ground, gave EVERYBODY comfort. TLFF I would not have happened without them. They then had a falling out with the MoEF and their MOU was canceled. They could not remain part of the TLFF project. It is disingenuous to state otherwise.	
35	Annex I. 8. Broader Lessons and Learning Process Within UNEP, p. 114	Comment: Several elements are already mentioned in sections above, as summary and addition: Lack of organisation structure and readiness in the TLFF secretariat, including lack of process and procedures, strategic agenda and goals (beyond RLU transaction), and sustainable leadership. The TLFF has successfully attracted high-profile steering committee members and partnerships, however, not enough utilisation to leverage the TLFF position. The TLFF required unifying leadership to align founding partners' interest and commitment. Budget allocation and commitment to operationalise the secretariat, hiring people, and initiate programs. Sponsorship from the founding partners are key, backed by transparency and active communication which need to be held by the secretariat.	Challenges of TLFF leadership have been included in a bullet point.
36	Annex I. 9. Conclusions, p. 116	"Despite these reported results, ground truthing and M&E systems need to be much more robust…" Comment: Are you implying that above is not true? Based on one short trip to Jambi?	The evaluation team was not availed M&E reports and there was no third-party ground truthing etc. as mentioned, so concluded that such systems can be made more robust and ongoing. No change.
37	Annex I. 9. Conclusions, p. 116	"Capacity building gaps and divergent awareness among investors as well as private companies… were key factors in TLFF not being able to attract more investments." Comment: Not the reality - transaction cost of TLFF was not higher for Michelin than providing its own finance	This is based on interviewees. No change.
38	Annex I. 9. Conclusions, p. 116	"The process and investments on sites of RLU as well as that in the RIMBA Corridor are actively …The rate of deforestation has reduced, and it is assumed that positive impacts will follow." Comment: So why isn't this the lead? Why again buried at the bottom of your case study?	The positive impact on deforestation is mentioned throughout the case study. No change.
39	Annex I. 9. Conclusions, p. 116	"… the provincial government that has convening power to converge ideas, resources and plans and it can also modify policies/ strategies that are conducive to biodiversity conservation and zero deforestation." Comment: But there is not necessarily the will - and there are multiple pressures to deforest	Noted. No change.

ANNEX IV. Evaluation framework/matrix

TOR Ref	Main Evaluation Criteria / Questions	Evaluation indicators	Sources / means of verification
Key operational / strategic questions from the TOR			
Page 19	Examine the suitability and adequacy of UNEP's protocol for working with partners and 'partners of partners'? Partners include blended finance institutions, banks or investors that UNEP would be working with, or clients or investee companies in the agricultural value chain including traders, processors and producers (SQ a).	Qualitative	Interviews / surveys with responsible government entities and PMU
Page 19	What are the safeguards and risk assessment procedures related to deals for identifying, and accommodating risk in project/deal/transaction design and monitoring during implementation. What works and what does not work? (SQ b)		
Page 19	To what extent are management operational oversight entities at facility level (investment and credit committees) and at UNEP entity level (for example, project advisory committee, grant fund advisory committee and CFU steering committee) adequate to exert due diligence and address requirements of accountability and transparency? (SQ c)		
Page 19	What can UNEP learn from the portfolio review and case studies conducted as part of this evaluation of facilities and funds for UNEP and UNEP's strategic engagement in such type of interventions? (SQ d)		
Page 20	How can UNEP overcome the systematic challenge of finding suitable investment opportunities and promote increased financing for better land use? (SQ e)		
Page 20	How could capacity building of donors be more effectively conceptualized to support the shift in thinking of governments that both public and private capital25 is necessary to change the deforestation trajectory? (SQ f)		
Page 20	What can be learned from efforts of extending the proof of concept (POC)26 into other areas such as mobilizing resources from multilateral development banks and development finance institutions for sustainable land use, and/or working in other geographical zones or countries, and/or applying innovative finance to blended finance for marine ecosystems? (SQ g)		
Page 20	What are UNEP's comparative advantages and disadvantages of		

TOR Ref	Main Evaluation Criteria / Questions	Evaluation indicators	Sources / means of verification
	working with private sector entities on setting up, and supporting the set-up of, blended finance facilities for climate, especially with financial instruments beyond grants? To what extent should this work be further accelerated or scaled down and what roles should UNEP continue to play or to do differently? (SQ h)		
Page 20	What types of private sector entities (e.g. financial institutions, SMEs, industry associations, etc.) UNEP should engage more and in what capacity to create and foster long-lasting impacts? What are the models of collaboration? (SQ i)		
A. Strategic Relevance: The extent to which the activity is suited to the priorities and policies of the target group, recipient and donor?			
Page 20	Alignment to UNEPs mandate as the global environmental authority Alignment to the UNEP Medium Term Strategy (MTS), Programme of Work (POW) and Strategic Priorities. Alignment with the sponsoring parties' priorities? Bali Strategic Plan? South-South Cooperation? GEF? What was the scale and scope of the contributions to any of these?	Confirmation against its mandate as UN organisation Confirmation against past and updated priorities and strategies Evidence of cooperation / networking / information sharing with region and other similar.	Interview with ED Desktop review (already confirmed for design phase). Project documentation and all relevant frameworks and reports; interviews with country stakeholders; interviews with relevant UNEP interfaces.
Page 21	Alignment to Donor/GEF/Partner Strategic Priorities Alignment with the sponsoring parties' priorities? GEF?		
Page 21	Relevance to Global, Regional, Sub-regional and National Environmental Priorities. Assess alignment with (i) SDGs and Agenda 2030, (ii) stated environmental concerns and needs of the countries, sub-regions or regions where it is being implemented, (iii) Nationally Appropriate Mitigation Action (NAMA) plans or regional agreements; and (iv) current policy priority to leave no one behind.	Confirm alignment with (i) SDGs and Agenda 2030, (ii) stated environmental concerns and needs of the countries, sub-regions or regions where it is being implemented, (iii) Nationally Determined Contributions (NDCs) or regional agreements; and (iv) current policy priority to leave no one behind.	Desktop review (already partly confirmed). Project documentation and all relevant frameworks and reports; interviews with country stakeholders; interviews with relevant UNEP and Project team.
Page 21	Complementary with existing Interventions?	Confirm against past and recently introduced interventions for synergies and alignment. Include in the assessment linkages with any UN Development Assistance Frameworks or One UN programming and/or where the	Desktop review (already confirmed for design phase). Interviews with country stakeholders and project team.

TOR Ref	Main Evaluation Criteria / Questions	Evaluation indicators	Sources / means of verification
		UN's comparative advantage had been particularly well applied	
B. Quality of Project Design			
Page 21	Templates for project design		Prodoc Desktop review
C. Nature of External Context			
Page 22	Influence of external operating context (evaluation ratings table c)		Prodoc Desktop review
D. Effectiveness: To what extent have the expected outcomes and objectives of the project been achieved?			
Page 22	Outputs Preparation and readiness • Quality of project management and supervision	Indicators used by project, no means of verification are in the logframe	Desktop review interviews
Page 22	Outcome Based upon thory of change Emphasis is placed on the achievement of project outcomes that are most important for attaining intermediate states. Those are outcomes 2 and 3 because they are most relevant to the project objective Factors affecting this criterion may include: • Quality of project management and supervision • Stakeholders' participation and cooperation • Responsiveness to human rights and gender equality • Communication and public awareness	Indicators used by project; no means of verification are in the logframe	Desktop review interviews
Page 23	Likelihood of impact Additional results chain for selected deals / investment projects / case studies catalytic role or has promoted scaling up and/or replication as part of its Theory of Change (either explicitly as in a project with a demonstration component or implicitly as expressed in the drivers required to move to outcome levels) likelihood of the project to make a substantive contribution to the long-lasting changes represented by the Sustainable Development Goals, and/or the intermediate-level results reflected in UNEP's Expected Accomplishments and the strategic priorities of funding partner(s).	Indicators used by project, no means of verification are in the logframe	Desktop review interviews

TOR Ref	Main Evaluation Criteria / Questions	Evaluation indicators	Sources / means of verification
	Factors affecting this criterion may include: • Quality of Project Management and Supervision (including adaptive management) • Stakeholders' participation and cooperation • Responsiveness to human rights and gender equality • Country ownership and driven-ness • Communication and public awareness		
E. Financial Management: Completeness of information and communication between financial and project management staff			
Page 23	adherence to UNEP's financial policies and procedures, completeness of financial information and communication between financial and project management staff. The Evaluation will establish the actual spend across the life of the project of funds secured from all donors.		Desk study
F. Efficiency: Extent to which the project delivered maximum results from the given resources			
Page 24	extent to which the project delivered maximum results from the given resources. This will include an assessment of the cost-effectiveness and timeliness of project execution. Focussing on the translation of inputs into outputs, cost-effectiveness is the extent to which an intervention has achieved, or is expected to achieve, its results at the lowest possible cost. Timeliness refers to whether planned activities were delivered according to expected timeframes as well as whether events were sequenced efficiently. Factors affecting this criterion may include: • Preparation and readiness (e.g. timeliness) • Quality of project management and supervision • Stakeholders' participation and cooperation		Desk study
G. Monitoring and reporting			
Page 24	monitoring design and budgeting, monitoring implementation and project reporting. Monitoring plan		Desk study, interviews
Page 24	monitoring system was operational and facilitated the timely tracking		Desk study, interviews

TOR Ref	Main Evaluation Criteria / Questions	Evaluation indicators	Sources / means of verification
	of results and progress towards projects objectives throughout the project implementation period. This assessment will include consideration of whether the project gathered relevant and good quality baseline data that is accurately and appropriately documented. This should include monitoring the representation and participation of disaggregated groups, including gendered, marginalised or vulnerable groups, such as those living with disabilities, in project activities. It will also consider the quality of the information generated by the monitoring system during project implementation and how it was used to adapt and improve project execution, achievement of outcomes and ensure sustainability. The Evaluation should confirm that funds allocated for monitoring were used to support this activity.		
Page 24	Project report Factors affecting this criterion may include: • Quality of project management and supervision • Responsiveness to human rights and gender equality (e.g. disaggregated indicators and data)		Desk study
H. Sustainability: Probability of direct outcomes being maintained and developed after close of intervention			
Page 25	identify and assess the key conditions or factors that are likely to undermine or contribute to the endurance of achieved project outcomes (i.e. 'assumptions' and 'drivers'). be embedded in the project design and implementation approaches assessment of bio-physical factors		Existing GIS data
Page 25	Socio-political Sustainability Financial Sustainability Institutional Sustainability Factors affecting this criterion may include: • Stakeholders participation and cooperation • Responsiveness to human rights and gender equality (e.g. where interventions are not inclusive, their sustainability may be undermined) • Communication and public awareness		Desk study, interviews

TOR Ref	Main Evaluation Criteria / Questions	Evaluation indicators	Sources / means of verification
I. Factors Affecting Project Performance			
Page 26	Preparation and Readiness		Desk study, interviews
Page 26	Quality of Project Management and Supervision		Desk study, interviews
Page 26	Stakeholder Participation and Cooperation		Desk study, interviews
Page 26	Responsiveness to Human Rights and Gender Equality T		Desk study, interviews
Page 27	Environmental and Social Safeguards		Desk study, interviews
Page 27	Country Ownership and Driven-ness		Desk study, interviews
Page 27	Communication and Public Awareness		Desk study, interviews

ANNEX V. COMPARATIVE TABLE OF FACILITIES

	&Green	TLFF	AGRI3	RSCF[104]	RCF
Year created	2017	2018	2019	2020	2022
Geography	Tropical forest countries (approved jurisdictions meeting specific criteria)	Indonesia	OECD DAC Eligible countries	OECD DAC eligible countries	Brazil
Target investee	Companies in the agri-food sector operating in approved jurisdictions	Indonesian projects and companies	Financial institutions lending to farmers or agribusinesses	Fund managers	Soy farmers
Fund or facility manager	SAIL Investments	ADM Capital	AGRI3 (advised by Fount and Cardano)	UNEP in collaboration with Frankfurt school of Finance & Management as an implementing partner	Sustainable Investment Management
Product	Mainly senior secured loans.	Special purpose vehicle	Guarantees	Grants and reimbursable grants	Loans
Why	Lack of private capital directed at protecting and restoring tropical forests and peatlands	Drive long-term investment capital into commercially viable and sustainability-focused projects and companies in Indonesia to fill 20 billion gap for country's climate and environment goals	Lack of agricultural loans from banks directed at deforestation-free commodity production	Bottlenecks slowing the deployment of capital to activities contributing to forest landscape restoration.	Lack of incentives for farmers to adopt deforestation-free commodity production practices
Tenor of investments or grants	5-15 years	7 and 15 year notes	1-10 year loans	3-5 years	Annual loans
Transaction or grant size (USD)	7-30M	95M	5-30 M	Under 1 M in most cases / up to 2.5M per partner	Average of USD 385,000
Fund size in 2024 (USD)	317.75M	N/A	92M[1]	21M	47M
Tenor of facility	Open-ended	N/A	Open-ended		Annual
Blended structure	Norway: (Grant) UK government via FMO's MFF: 31.5M (Concessional Loans) GEF – USD 2M (reimbursable grant)	RLU transaction had different tranches to accommodate different investor risk appetites – e.g. &Green purchased 15-year Tranche B note	Initial structure: Senior debt: Rabobank First loss capital: Dutch government	The Restoration Seed Capital Facility is funded by the German Federal Ministry for the Environment (BMU) and the Luxembourg Ministry of	Senior: IDB, Santander, Rabobank Guarantees: Agri3 & FMO Junior: UK retailers First loss: MFF (FMO)

[104] After LUF's involvement in the design and set-up of the RSCF, it became a separate project in 2020 and was removed from the LUF project. RSCF provides grants, rather than investments.

	&Green	TLFF	AGRI3	RSCF[104]	RCF
	GCF: USD 180M (subordinate loans) GCF: USD 9.35M (Grants) Unilever: USD 25M (reimbursable grant) Hannover Re: USD 2.5M (concessional loans)	USAID provided credit guarantee	As of 2025, the expected structure is: Senior debt: Rabobank, others (tbc) Senior equity: GEF, Swiss government Second loss capital: European Commission First loss capital: Dutch government	the Environment, Climate and Sustainable Development.	
Leverage of private capital (USD)	At fund level: 27.5M At investment level: 11.9 Bn	95M	276 M [2]	75.5 M [3]	30M provided by UK retailers
Additionality Criteria	All credit facilities provided by &Green must be additional to the existing market in terms of both E&S impact and financial impact. &green defines "Additionality" as the extent to which something happens as the result of an intervention (e.g. lending) that would most likely not have happened had this intervention not occurred.	&Green considered TLFF as highly additional given it was a first-of-its kind effort, and RLU as the project sponsor commits to considerable extra efforts owed to the landscape protection focus of the project: set-aside of the WCA; commitment to compensate illegal encroachers; The transformation of the landscape and the social fabric will require financial partner engagements of 15+ years. This is a time horizon that is not an accepted risk for the sector and geography for the vast majority of actors including development banks.[4]	All transactions which AGRI3 participates in are required to demonstrate additionality: • Financial additionality is defined by AGRI3's participation in a loan or transaction in which provision of terms, conditions, and structure of finance that are materially different from what is commercially available, or that would otherwise not be available from other commercial finance institutions with similar characteristics, in a similar market context. • Environmental and social impact additionality is defined by the transaction's contribution to positive impacts related to forest protection and restoration, sustainable agriculture and/or rural livelihoods or improved environmental and social risk management that	Partners or grantees are required to: • Demonstrate how support will financially enable activities beyond business as usual • Demonstrate how investment strategy translates into positive E&S impacts • Restored/ conserved forest ecosystems will sustainably maintain their beneficial functions • Clear additionality for climate change mitigation and climate change adaptation •	Land owners do not deforest land which they are legally allowed to deforest – and therefore forego profits

	&Green	TLFF	AGRI3	RSCF[104]	RCF
			go beyond standard market practices/ regulations etc.		
Concessional	No	No transparency on cost of capital for RLU. There was probably no financial concessionality. Long term capital.	No	Yes	Yes
E&S Safeguards and conditions	• IFC PS • No deforestation • Selected jurisdictions only • Development of Landscape Protection plans • Land use change remote monitoring	• IFC PS • BNP Paribas sector policy statements in three key sectors • ICMA Green Bond Principles	• IFC PS • Exclusion list (conversion of forests, degradation of land in HCV, protected areas, primary tropical forests, HCV or HCS forests, critical natural habitats) • NDPE company-side commitments • Gender policy	• Partners or grantees are required to meet IFC PS • Investees are required to use exclusion list, excluding activities leading to primary forest conversion, biodiversity loss, or human rights violations.	• "In line" with IFC PS • Deforestation cut-off date 2020 • Continuous monitoring of farms
Technical Assistance Facility	Yes – managed by IDH	Technical assistance facility to enhance the viability and impact of funded projects - funding from GAC P4F provides support to Wildlife Conservation Area.	Yes – 5M managed by IDH	No	Not currently Planned for coming years
UNEP Role	• Inputs into E&S framework at onset • USD 2M of GEF Funding	• Management of associated grants facility • Supported fundraising • Supported E&S and Impact framework development (after initial transaction)	• Member of E&S Panel • Provides insights and research on specific deals • Provides trainings • Informal support on fundraising • Land Use Impact Hub - Case study on development of Environmental and Social Impact: Agri 3 • Helps with development of E&S framework and carbon strategy • AGRI3 participated in annual Knowledge Exchange Meetings	• Day-to-day implementation and decision making • Design • Fundraising • Knowledge exchange	• Worked to make recommendations into E&S framework • Member of E&S Panel to review transactions • Informal support on fundraising
Reported Impact to date	3,117,013 hectares forest protected 13,234,800 tCO2e climate benefits	6.3.1.2 9,700 ha conservation area to create buffer zone to national	No public report of impact 2023 report shared with UNEP evaluation team:	USD 75.5 M USD mobilized private capital 5 supported projects that have reached financial close	# of farms: 122 Native vegetation conserved in Cerrado : 43,324 ha Native vegetation conserved in

	&Green	TLFF	AGRI3	RSCF[104]	RCF
	3,345,634 hectares ecosystem resilience 62,652 people resilience 6.3.1.1 68,217 people benefitting	park, which includes the Mandelang Forest Reserve, was set aside in 2017 and put under active patrol by RLU in 2018. 6.3.1.3 6.3.1.4 In addition, RLU committed to setting aside all High Conservation Value (HCV) and High Carbon Stock (HCS) areas, as well as riparian areas, for protection on both the Jambi and East Kalimantan concessions. 6.3.1.5 6.3.1.6 RLU has worked with partners to include rubber smallholders and set up several agroforestry programs with the indigenous Orang Rimba group living in the RLU Wildlife Conservation Area	23,825 ha protected 105,668 ha indirectly protected 1,163 ha restored 139,072 tCO_2e sequestered 4,424 ha of degraded pasture and agricultural land rehabilitated 248% increase in cattle yield -21% decrease in crop yield 75,285 ha under sustainable management 1,830 farmers reported increased income	2,492 ha of natural habitat protected and restored USD 124M impactful forest landscape restoration projects under development 14 impactful forest landscape restoration projects supported 753,502 hectares of natural habitat to be protected and restored	excess of legal reserve requirement: 11,346 ha Tonnes of verified zero deforestation soy: 180,221 Carbon stocks in native vegetation protected by RCF: 18.2 Mt CO2/t emitted from land use change by soy produced : 0

[1] AGRI3 deck – with year 2023
[2] Number provided by AGRI3
[3] RSCF website
[4] &Green TLFF Landscape Protection Plan

ANNEX VI. Portfolio reviews

&Green Portfolio Review		
	Geography	Tropical forest countries (approved jurisdictions meeting specific criteria)
	Commodity	Soy, livestock, rubber, coffee, cocoa, palm oil
	Legal status	Foundation (Stichting) under NL law
	Fund manager	Sail Investments (25 employees)
	Created in	2017
	Technical Assistance	Yes – managed by IDH
Overview	Governance Structure	Advisory Board Investment Committee Fund manager
	UNEP Role	GEF investment Supported developed E&S framework
	Size	USD 317.75M
	Investments	Mainly senior secured loans
	Investment portfolio	10 investments in Agribusinesses active in production of soy, livestock, rubber, coffee, cocoa, palm oil in Brazil, Indonesia, Côte d'Ivoire, Viet Nam, Colombia
Blended finance	Capital Structure	Norway: USD100M (Grant) UK government via FMO's MFF: USD31.5M (Concessional Loans) GEF – USD2M (reimbursable grant) GCF: USD180M (subordinate loans) GCF: USD9.35M (Grants) Unilever: USD25M (reimbursable grant) Hannover Re: USD2.5M (concessional loans)
	Additionality	All credit facilities provided by &Green must be additional to the existing market in terms of both E&S impact and financial impact.
	Concessionality	No
	Financial performance	Out of &Green's 10 investments, one has gone bankrupt, and two have been categorized as expected credit loss (2023 annual report). Nevertheless, &Green has paid its coupons to investors and it is expected that with the additional capital and investments, the contributors' grants will be preserved.
	Cost-effectiveness	&Green operates with a standard fund manager fee structure, although it does considerably more on the E&S front than standard fund managers.
	Leverage of private capital	At fund level: USD 27.5M At investment level: USD 11.9 Bn
	Public disclosure	&Green has detailed annual reports detailing financial status and impact. It also publishes Landscape Protection Plans and ESAPs online. It cannot however

Risk management		Risk management is integrated in the investment process of the Fund, from the development of the investment rationale until the exit evaluation. It is included in the Transformational Change Assessment Phase, described in an Investment Rationale; the Screening Phase, which is documented in a Deal Note and includes macro processes of Defining the Scope, E&S Risk Screening (including Reputation Screening, Forest & Biodiversity Screening and Gender Screening including SEAH) and Risk Categorization, the LPP Design, which is documented in the Credit Application and comprises due diligence (ESDD), ESAP that contains TC and risk-related milestones, impact targets, IFC PS matrix
Impact		3,117,013 hectares forest protected 13,234,800 tCO2e climate benefits 3,345,634 hectares ecosystem resilience 62,652 people resilience 68,217 people benefitting

Tropical Landscapes Financing Facility Portfolio Review		
Overview	Geography	Indonesia
	Commodity	Rubber
	Legal status	Special purpose financing vehicle established in Singapore named TLFF I Pte. Ltd. (TLFF I).
	Fund manager	ADM Capital
	Created in	2018
	Technical Assistance	No
	Governance Structure	Lead arranger: BNP Paribas Facility manager: ADM Capital Issuer: SPV TLFF 1 Pte Ltd Borrower: PT RLU Off taker: Michelin (at least 75%) ICRAF and UNEP were also partners which helped conceptualize the vehicle but thereafter had no formal decision-making role in implementation.
	UNEP Role	Helped fundraise
	Size	USD95M
	Investments	Notes
	Investment portfolio	RLU
Blended finance	Capital Structure	Class A: USD 30 M, 15 yrs, Aaa rated Moody's, 4.14% coupon p.a. Class B1a: USD 20 M, 15 yrs, 9.00% coupon p.a. Class B1b: USD 15 M, 5 yrs, 8.38% coupon p.a. Class B1c: USD 15 M, 7 yrs, 8.88% coupon p.a. Class B2: USD 15 M, 15 yrs, 2.00% coupon p.a USAID: Guarantee on USD 70M. USD 3.5 M of first loss absorbed by RLU and 50% of remainder

	Additionality	&Green considered TLFF as highly additional given it was as a first-of-its kind effort, and RLU as the project sponsor commits to considerable extra efforts owed to the landscape protection focus of the project: set-aside of the WCA; commitment to compensate illegal encroachers; The transformation of the landscape and the social fabric will require financial partner engagements of 15+ years. This is a time horizon that is not an accepted risk for the sector and geography for the vast majority of actors including development banks.[1]
	Concessionality	No
	Financial performance	The two shareholders of RLU, Michelin and Barito Pacific, agreed that Michelin would purchase 100% control of RLU. Following that decision, RLU informed TLFF I that it would prepay the entirety of the outstanding USD 95 million loan, which included the Notes held by &Green.
	Cost-effectiveness	Data not available
	Leverage of private capital	USD 95 M
	Public disclosure	&Green shares information on its website about its investment into TLFF including Landscape Protection Plan, ESAP and Exit note.
Risk managem ent		TLFF had an Impact Management Policy and and ESG statement. UNEP was asked to review it once the RLU deal had already been approved. It was reported that UNEP staff did not visit the field site to assess potential risk and identify risk mitigation measures.
Impact		Environmental 9,700 ha conservation area to create buffer zone to national park, which includes the Mandelang Forest Reserve, was set aside in 2017 and put under active patrol by RLU in 2018. In addition, RLU committed to setting aside all High Conservation Value (HCV) and High Carbon Stock (HCS) areas, as well as riparian areas, for protection on both the Jambi and East Kalimantan concessions. Social RLU has committed to work with several partners towards the expansion of its Community Partnership Program (CPP), targeted at the inclusion of local, small-scale farmers in the rubber supply chain. As part of their Indigenous Peoples Engagement and Livelihoods Framework, RLU has set up several agroforestry programs with the indigenous Orang Rimba group living in the RLU Wildlife Conservation Area (WCA). RLU provided regular health checks, ongoing education support and facilitates national ID Card issuance in partnership with the government, as part of the WCA program. The WCA-led programs are supported by Partnerships for Forests (P4F).

<table>
<tr><th colspan="3">AGRI3 Portfolio Review</th></tr>
<tr><td rowspan="10">Overview</td><td>Geography</td><td>Brazil , India, Malawi, China, Nicaragua
Actively working to expand to Africa in 2025</td></tr>
<tr><td>Commodity</td><td>Soy, livestock, cocoa sugarcane, bioenergy from rice waste,</td></tr>
<tr><td>Legal status</td><td>open-ended investment fund organized under Dutch law</td></tr>
<tr><td>Fund manager</td><td>AGRI3 (advised by by Fount and Cardano)</td></tr>
<tr><td>Created in</td><td>2019</td></tr>
<tr><td>Technical Assistance</td><td>USD 5M TA facility managed by IDH , funded by Dutch government</td></tr>
<tr><td>Governance Structure</td><td>Since its inception, AGRI3 has undergone a transition of its legal and governance structures to meet higher regulatory standards and streamline operations. The new structure will include a Fund Management Board and an Expert Advisory Panel</td></tr>
<tr><td>UNEP Role</td><td>• Engagement started in 2018
• Member of E&S Panel
• Provides insights and research on specific deals
• Provides trainings
• Informal support on fundraising
• Land Use Impact Hub - Case study on development of Environmental and Social Impact: AGRI3
• Helps with development of E&S framework and carbon strategy
• AGRI3 participated in annual Knowledge Exchange Meetings</td></tr>
<tr><td>Size</td><td>USD 92 M in 2023
Target of USD 600 M in 2025</td></tr>
<tr><td>Investments</td><td>AGRI3 provides guarantees to partner financial institutions (PFIs) enabling them to make loans to entities committing to preventing deforestation; stimulating reforestation; contributing to efficient sustainable agricultural production and value chains with reduced carbon emissions; and/while supporting rural livelihoods with improved income and employment opportunities.</td></tr>
<tr><td rowspan="3">Investment portfolio</td><td>Sustainability Linked Facility – Africa</td><td>Client: ETG
Term: 1 year revolving credit facility
Guarantee instrument: Pari Passu
Guarantee exposure: USD 15M (60% of loan value)
Effective date: February 2024</td></tr>
<tr><td>Regenerative Agriculture, Citrus and Sugarcane – Brazil</td><td>Client: Agro São José
Term: 10 year loan
Guarantee instrument: Maturity Subordination
Guarantee exposure: 40%
Effective date: December 2023</td></tr>
<tr><td>Sustainable Macadamia Production – Malawi</td><td>Client: Gala Macademia
Term: 10 year loan
Guarantee instrument: Pari Passu
Guarantee exposure: Malawi Kwacha USD 9.75bln (50%)
Effective date: October 2023</td></tr>
</table>

	Sustainable soy production – Brazil	Client: RCF Term: 1 year revolving Guarantee instrument: Mezzanine / Subordinated Guarantee Guarantee exposure: USD 11M Effective date: September 2023
	Sustainable Orange and Cattle Production – Brazil	Term: 5 year-loan Guarantee instrument: Pari Passu Guarantee Guarantee exposure: BRL 20 mln Effective date: October 2023
	Soybean, Cotton and Corn – Brazil	Client: Grupo Scheffer "Scheffer" Term: 10-year loan Guarantee instrument: Maturity Subordination Guarantee Guarantee exposure: 43% of loan value Effective date: March 2022
	Cattle – Brazil	Client: Grupo Vilela de Queiroz (GVQ) Term: 10-year loan Guarantee instrument: Maturity subordination guarantee Guarantee exposure: 40% of loan value Effective date: November 2021
	Sugar and ethanol – Brazil	Client: Usina Açucareira São Manoel 'São Manoel' Term: 10-year loan Guarantee instrument: Maturity subordination guarantee Guarantee exposure: 40% of loan value Effective date: December 2021
	Cattle – Brazil	Client: Lindolpho Pio de Carvalho Dias group (LPCD) Term: 10-year loan Guarantee instrument: Maturity Subordination GuaranteeGuarantee exposure: 40% of loan value Effective date: December 2020
	Sustainable coffee production – Nicaragua	Client: UCA San Juan Rio Coco Term: 1-year revolving loan with a 4 year commitment Guarantee instrument: Pari Passu Guarantee Guarantee exposure: 40% of loan value Effective date: December 2022
	Cotton, Soy and Cattle – Brazil	Client: Samuel Locks ("Locks") Term: 10-year loan Guarantee instrument: Maturity Subordination Guarantee Guarantee exposure: 40% of loan value Effective date: September 2022
	Chilli pepper farming – China	Client: Chongqing Agricultural Chain Corporation Ltd ("CACC") Term: 3-year loan Guarnatee instrument: Pari passu guarantee Guarantee exposure: 50% of loan value Effective date: December 2020
Blended finance	Capital Structure	Senior debt: Rabobank Senior equity: GEF, Swiss Government Second loss capital: European Commission First loss capital: Dutch government

	Additionality[2]	All transactions which AGRI3 participates in are required to demonstrate additionality: • Financial additionality is defined by AGRI3's participation in a loan or transaction in which provision of terms, conditions, and structure of finance that are materially different from what is commercially available, or that would otherwise not be available from other commercial finance institutions with similar characteristics, in a similar market context. • Environmental and social impact additionality is defined by the transaction's contribution to positive impacts related to forest protection and restoration, sustainable agriculture and/or rural livelihoods or improved environmental and social risk management that go beyond standard market practices/ regulations etc. The assessment of additionality is transaction-specific and contextualized. It may differ by jurisdiction, sector, market and/or client type. The assessment of additionality will be based on the best available evidence and knowledge of the project and operational context at the time the transaction is assessed. • The Partnerbank, with the client, is responsible for demonstrating financial and environmental and social additionality, that will be validated and, where feasible, maximized by AGRI3 as part of the investment decision process. • To demonstrate additionality, the description of transaction will include a narrative on the financial and environmental and social additionality present and identification of most significant additionalities. • AGRI3 will also assess the additionality throughout the investment process, using best available information
	Concessionality	No concessionality
	Financial performance	AGRI3 charges a guarantee fee, but does not participate in any upside on deals. Financial performance is not public information.
	Cost-effectiveness	AGRI3 has struggled with cost effectiveness in its first years of operation. Its operational costs have been more than New management team is currently working to address this by simultaneously reducing costs – including via transferring ESG due diligence to partner financial institutions – and increasing revenues via increasing funds managed by facility.
	Leverage of private capital	USD276M[3]
Risk management		The decision process in AGRI3 requires that the project passes through the Investment Committee twice. In between, a local consultant undertakes a due diligence and possibly pre-investment TA, which helps to define ambitious but achievable KPIs, and may also result in an Environmental and Social Action Plan (ESAP) to remedy any E&S risks uncovered.
Impact		Impact data has not been reported publicly yet – working to publish something in 2025. Target impact is documented for individual deals.

Restoration Seed Capital Facility (RSCF)[105] Portfolio Review		
Overview	Geography	OECD DAC eligible countries
	Sectors and Activities	• Agroforestry and sylvo-pastoral systems • Sustainable forest management and sustainable forestry on degraded lands • Non-timber forest products • Generation of carbon credits & payments for ecosystem services • Supply chain investments to support restorative activities
	Legal status	RSCF is not a separate legal entity but operates under the governance and oversight of UNEP and the FS-UNEP Centre.
	Facility manager	UNEP in collaboration with Frankfurt School of Finance & Management as implementing partner
	Created in	2020
	Technical Assistance	No
	Governance Structure	The Facility builds on the proven structure and governance model of the Seed Capital Assistance Facility (SCAF), a UNEP-supported initiative managed by the Frankfurt School. Steering Committee (SC)
	UNEP Role	Day to day implementation Decision-making Design Fundraising Knowledge exchange
	Size	USD 21 M
	Investments	Grants and reimbursable grants
	Investment portfolio	Arbaro Advisors Ecotierra New Forests SwC Campo Capital Impact Earth
	Capital Structure	The Restoration Seed Capital Facility is funded by the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV) and the Luxembourg Ministry of the Environment, Climate and Sustainable Development.
	Additionality	• Demonstrate how support will financially enable activities beyond business as usual • Demonstrate how investment strategy translates into positive E&S impacts • Restored/ conserved forest ecosystems will sustainably maintain their beneficial functions • Clear additionality for climate change mitigation and climate change adaptation

[105] After LUF's involvement in the design and set-up of the RSCF, it became a separate project in 2020 and was removed from the LUF project.

	Concessionality	Yes -
	Financial performance	TBD.
	Cost-effectiveness	
	Leverage of private capital	Leverage of private capital USD 75.5 M
	Public disclosure	
Risk management	E&S Criteria	Investees required to meet IFC PS Investees required to use exclusion list, excluding activities leading to primary forest conversion, biodiversity loss, or human rights violations.
Impact	To date	USD 75.5 M mobilized private capital 5 supported projects that have reached financial close 2,492 ha of natural habitat protected and restored USD 124 M impactful forest landscape restoration projects under development 14 impactful forest landscape restoration projects supported 753,502 hectares of natural habitat to be protected and restored

Responsible Commodities Facility Portfolio Review		
Overview	Geography	Brazil (Cerrado)
	Commodity	Soy
	Legal status	Sustainable Investment Management is a private limited company registered in the UK and manages the RCF.
	Fund manager	Sustainable Investment Management (SIM)
	Created in	2022
	Technical Assistance	Currently no Technical Assistance. There is a plan to add technical assistance offering to participating farmers in coming years.
	Governance Structure	Self-liquidating special purpose entity Managed by Sustainable Investment Management Ltd. (SIM)
	UNEP Role	• Member of the Environmental Advisory Panel (no decision-making power) • Input and review to E&S Framework • Provided informal help in fundraising • Case study on development of Environmental and Social Impact RCF published on Land Use Impact Hub • RCF participated in annual Knowledge Exchange Meetings
	Size	USD 47.24 M (2023-2024) USD 100 M (expected in 2025-2026)
	Investments	RCF provides soy farmers who meet its eligibility criteria and agree to produce deforestation- and conversion-free soy with a low-interest annual loans.

		These loans are through Rural Product Certificates (CPRs) issued by farmers with pledges of crop or fiduciary liens as collateral, which serve as assets for the agribusiness receivables certificates (CRAs), like an ABS (Asset Backed Securities), issued by Opea Securitization company to fund the program. The CRAs are expected to be classified as Green Bonds.	
	Investment portfolio	In 2023-2024 – 122 farms in 48 municipalities	
Blended finance	Capital Structure	Senior	Interamerican Development Bank, Santander, Rabobank
		Guarantees	AGRI3 and FMO
		Junior	UK retailers (Waitrose, Sainsbury, Tesco)
		First loss	MFF (UK government via FMO)
		Green Climate Fund is expected to come into the RCF facility in coming years	
	Additionality	The additionality comes from the fact that farmers have the legal right to deforest a % of their land, but do not as a result of the loans.	
	Concessionality	The loans to farmers are concessional, in order to incentivize them to stop deforestation.	
	Financial performance	This data is not public.	
	Cost-effectiveness	This data is not public. However, an interview with the fund manager has indicated that they operate on a shoestring budget in order to be able to provide investors' expected returns and competitive loans to farmers that act as sufficient incentive.	
	Leverage of private capital	USD 100 M in 2025-2026	
	Public disclosure	RCF produces annual impact reports detailing: theory of change; Results of the 2023-2024 crop season; Investors and capital raised; Location of farms selected; DCF soy crop and financial results; Environmental impacts ; Environmental impact statements; RCF structure and operational routine ; Operational routine; RCF eligibility criteria ; Environmental Advisory Board ; Partnerships, awards and endorsements; Management team and service providers; Annex A Monitoring methodologies used by SIM, BVRio and Earth Daily	
Risk management		The Facility operate in line with industry benchmark standards including first and foremost the substantive content of the International Finance Corporation's (IFC) Performance Standards on Environmental and Social Sustainability (IFC PS 2-8)' The operations of the RCF are guided by a set of Eligibility Criteria to ensure that the facility produces the impacts desired. The Eligibility Criteria were designed/developed in collaboration with many parties, including WWF Brasil, The Nature Conservancy, Conservation International, IPAM, Proforest and UNEP.	

		Eligibility criteria include legal compliance, including with the Forest code. Other criteria include protection: production ratio and RCF cutoff date for deforestation and conversion was set as 1st January 2020, in line with the guidance of the Accountability Framework Initiative and other initiatives and ahead of the EU Regulation on deforestation-free products. Farms are continuously monitored by Earth Daily Agro and independently verified at the end of each crop cycle by independent third party (ERM)
Impact	2023-2024	# of farms: 122 Native vegetation conserved in Cerrado : 43,324 ha Native vegetation conserved in excess of legal reserve requirement: 11,346 ha Tonnes of verified zero deforestation soy: 180,221 Carbon stocks in native vegetation protected by RCF: 18.2 Mt CO_2/t emitted from land use change by soy produced: 0

ANNEX VII. PEOPLE CONSULTED DURING THE EVALUATION

People consulted[106] during the Evaluation

Organisation	Position	Role in the project	Gender
UNEP	Director, Climate Change Division		M
UNEP	Head, Adaptation & Resilience Branch		F
UNEP	Head, Climate Finance Unit	LUF Project Manager	M
UNEP	Consultant	Funds and Facility Lead	M
UNEP	Programme Manager	LUF Project Team	F
UNEP	Consultant	E&S Lead	F
UNEP	Programme Officer	LUF Project Team	M
UNEP	Consultant	Agriculture and forest finance analyst_ IFACC	M
UNEP	Programme Management Officer - REDD+ Safeguards Specialist	Environmental and Social Lead	M
UNEP	Deputy Director Industry and Economy Division		M
UNEP	Head of Brazil Office, ex Head of Southern Cone Office		M
UNEP	Economic Affairs Officer, Industry & Economy Division		F
UNEP (now Salesforce)	Head of Nature for Climate Branch until 2022	Concept Developer	M
UNEP	Senior Programme Manager land use and green economy	Executive Secretary of the Tropical Landscape Finance Facility	M
UNEP	Finance and Budget Officer		F
UNEP	Finance and Budget Officer		M
UNEP	Finance and Budget Officer		M
UNEP	Consultant	Project coordinator, El Salvador fiscal policy project,	F

[106] Michelin Indonesia did not respond to requests for an interview during the field visit.

Organisation	Position	Role in the project	Gender
Ministry of the Environment, Climate and Sustainable Development of Luxemburg	Advisor on International Climate Finance	Donor	F
Ministry of the Environment, Climate and Sustainable Development of Luxemburg	Advisor	Donor	F
Head of NORAD	Head, NICFI	Donor to &Green Fund	F
International Climate Initiative / ZUG gGmbH Germany	Project Manager, Division Environmental Economics and Sustainable Finance IKI Office at ZUG	Donor to RSCF	M
IKI (BMU)	IKI Forest	Initial phase of RSCF	F
AGRI3	CEO		F
AGRI3	ESG and Impact Advisor		F
AGRI3	Senior Analyst		M
Dutch Ministry of Foreign Affairs	Climate Department	Donor	‘M
SAIL Investments	Chief Sustainability Officer	Fund Manager of &Green	M
SAIL Investments	Senior Associate Business Development	Fund Manager of &Green	M
Frankfurt School of Management	Investment Manager	Manages RSCF	M
Frankfurt School of Management	Senior Investment Manager	Manages RSCF	M
BNP Paribas	Chief Sustainable Business Officer - Asia		F
BNP Paribas	CEO for BNP Paribas Australia and New Zealand	Member of the closed TLFF Steering Committee	M
WWF	HQ representative		M
GEF	Senior Specialist, Blended Finance Coordinator	Leads the blended finance initiative at the GEF (non-Grant instruments)	F
NICFI	Former Focal Point for &Green Fund	Donor to &Green	M
NORAD	Director, Department for Climate, Nature and the Private Sector	Donor to &Green and board member	M

Organisation	Position	Role in the project	Gender
FMO	Manager Agribusiness, Food & Water for Latin America and Forestry	Co-investor in &Green	M
RCF	Founder of RCF		M
WRI - previously IDH	Director Landscape Finance at IDH	Provided technical assistance to &Green, AGRI3 and	F
RLU	Head of the Conservation Department, RLU	Filed activities	M
CIFOR-ICRAF	Treasurer TLFF	Agroforestry	M
TLFF & Samudra International	Former Chairwoman of the Steering Committee	Decisionmaking Body	F
Ministry of Forest	Director	Social Forestry focus and certificates to social forestry farmers	F
Ministry of Forest	Head of the Sub-Directorate of Social Forestry Business Institutions		M
Indonesian Environment Fund	Head of the Fund Disbursement		M
Indonesian Environment Fund	Fund Disbursement Office		F
UNEP	Jambi Project Implementation Unit Coordinator	Rimba Corridor related work	M
WRSI NGO	Programme Coordinator, WARSI NGO		M
BAPPEDA	Community Partnership Program Officer		M
BAPPEDA	Head		M
BAPPEDA	Head of the BioCF-ISFL Sub-national PMU		M
BAPPEDA	BioCF-ISFL Consultant		M
UN-REDD	Country Coordinator UNEP UN-REDD Indonesia	Investment	M

Organisation	Position	Role in the project	Gender
Bappeda (Provincial Government)	Head of the Economy and Natural Resources Division,		M
Frankfurt Zoological Society	FZS Country Representative		M
ADM Capital	CREDIT Specialist	Investment management	M
UNDP	UNDP Finance Unit, Leader		F
Government of Indonesia	Land Affairs and Spatial Planning		M
UNEP	Sustainable Finance Unit UNEP		M
UNEP	Admin-Finance, UNEP		F
UNEP	UNEP Office		F
UNEP	Project Officer, UNEP		F
UNEP	Programme Management Officer		M
CIFOR-ICRAF	Senior Agroforestry Systems Scientist Indonesia	Country Programme	M
Formerly TLFF	Admin	Translator (field visit)	F
Brazil Case Study			
Ministry of Environment and Climate Change	Head of the Economics and Environment Office,		M
IBAMA	President of IBAMA		M

ANNEX VIII. KEY DOCUMENTS CONSULTED

No.	Document Title	Author/Source	Date	Description
1	&Green 2023 Annual Report	SAIL Investments	2024	Annual report
2	Quality of Project Design Table	UNEP Evaluation Office	15 April, 2024	Evaluation criteria and weighted assessments for project design quality.
3	UNEG Ethical Guidelines for Evaluation	United Nations Evaluation Group (UNEG)	2020	Guidelines outlining ethical standards for UN evaluations.
4	Weighted Ratings Table	UNEP Evaluation Office	January 31, 2024	Weighted ratings for performance metrics in project evaluations.
5	ETG Green Environmental and Social Action Plan (ESAP)	ETG	-	Plan detailing environmental and social impacts with corresponding mitigation strategies.
6	Terminal Evaluation (TE) Framework Questions	UNEP	January 31, 2024	Framework of guiding questions for conducting mid-term evaluations.
7	Use of Theory of Change (TOC) in Project Evaluations	UNEP	January 31, 2024	Instructions on integrating Theory of Change in evaluations.
8	Safeguards Assessment Template for Terminal Evaluations	UNEP	January 31, 2024	Template for assessing social, environmental, and governance safeguards.
9	Gender Methods Guidance for Terminal Evaluations	UNEP	January 31, 2024	Guidelines on incorporating gender perspectives in evaluations.
10	Evaluation Methodology Guidance for Terminal Evaluations	UNEP	January 31, 2024	Comprehensive guidance for mid-term evaluation methodologies.
11	Inception Report Structure and Contents	UNEP	January 31, 2024	Outline and requirements for drafting inception reports.

12	Theory of Change Reformulation Justification Table	UNEP	January 31, 2024	Justifications for modifications in Theory of Change during evaluations.
13	Main Report Structure and Contents for Terminal Evaluations	UNEP	January 31, 2024	Guidance on structuring the main report for mid-term evaluations.
14	UNEP Glossary of Results Definitions	UNEP	December 2023	Glossary defining terms used in UNEP project evaluation.
15	Terminal Evaluation Tools Description	UNEP	January 2024	Descriptions of evaluation tools for mid-term project evaluations.
16	Memorandum of Understanding with IDH	IDH & UNEP	-	MoU detailing collaboration with the Sustainable Trade Initiative (IDH).
17	Remittance Advice for 2nd Cash Advance on GEF Project 9719	UNEP	-	Remittance advice on GEF 9719 cash advance.
18	GEF Review Sheet for GEF Project ID 9719	Global Environment Facility	January 13, 2017	Comprehensive project review under GEF guidelines.
19	2022 Project Implementation Review (PIR) for GEF Project LD-9719	UNEP	-	Annual review on implementation and progress for GEF-LD-9719.
20	CEO Approval Request for NGI Project (GEF)	UNEP	December 22, 2017	Endorsement request for project approval.
21	2021 Project Implementation Review for GEF Project LD-9719	UNEP	-	Review of project implementation progress for fiscal year 2021.
22	Medium-Sized Project (MSP) Request Document	UNEP	January 13, 2017	Submission details for medium-sized project approval.

23	Theory of Change (TOC) Finance Presentation	UNEP	November 2021	Presentation on Theory of Change updates for financial project documentation.
24	IMIS PIMS 2009 Performance Highlights	UNEP	April 15, 2024	Key highlights for project tracking under IMIS PIMS system.
25	Finance ProDoc for Land Use Project	UNEP	April 25, 2018	Land Use Finance Project document focused on sustainable land use finance.
26	Evaluation Criteria and Ratings for UNEP Projects	UNEP	January 31, 2024	Detailed criteria and ratings for project evaluations.
27	Agreement between UNEP and ICRAF	UNEP & ICRAF	-	Cooperation agreement for climate and land management initiatives.
28	Project Revision No. 4 - Land Use Finance	UNEP	June 2024	Revised details for Land Use Finance Project.
29	Stakeholder Analysis Guidance for Terminal Evaluation	UNEP	January 31, 2024	Guidance for stakeholder analysis in evaluations.
30	RLU Exit Report for &Green Investment	&Green	November 10, 2022	Final evaluation report on &Green's investment in PT Royal Lestari Utama rubber plantations in Indonesia.
31	ToR	RCF Environmental Committee	2022	Describes the roles and activities of the Environmental Committee of the Responsible Commodities Facility Cerrado Fund
32	THE TERMINAL EVALUATION OF THE UNEP PROJECT	UNEP	October 2023	UNEPs Inception Report (sample), Building high-level support and capacities to enhance climate and ozone protection through cooling efficiency
33	TEMPLATE FOR THE ASSESSMENT OF PROJECT DESIGN QUALITY (PDQ	UNEP Evaluation Office		The purpose of this template is to stimulate thinking, based on a review of project design documentation, that will strengthen: a) the development of useful and insightful evaluation questions and b) the development of a robust causal pathway, assumptions and drivers in the reconstructed Theory of Change
34	Mid-term Evaluation of	Steward RedQueen	2020	Mid Term Evaluation Report with key findings and Recommendations

	the &Green Fund			
35	Evaluation Framework	UNEP Evaluation Section		Main Evaluation Criteria / Questions as per 9 criteria and can be further elaborated with suggestive questions
36	UNEP GEF PIR	&Green Fund	2021	Piloting Innovative Investments for Sustainable Landscapes (GEF ID.: 9719)
37	TERMS OF REFERENCE Terminal Evaluation of the UNEP Land Use Finance Project	UNEP Management Climate Division	2024	Leveraging private finance to systematically transition to sustainable land use decoupled from deforestation, climate and ecosystem impacts (PIMS no 2009, 113.4, SMA no 37605)-Status with Summary of Findings
38	TERMS OF REFERENCE Terminal Evaluation of the UNEP/GEF project	Ecosystems Division, GEF Biodiversity and Land Degradation	2024	Piloting Innovative Investments for Sustainable Landscapes" (GEF ID 9719)
39	UNEP Partnership Policy	UNEP	2020	The purpose of this Partnership Policy is to facilitate innovative Partnerships with a broad range of Partners. These Partnerships are key to UNEP and MEA Secretariats fulfilling their roles as catalysts for transformative action to protect the environment. The Partnership Policy achieves this by establishing processes that support collaboration, reduce duplication, and contribute to effective and transparent decision-making.
40	Land Use Finance Project: Leveraging public finance to decouple private investment from deforestation, climate and ecosystem impacts	UNEP PIMS	2022	Project Performance highlights till 2022
41.	Reimagining financing for the SDGs: from filling gaps to shaping finance	UN DESA / Mariana Mazzucato	2025	

42.	&Green Nature & Biodiversity Report 2024	SAIL Investments	2024	https://annual-report.andgreen.fund/wp-content/uploads/2024/05/0000-Green-AR-2024-Annex-14-Nature-Biodiversity-Report-ST4.pdf
43	FP 212: &Green Fund: Investing in Inclusive Agriculture and Protecting Forests	FMO	2023	&Green application to GC
44	Stichting andgreen.fund Investment Principles	SAIL Investments		https://www.andgreen.fund/wp-content/uploads/2023/03/AndGreen-Investment-Principles-final.pdf
45	DFI Working group on blended concessional Finance for Private Sector Projects	Investments		https://www.andgreen.fund/wp-content/uploads/2023/03/AndGreen-Investment-Principles-Annexes-final.pdf https://www.andgreen.fund/wp-content/uploads/2023/03/AndGreen-Investment-Principles-Annexes-final.pdf
46	OECD-UNDP Impact Standards for Financing Sustainable Development	OECD, UNDP	-	Standards guiding impact management in development finance.
47	Landscape Finance Strategy – Alto Mayo	-	March 2025	Strategic plan outlining landscape finance opportunities for the Alto Mayo region.
48	FFD4 Outcome First Draft	UN DESA	March 2025	First draft of the outcome document for the 4th Financing for Development Forum.
49	Concessional Capital for Agri-SME Funds	ISF Advisors	-	Guidance document for donors and investors supporting agricultural SMEs.
50	RCF Annual Reports	Responsible Commodities Facility	2023–2024	Annual progress and performance reports of the Responsible Commodities Facility.
51	Monitoring for Impact in Sustainable Land Use Finance	UNEP-WCMC	October 2023	Methodology for monitoring impact metrics in land use finance.
52	External Risk Categorization Annex 6a	&Green	July 2024	Annex outlining external risk categories relevant to investments.
53	AGRI3 Case Study	UNEP-WCMC	May 2023	Case study analyzing investment outcomes under the AGRI3 fund.
54	AGRI3 ESG Policy Statement	AGRI3	November 2023	Environmental, social and governance framework adopted by AGRI3.

55	Nature's Investment Frontier	Ecosystem Marketplace	April 2025	Report examining investment opportunities in nature-based solutions.
56	Land Use Finance Impact Hub Presentation	-	2025	Presentation on standardizing metrics in land use finance.
57	Responsible Commodities Facility (RCF)	Climate Finance Lab	-	Concept profile of the RCF from the Climate Finance Lab.
58	Demystifying DFIs	FMO	November 2024	Publication explaining the structure and role of DFIs in sustainable finance.
59	Catalytic Capital Global Conversation	Impact Europe	-	Insights from global discussions on catalytic capital.
60	UNEP Finance Initiative – Membership Risk Assessment Policy	UNEP FI	2022	Policy outlining membership risk management at UNEP FI.
61	Tool 4: For Profit Due Diligence	-	-	Due diligence tool for evaluating for-profit projects (internal resource).
62	Better Finance, Better Food Case Study Catalogue	Various	2020	Catalogue of 43 case studies on innovative financing for sustainable food systems.
63	Convergence TLFF Sustainability Bond Case Study	ADM Capital Foundation	2019	Case study on the Tropical Landscape Finance Facility (TLFF) sustainability bond.
64	Land Use Finance Project IPMR Monitoring Report	UNEP	May 2025	Monitoring report for the Land Use Finance Project.
65	Toolbox on Financing Nature-Based Solutions	Green Policy Platform	-	Comprehensive resource toolbox for financing NbS.
66	Mobilizing Capital for Sustainable Agriculture in Brazil	BCG	2024	Pathway report for sustainable expansion of agriculture and livestock.
67	IFACC Yearbook	IFACC	2024	Yearbook summarizing progress and outputs under the IFACC initiative.
68	Finance for Landscapes	WWF UK	June 2025	Financing mechanisms to support landscape-level interventions.
69	Deforestation-Free Commodities	FMO	-	Guidance on financing supply chains free of deforestation.
70	Nature Financeù Focus	Pollination Group	June 2025	Overview of emerging trends and priorities in nature finance.

71	Blended Finance Playbook for Climate-Smart Agrifood	Climateshot Investor Coalition	-	Playbook for using blended finance in climate-smart agri-food systems.
72	RLU Landscape Protection Plan	&Green	May 2021	Detailed plan for landscape-level environmental protection by RLU in Indonesia.
73	Blended Finance Profile: Tropical Landscape Finance Facility (TLFF)	BlendedFinance. Earth	November 2020	Profile and analysis of the TLFF as a blended finance structure.
74	UNEP TLFF Project Page	UNEP	-	UNEP's official project overview for the Tropical Landscapes Finance Facility.
75	UNEP Story on TLFF	UNEP	-	Narrative on how TLFF is mobilizing private capital for climate action.
76	ADM Capital – TLFF Overview	ADM Capital	-	Overview of TLFF by ADM Capital, one of the facility's founding partners.
77	Impact Banking: TLFF Rubber Revolution	Euromoney	-	Media feature on TLFF's role in transforming rubber supply chains in Indonesia.
78	Convergence TLFF Resource	Convergence	-	Detailed resource on TLFF's structure, performance and lessons.
79	Blog: Better Deal – TLFF	World Agroforestry	October 2016	Blog post on TLFF's approach to incentivizing sustainable land use.
80	TLFF Introduction Document	ADM Capital Foundation	February 2017	Introductory overview of TLFF structure and objectives.
81	Alliance: Tropical Landscapes Finance Facility	ADM Capital Foundation	-	Summary of collaborative institutions supporting TLFF.
82	TLFF Sustainability Bond Case Study	ADM Capital Foundation	2019	Case study on the design and issuance of TLFF's sustainability bond.
83	TLFF Bond Repaid in Full	ADM Capital	-	News release announcing repayment of TLFF bond by rubber company.
84	Convergence News on TLFF	Convergence	-	Article highlighting developments and lessons learned from TLFF.
85	BlueEarth Capital Investment in TLFF	BlueEarth Capital	-	News release on BlueEarth's investment in Indonesia's first blended finance facility.
86	Sustainable Finance Facility (SFF)	One Planet Summit	-	Coalition initiative under the One Planet Summit for sustainable finance.
87	Landmark $95M TLFF Bond Activation	Koen Kusters	February 28, 2018	Announcement of the launch of TLFF bond for sustainable rubber venture.
88	Towards More Effective Landscape	Sustainability Science	November 2019	Academic article examining landscape governance challenges and strategies in the RIMBA corridor region.

	Governance for Sustainability: The Case of RIMBA Corridor, Central Sumatra, Indonesia			
89	Mid Term Review of the UNEP Project Land Use Finance Project PIMS ID: 02009 2018-2023	UNEP	2022	Mid-Term Review

Annex IX. Evaluation itinerary for the case study of TLFF

TLFF case study in Indonesia was carried out as part of the evaluation of the UNEP Land Use Finance Project (PIMS 2009) and in accordance with UNEP Evaluation Policy.

The Land Use Finance project set up complementary finance facilities that aimed at using public funding to leverage and unlock private capital at scale for sustainable agricultural commodity production, forest and landscape restoration. The Tropical Landscapes Finance Facility (TLFF) was implemented in Indonesia and facilitated investments in Jambi, Sumatra and East Kalimantan, which involved private sector stakeholders such as Michelin.

The TLFF and field activities of Michelin/RLU in Jambi were assessed based on review of: 1) the social and environmental frameworks of the funds, 2) the quality of the stakeholder engagement processes, and 3) the potential impacts at landscape level of the activities of the companies induced by the conditional funding.

The overall methodology consisted of:

- Document Review
- Focus Group Discussion
- Individual Semi-Structured Interviews
- Field observations of activities being conducted by investees

The field visit comprised of interactions with the key stakeholders in Jakarta and field visit to Jambi Province where TLFF investment was made through RLU-Michelin in Tebu. This allowed for ground level observations as well as interaction with smallholder rubber growers between 21st and 30th April 2025.

In general, the aim was to assess the extent to which the applied social and environmental frameworks have been effective, whether stakeholder processes were inclusive and effective, including possible impacts on smallholder farmers. Finally, how or on which aspects of policy/practice provincial and national governments are responding to sustain landscape finance best practices and their upscaling in addition to public sector investments.

Specific questions of interest rallied around:

- What are some key learnings on land tenure, social conflicts, resource depletion while using Environmental, Social, Governance (ESG) framework and uptake of such learning at policy, practice and strategic levels that have emerged from blended finance institutions, banks or investors that UNEP can build on for the next generation of land use finance for zero deforestation?
- How have safeguards and risk assessment procedures performed while identifying, and accommodating risk in project/deal/transaction design and monitoring during planning and implementation. What has worked on the ground and what does not work (e.g., Wildlife Conservation Area practice).
- What have been smallholder benefits and how sustainable these are vis-à-vis what are their expectations from public and business sector actors to upscale/innovate while resource restoration is effected.
- What has been invested in capacity building, communication and awareness of key stakeholders including donors, finance facilities and smallholders and how can this be

sustained to support the shift in thinking of governments so that both public and private capital can be leveraged to change the deforestation trajectory?

- After TLFF, another initiative, the Tropical Landscape Grant Facility, was launched. The TLGF, is a grant-making initiative helping sustainable land use ventures to improve their chances of securing private sector financing. How does this initiative (and similar initiatives) contribute to the improvement of rural livelihoods, zero deforestation and stimulation of sustainable and inclusive economic growth? What learnings can be drawn from Indonesia (inter alia e.g., on securing a suitable forest protection strategy and forest management which requires inherent culture change, and impacts (social, environmental and economic) that are visible and can be sustained?

Resource Persons met in Indonesia between 21st and 30th April, 2025

Former Chair of the TLFF Steering Committee/ President Commissioner of PT Samudera Indonesia, Jakarta

Director Social Forestry, Jakarta

Head of the Sub-Directorate of Social Forestry Business Institutions, Jakarta

Head of the Fund Disbursement, IEF, Jakarta

Representative, Indonesia Environment Fund, Jakarta

Representative, Jambi Project Implementation Unit Coordinator, Jambi

Programme Coordinator, WARSI NGO, Jambi

Head of the Conservation Department, RLU, Tebu, Jambi

Community Partnership Program Officer, Tebu, RLU Site in Jambi Province

Rubber smallholder, in Tebu, RLU Site in Jambi Province

Translator and Notetaker, Jakarta and Jambi

Head of Bappeda, Jambi

Head of the BioCF-ISFL Sub-national Project Management Unit, Jambi

BioCF-ISFL Consultant, Jambi

Head of the Economy and Natural Resources Division, Bappeda, Jambi

Jambi Project Implementation Unit Coordinator, UNEP

FZS Country Representative, Jambi

ADM Capital, CREDIT Specialist, Jakarta

Country Coordinator UNEP UN-REDD Indonesia, Jakarta

UNDP Finance Unit, Leader, Jakarta

Staff, Land Affairs and Spatial Planning, Jakarta

Staff, Sustainable Finance Unit UNEP, Jakarta (Online)

Staff, Admin-Finance, UNEP, Jakarta

Staff, UNEP Office, Jakarta

Project Officer, UNEP, Jakarta

Programme Management Officer, UNEP, Jakarta

Senior Agroforestry Systems Scientist CIFOR-ICRAF Indonesia Country Program, Bogor (online)

ANNEX X. PROJECT BUDGET AND EXPENDITURES

Table x: Project Funding Sources Table

Funding source *All figures as USD*	**Planned funding in initial Prodoc**	**Prodoc Version 1** **2018-2022**	**Prodoc Version 2** **2018-2023**	**Prodoc Version 3** **2018-2024**	**% of planned funding**	**Secured funding Dec 2024**[1]	**% of secured funding**
Cash							
Funds from the Environment Fund	80,000	80,000	58,000	58,000			
Funds from the Regular Budget							
Extra-budgetary funding (listed per donor):							
Norway Trust Fund	1,000,000	1,000,000	456,000	456,000			
Sida Trust Fund	1,000,000	1,000,000	1,140,000	1,140,000			
Luxemburg		2,804,053	2,732,014	2,732,014			
Germany (IKI) El Salvador		910,124	910,124	910,124			
Germany (IKI) RSCF prep funding			223,907	223,907			
GEF IUCN JI		40,000	40,000	29,000			
AGRI 3 Fund (Dutch govt)			660,000	660,000			
Italy			1,498,000	1,071,652			
TNC (moore foundation)			694,994	555,600			
Belgium				418,214			
UNDP FOLUR project				401,304			
UNDP jurisdictional mechanism				100,008			
UN Decade MPTF				120,000			
Sub-total: Cash contributions	*2,080,000*	*5,834,178*	*8,413,039*	*10,862,084*			
In-kind							
Environment Fund staff-post costs	150,000	150,000	444,080				

Regular Budget staff-post costs		551,400					
Extra-budgetary funding for staff-posts							
UN-REDD	1,500,000	1,500,000	1,500,000				
GEF (&Green)	2,000,000	2,000,000	2,000,000				
GCF (private sector) TLFF Project Pangolin	6,500,000	6,300,000	0				
GEF Good Growth Partnership		2,125,457	2,125,455				
GEF – restoration initiative		850,000	850,000				
GEF – Green Finance for Sustainable Landscapes			909,883				
RSCF_IKI Germany and Luxemburg			27,237,044				
Canada (TLFF Grant Fund)			3,759,494				
USAID (SIAP)			1,732,500				
Sub-total: In-kind contributions	10,150,000	13,476,857	40,558,456				
Co-financing*							
Co-financing cash contribution		203,334,178	11,355,039				
Co-financing in-kind contribution		13,476,857	40,558,456				
Sub-total: Co-financing contributions							
Total	***79,586,080***	***216,811,035***	***51,913,495***				

[1] Secured funding refers to received funds and does not include funding commitments not yet realised.

*Funding from a donor to a partner which is not received into UNEP accounts, but is used by a UNEP partner or collaborating centre to deliver the results in a UNEP – approved project.

ANNEX XI. FINANCIAL MANAGEMENT

Table x: Financial Management Table

Financial management components:		Rating	Evidence/ Comments
1. Adherence to UNEP's policies and procedures:		**S**	
Any evidence that indicates shortcomings in the project's adherence[107] to UNEP or donor policies, procedures or rules		No	
2. Completeness of project financial information[108]:		**S**	
Provision of key documents to the reviewer (based on the responses to A-H below)		S	
A.	Co-financing and Project Cost's tables at design (by budget lines)	Yes	
B.	Revisions to the budget	Yes	
C.	All relevant project legal agreements (e.g. SSFA, PCA, ICA)	Yes	SSFA, PCAs (with WCMC), some donor agreements
D.	Proof of fund transfers	No	
E.	Proof of co-financing (cash and in-kind)	Yes	
F.	A summary report on the project's expenditures during the life of the project (by budget lines, project components and/or annual level)	No	
G.	Copies of any completed audits and management responses *(where applicable)*	No	
H.	Any other financial information that was required for this project (list): Budget broken down by outcomes/outputs First budget revision Financial reports to donors Requested April 30th	No	
3. Communication between finance and project management staff		**S**	
Project Manager and/or Task Manager's level of awareness of the project's financial status.		HS	
Fund Management Officer's knowledge of project progress/status when disbursements are done.		HS	
Level of addressing and resolving financial management issues among Fund Management Officer and Project Manager/Task Manager.		S	
Contact/communication between by Fund Management Officer, Project Manager/Task Manager during the preparation of financial and progress reports.		S	Weekly meetings were planned between FMO and PM
Project Manager, Task Manager and Fund Management Officer responsiveness to financial requests during the review process		MU	
Overall rating		**S**	

[107] If the evaluation raises concerns over adherence with policies or standard procedures, a recommendation maybe given to cover the topic in an upcoming audit, or similar financial oversight exercise.
[108] See also document 'Criterion Rating Description' for reference

Annex XII. BRIEF CV OF THE EVALUATORS

Dr Ines Freier

Profession	Independent Consultant for natural resource management, climate change adaptation and biodiversity: project design, evaluation and capacity building
Nationality	German
Country experience	• Europe: Germany, Georgia, Hungary, Poland, Estonia, Latvia, Lithuania, Denmark, • Africa: Mocambique • Americas: Argentina, Bolivia, Paraguay, Ecuador, Colombia, Panama, Costa Rica, México, Nicaragua • Asia: Sri Lanka, India, Nepal, Bhutan, Bangladesh, Uzbekistan, Kyrgyz Republic, Kazakhstan
Education	• PhD in Political Science Vechta University Germany • Post Graduate Course in Development Policy at German Development Institute Berlin, Germany (today IDOS Bonn, Germany) • Diplom (M.A equivalent) Latin American Studies and Development Economics University of Rostock, Rostock, Germany

Ines Freier is a Senior Consultant for evaluations, learning and knowledge management and project planning in the fields of natural resource management, biodiversity protection and climate change adaptation

Key specialties and capabilities cover:

- Evaluations of large, complex global, regional and national projects
- Community-based projects including livelihoods and SME development, local capacity development and local institutions for Natural Resource Management
- Engagement of Private Sector, value chain development

Selected assignments and experiences

- 12/2022-04/2023: Team leader for Formative Evaluation of the project for fair working conditions on Tea Estates in Sri Lanka, Misereor/ Germany (BMZ financed),
- 06-10/2022: Formative evaluation of Fair Trade Unit of Bread for the World / Germany (BMZ financed), focus on Human Rights in value chains, *Bread for the World,*
- 08/2021-08/2022: Team leader of Terminal Evaluation of the project "The GEF Earth Fund: Conservation Agreements Private Partnership Platform" (volume: 20 Mio US$), *UNEP/GEF*: remote evaluation of conservation agreements with communities and private sector engagement with online qualitative interviews following OECD-DAC criteria *Countries:* China, India, Cambodia, Ethiopia, South Africa, Bolivia, Colombia (coastal areas), Perú, Guatemala
- 08/2020-07/2021: Team leader of Central Project Evaluation of the project on biodiversity and mainstreaming Forest Ecosystem Services / Water into forest policy and other sectors in India (volume: 12.2 Mio EUR), including TEEB Studies in India, *GIZ, India*: remote evaluation using OECD-DAC criteria, evaluation design using contribution analysis, development of methodology for a semi-remote evaluation, design of data collection and data gathering of pilot sites, writing of inception and final report
- 05/2018-10/2018: Team leader for Mid-term Review of the global Blue Forests project, using OECD-DAC criteria, GEF, field visit to Ecuador, virtual interviews in Indonesia, Madagascar, Kenya, Abu Dhabi, Mozambique,
- 05/2007-09/2007: Evaluation of projects and programmes of German technical and financial co-operation (KfW and GTZ funded by BMZ) in India, *BMZ India*: OECD-DAC criteria, portfolio analysis, contribution analysis
- 08/2006-10/2006: Research study preparing a larger thematic evaluation 'Impacts of voluntary social and environmental standards', *BMZ, global*: OECD-DAC criteria, contribution analysis.

Name	Dr. Rajan Kotru
Profession	Forester
Nationality	Indian
Country experience	● Europe: Germany ● Asia: Pakistan, Sri Lanka, China, India, Nepal, Myanmar, Bangladesh, Bhutan, Afghanistan
Education	● PhD Forestry from LMU Munich, Germany

Short biography

An innovative, strategic and passionate senior international sustainable development expert, with a career spanning over 33 years and experience and expertise gained across South Asia, Europe, India and the USA. The initiation and development of ground-breaking transboundary landscapes and relationships is a specialism, founded on integrity, ethics, transparency and diplomacy, resulting in the mobilising of opposing national and local governments and private sector actors to form partnerships and the meaningful engagement for climate solutions and actions. Has mixed his development experience with research and education with renowned universities and institutions across the globe and in South Asia. Key advisor to national and international sustainable development policy influencing and champion of climate smart, eco-friendly solutions including at "Landscape Scale" in a rural development and sustainable natural resource management context; dedicated to the resilience of local communities to climate change and restoration and sustenance of ecosystem services (Carbon Sequestration in Agroforestry Value Chains) enablement of poor and disadvantaged rural-urban communities. A charismatic speaker and accessible leader, modelling and sharing best practices and creating empowered and cohesive multicultural teams. Winner of the RNRF-USA Outstanding Achievement Award 2018 for the Transboundary Programme. Finally, with engagements in post-earthquake (Nepal 2015) and flood disasters humanitarian work experience in South Asia has contributed to disaster risk mitigation at scale. Design of Carbon sequestrating tourism and landscape approach are only few resent accomplishments.

Key specialties and capabilities cover:

- Innovation and Strategy,
- Transboundary landscape approaches,
- Stakeholder engagement and community participation

  Selected assignments and experiences
- **INTERNATIONAL CHIEF TECHNICAL ADVISOR**, INDO-GERMAN CLIMATE PROGRAMME (KFW) IN TRIPURA STATE OF INDIA SINCE 2021
- **Vision Document** 2035 on Himalayas for NITI Aayog (includes Climate Resilience Strategy) – GoI and Advisor to **Himalaya Calling and SECURE Himalayas** Projects financed by UNDP and Government of India; 2019/2020
- Head of transboundary landscape Kailash programme at ICIMOD: Exemplary leadership of 4 Transboundary Landscape initiatives and of the Regional REDD+ Programme and influencing of National REDD+ strategies incorporating 8 Hindu Kush Himalayan countries, with a focus on Transboundary Cooperation in Conservation and Development; creating an interface for science, practice and policy and promoting the South-South dialogue – total portfolio of over 22 million USD; Concept of REDD Performance Payments to Communities and other Climate Proofing Projects with Private Sector. Pioneer for Gender Action Plans and Frameworks (2014-2019)
  08/2020-07/2023: Central Project Evaluation of the programme on biodiversity and mainstreaming Forest Ecosystem Services / Water into forest policy and other sectors and WASCA Project in India (volume: over 20 Mio EUR), *GIZ, India*: evaluation using OECD-DAC criteria, evaluation design using contribution
- 09/2023-06/2024: Design of GIZ Project: Gender Responsive Forest Ecosystems and Agroforestry Management-India
- Principal Investigator Agroecology Project of Ministry of Environment, Forest and Climate Change-Government of India under NMHS Programme on Himalayas

Annex XIII. Quality assessment of the evaluation report

Quality Assessment of the Evaluation Report

Evaluand Title:

Terminal Evaluation of the UNEP project Land Use Finance (PIMS 2009)

All UNEP evaluations are subject to a quality assessment by the Evaluation Office. This is an assessment of the quality of the evaluation product (i.e. evaluation report) and is dependent on more than just the consultant's efforts and skills.

	UNEP Evaluation Office Comments	Final Report Rating
Report Quality Criteria		
Quality of the Executive Summary Purpose: acts as a stand alone and accurate summary of the main evaluation product, especially for senior management. To include: • concise overview of the evaluation object • clear summary of the evaluation objectives and scope • overall evaluation rating of the project and key features of performance (strengths and weaknesses) against exceptional criteria • reference to where the evaluation ratings table can be found within the report • summary response to key strategic evaluation questions • summary of the main findings of the exercise/synthesis of main conclusions • summary of lessons learned and recommendations.	Final report *(coverage/omissions):* All required elements are addressed. Final report *(strengths/weaknesses):* Summarized presentation made of the required elements of the executive summary.	5
Quality of the 'Introduction' Section Purpose: introduces/situates the evaluand in its institutional context, establishes its main parameters (time, value, results, geography) and the purpose of the evaluation itself. To include: • institutional context of the project (sub-programme, Division, Branch etc) • date of PRC approval, project duration and start/end dates • number of project phases (where appropriate) • results frameworks to which it contributes (e.g. POW Direct Outcome) • coverage of the evaluation (regions/countries where implemented) • implementing and funding partners • total secured budget • whether the project has been evaluated in the past (e.g. mid-term, external agency etc.) • concise statement of the purpose of the evaluation and the key intended audience for the findings.	Final report *(coverage/omissions):* The section presents the purpose and scope of the evaluation. It also lists the strategic questions. Final report *(strengths/weaknesses):* The section is short and to the point with emphasis on the strategic questions, which are listed in full. The description of the project is short, but it is presented in full in chapter 3.	5
Quality of the 'Evaluation Methods' Section Purpose: provides reader with clear and comprehensive description of evaluation methods, demonstrates the credibility of the findings and performance ratings. To include: • description of evaluation data collection methods and information sources	Final report *(coverage/omissions):* Most of the required elements are covered in the section, including methods and challenges, limitations and risks to the evaluation.	4

• justification for methods used (e.g. qualitative/ quantitative; electronic/face-to-face) • number and type of respondents *(see table template)* • selection criteria used to identify respondents, case studies or sites/countries visited • strategies used to increase stakeholder engagement and consultation • methods to include the voices/experiences of different and potentially excluded groups (e.g. vulnerable, gender, marginalised etc) • details of how data were verified (e.g. triangulation, review by stakeholders etc.) • methods used to analyse data (scoring, coding, thematic analysis etc) • evaluation limitations (e.g. low/ imbalanced response rates across different groups; gaps in documentation; language barriers etc) • ethics and human rights issues should be highlighted including: how anonymity and confidentiality were protected. Is there an ethics statement? E.g. *'Throughout the evaluation process and in the compilation of the Final Evaluation Report efforts have been made to represent the views of both mainstream and more marginalised groups. All efforts to provide respondents with anonymity have been made.*	Final report *(strengths/weaknesses):* The description of use in UNEP is in line with the intensions of the UNEP Evaluation Policy and an overview of evaluation respondents is presented in a table. It would have been beneficial to include more information about how the evaluators ensured ethics, human rights and gender implications were considered in the evaluation process.	
Quality of the 'Project' Section Purpose: describes and verifies key dimensions of the evaluand relevant to assessing its performance. To include: • *Context:* overview of the main issue that the project is trying to address, its root causes and consequences on the environment and human well-being (i.e. synopsis of the problem and situational analyses) • *Results framework*: summary of the project's results hierarchy as stated in the ProDoc (or as officially revised) • *Stakeholders:* description of groups of targeted stakeholders organised according to relevant common characteristics • *Project implementation structure and partners:* description of the implementation structure with diagram and a list of key project partners • *Changes in design during implementation:* any key events that affected the project's scope or parameters should be described in brief in chronological order • *Project financing:* completed tables of: (a) budget at design and expenditure by components (b) planned and actual sources of funding/co-financing	Final report *(coverage/omissions):* The section has the required elements and contains a description of the context, results framework, stakeholders, project implementation structure and partners, changes in design during implementation, and project financing. Final report *(strengths/weaknesses):* The section is supported by a detailed description of the context and development of blended finance. Relevant tables are used to present the RToC, project implementation structure and project finance.	5.5
Quality of the Theory of Change Purpose: to set out the TOC at Evaluation in diagrammatic and narrative forms to support consistent project performance; to articulate the causal pathways with drivers and assumptions and justify any reconstruction necessary to assess the project's performance. To include:	Final report *(coverage/omissions):* All required elements are included. Final report *(strengths/weaknesses):* The section presents a detailed narrative of the causal pathway with a detailed review of assumptions and drivers and a diagram to illustrate the RToC.	5.5

• description of how the *TOC at Evaluation*[109] was designed (who was involved etc) • confirmation/reconstruction of results in accordance with UNEP definitions • articulation of causal pathways • identification of drivers and assumptions • identification of key actors in the change process • summary of the reconstruction/results re-formulation in tabular form. *The two results hierarchies (original/formal revision and reconstructed) should be presented as a two-column table to show clearly that, although wording and placement may have changed, the results 'goal posts' have not been 'moved'.* This table may have initially been presented in the Inception Report and should appear somewhere in the Main Evaluation report.		
Quality of Key Findings within the Report Presentation of evidence: nature of evidence should be clear (interview, document, survey, observation, online resources etc) and evidence should be explicitly triangulated unless noted as having a single source. Consistency within the report: all parts of the report should form consistent support for findings and performance ratings, which should be in line with UNEP's Criteria Ratings Matrix. Findings Statements (where applicable): The frame of reference for a finding should be an individual evaluation criterion or a strategic question from the TOR. **A finding should go beyond description and uses analysis to provide insights that aid learning specific to the evaluand.** In some cases a findings statement may articulate a key element that has determined the performance rating of a criterion. Findings will frequently provide insight into 'how' and/or 'why' questions.	Final report *(coverage/omissions):* Consistency is achieved throughout the report of findings. Final report *(strengths/weaknesses):* Quantitative and qualitative evidence is presented. Findings are formulated based on evidence presented.	5
Quality of 'Strategic Relevance' Section Purpose: to present evidence and analysis of project strategic relevance with respect to UNEP, partner and geographic policies and strategies at the time of project approval. To include: Assessment of the evaluand's relevance vis-à-vis: • Alignment to the UNEP Medium Term Strategy (MTS), Programme of Work (POW) and Strategic Priorities • Alignment to Donor/GEF/Partners Strategic Priorities • Relevance to Regional, Sub-regional and National Environmental Priorities	Final report *(coverage/omissions):* Each sub-category is assessed with a rating and an overall rating is provided. Final report *(strengths/weaknesses):* The section covers different aspects of the project's relevance.	5

[109] During the Inception Phase of the evaluation process a *TOC at Evaluation Inception* is created based on the information contained in the approved project documents (these may include either logical framework or a TOC or narrative descriptions), formal revisions and annual reports etc. During the evaluation process this TOC is revised based on changes made during project intervention and becomes the *TOC at Evaluation*.

• Complementarity with Existing Interventions: complementarity of the project at design (or during inception/mobilisation[110]), with other interventions addressing the needs of the same target groups.		
Quality of the 'Quality of Project Design' Section <u>Purpose:</u> to present a summary of the strengths and weaknesses of the project design, on the basis that the detailed assessment was presented in the Inception Report.	Final report *(coverage/omissions):* All required elements are included in the section. Final report *(strengths/weaknesses):* A detailed assessment of strengths and weaknesses of the project design is presented in a table format and the summarized rating of the project design quality is included for consistency.	5
Quality of the 'Nature of the External Context' Section <u>Purpose:</u> to describe and recognise, when appropriate, key <u>external</u> features of the project's implementing context that limited the project's performance (e.g. conflict, natural disaster, political upheaval[111]), and how they affected performance. While additional details of the implementing context may be informative, this section should clearly record whether or not a major and unexpected disrupting event took place during the project's life in the implementing sites.	Final report *(coverage/omissions):* The section presents relevant external factors. Final report *(strengths/weaknesses):* The assessment has only emphasis on some of the relevant countries in which the finance facilities made investment deals.	4
Quality of 'Effectiveness' Section **(i) Availability of Outputs:** <u>Purpose:</u> to present a well-reasoned, complete and evidence-based assessment of the outputs made available to the intended beneficiaries. To include: • a convincing, evidence-supported and clear presentation of the outputs made available by the project compared to its approved plans and budget • assessment of the nature and scale of outputs versus the project indicators and targets • assessment of the timeliness, quality and utility of outputs to intended beneficiaries • identification of positive or negative effects of the project on disadvantaged groups, including those	Final report *(coverage/omissions):* Each output is assessed and an overall rating of availability of outputs is provided. Final report *(strengths/weaknesses):* The assessment is convincing and evidence-supported with references that have been validated or confirmed by the evaluation team.	5.5

[110] A project's inception or mobilization period is understood as the time between project approval and first disbursement. Complementarity <u>during project implementation</u> is considered under Efficiency, see below.

[111] Note that 'political upheaval' does not include regular national election cycles, but unanticipated unrest or prolonged disruption. The potential delays or changes in political support that are often associated with the regular national election cycle should be part of the project's design and addressed through adaptive management of the project team.

with specific needs due to gender, vulnerability or marginalisation (e.g. through disability).		
ii) Achievement of Project Outcomes: <u>Purpose:</u> to present a well-reasoned, complete and evidence-based assessment of the uptake, adoption and/or implementation of outputs by the intended beneficiaries. This may include behaviour changes at an individual or collective level. To include: • a convincing and evidence-supported analysis of the uptake of outputs by intended beneficiaries • assessment of the nature, depth and scale of outcomes versus the project indicators and targets • discussion of the contribution, credible association and/or attribution of outcome level changes to the work of the project itself • any constraints to attributing effects to the projects' work • identification of positive or negative effects of the project on disadvantaged groups, including those with specific needs due to gender, vulnerability or marginalisation (e.g. through disability).	Final report *(coverage/omissions):* The section includes key required elements. Final report *(strengths/weaknesses):* The assessment is convincing and evidence-supported with a detailed narrative assessment for each of the project's 3 outcome and indicator references have been confirmed by the evaluation team.	5.5
(iii) Likelihood of Impact: <u>Purpose:</u> to present an integrated analysis, guided by the causal pathways represented by the TOC, of all evidence relating to likelihood of impact, including an assessment of the extent to which drivers and assumptions necessary for change to happen, were seen to be holding. To include: • an explanation of how causal pathways emerged and change processes can be shown • an explanation of the roles played by key actors and change agents • explicit discussion of how drivers and assumptions played out • identification of any unintended negative effects of the project, especially on disadvantaged groups, including those with specific needs due to gender, vulnerability or marginalisation (e.g. through disability).	Final report *(coverage/omissions):* The section includes key required elements. Final report *(strengths/weaknesses):* The assessment contains detailed discussion of factors influencing likelihood of impact, drivers and assumptions with justifications. Intended positive effects and unintended negative effects have been discussed to the extent possible as the evaluation did not find evidence of adverse effects in documents or interviews.	5
Quality of 'Financial Management' Section <u>Purpose:</u> to present an integrated analysis of all dimensions evaluated under financial management and include a completed 'financial management' table (may be annexed). Consider how well the report addresses the following: • *adherence* to UNEP's financial policies and procedures • *completeness* of financial information, including the actual project costs (total and per activity) and actual co-financing used • *communication* between financial and project management staff	Final report *(coverage/omissions):* The three sub-categories have been assessed, rated and an overall rating is provided. Final report *(strengths/weaknesses):* Short and concise assessments provided.	5
Quality of 'Efficiency' Section <u>Purpose:</u> to present an integrated analysis of all dimensions evaluated under efficiency (i.e. the primary categories of cost-effectiveness and timeliness). To include: • time-saving measures put in place to maximise results within the secured budget and agreed project timeframe	Final report *(coverage/omissions):* Summarized assessment covering key aspects. Final report *(strengths/weaknesses):*	5

- discussion of making use, during project implementation, of/building on pre-existing institutions, agreements and partnerships, data sources, synergies and complementarities with other initiatives, programmes and projects etc. - implications of any delays and no cost extensions - the extent to which the management of the project minimised UNEP's environmental footprint.	The assessment of efficiency refers to innovative nature of the project and management set up of the finance facilities and the extent to which the project delivered maximum results from the given resources over time.	
Quality of 'Monitoring and Reporting' Section Purpose: to present well-reasoned, complete and evidence-based assessment of the evaluand's monitoring and reporting. Consider how well the report addresses the following: - quality of the monitoring design and budgeting *(including SMART results with measurable indicators, resources for MTE/R etc.)* - quality of monitoring of project implementation *(including use of monitoring data for adaptive management)* - quality of project reporting *(e.g. PIMS and donor reports)* \	Final report *(coverage/omissions):* The required elements of the three sub-categories are addressed and ratings provided and an overall rating of the criteria. Final report *(strengths/weaknesses):* Short and concise assessment of the criteria. The assessment identifies both strengths and weaknesses in the monitoring and reporting of the project.	5
Quality of 'Sustainability' Section Purpose: to present an integrated analysis of all dimensions evaluated under sustainability (i.e. the endurance of benefits achieved at outcome level). Consider how well the report addresses the following: - socio-political sustainability - financial sustainability - institutional sustainability	Final report *(coverage/omissions):* The three sub-categories are assessed and rated, and an overall rating is provided. Final report *(strengths/weaknesses):* Short and concise assessment of the criteria. The sustainability assessments refers to the ToC, the facilities (outcome 1), outcomes 2 and 3 and evaluation's case studies of TLFF and Brazil.	5
Quality of Factors Affecting Performance Section Purpose: These factors are not always discussed in stand-alone sections and may be integrated in the other performance criteria as appropriate. However, if not addressed substantively in this section, a cross reference must be given to where the topic is addressed and that entry must be sufficient to justify the performance rating for these factors. Consider how well the evaluation report, either in this section or in cross-referenced sections, covers the following cross-cutting themes: - preparation and readiness - quality of project management and supervision[112]	Final report *(coverage/omissions):* Each sub-category is assessed, rated and an overall rating is provided. Final report *(strengths/weaknesses):* The assessments are concise. Information and insights from the TLFF case study, including field visit	5

[112] In some cases 'project management and supervision' will refer to the supervision and guidance provided by UNEP to

• stakeholder participation and co-operation • responsiveness to human rights and gender equality • environmental and social safeguards • country ownership and driven-ness • communication and public awareness	is included as appropriate and relevant.	
Quality of the Conclusions Section **(i) Conclusions Narrative:** Purpose: to present summative statements reflecting on prominent aspects of the performance of the evaluand as a whole, they should be derived from the synthesized analysis of evidence gathered during the evaluation process. To include: • compelling narrative providing an integrated summary of the strengths and weakness in overall performance (achievements and limitations) of the project • clear and succinct response to the key strategic questions • human rights and gender dimensions of the intervention should be discussed explicitly (e.g. how these dimensions were considered, addressed or impacted on)	Final report *(coverage/omissions):* The section meets requirements with Section 6.1 Conclusions and recommendations and responses to key strategic questions. Final report *(strengths/weaknesses):* The responses to the strategic questions are detailed and presents different perspectives. The table with summary of project findings and ratings is included.	5
ii) Utility of the Lessons: Purpose: to present both positive and negative lessons that have potential for wider application and use (replication and generalization) Consider how well the lessons achieve the following: • are rooted in real project experiences (i.e. derived from explicit evaluation findings or from problems encountered and mistakes made that should be avoided in the future) • briefly describe the context from which they are derived and those contexts in which they may be useful • do not duplicate recommendations	Final report *(coverage/omissions):* The four lessons are presented in the format required. Final report *(strengths/weaknesses):* Lesson 4 could have benefitted from more emphasis on the gender/HR dimension terms as part of working in multi-stakeholder settings.	4
(iii) Utility and Actionability of the Recommendations: Purpose: to present proposals for specific action to be taken by identified people/position-holders to resolve concrete problems affecting the project or the sustainability of its results. Consider how well the lessons achieve the following: • are feasible to implement within the timeframe and resources available (including local capacities) and specific in terms of who would do what and when • include at least one recommendation relating to strengthening the human rights and gender dimensions of UNEP interventions	Final report *(coverage/omissions):* The six recommendations are presented in the format required. Final report *(strengths/weaknesses):* Priority level, type of recommendation, responsibility and Implementation time frame and	5

implementing partners and national governments while in others, specifically for GEF funded projects, it will refer to the project management performance of the executing agency and the technical backstopping provided by UNEP. This includes providing the answers to the questions on Core Indicator Targets, stakeholder engagement, gender responsiveness, safeguards and knowledge management, required for the GEF portal.

• represent a measurable performance target in order that the Evaluation Office can monitor and assess compliance with the recommendations. NOTES: **(i)** In cases where the recommendation is addressed to a third party, compliance can only be monitored and assessed where a contractual/legal agreement remains in place. Without such an agreement, the recommendation should be formulated to say that UNEP project staff should pass on the recommendation to the relevant third party in an effective or substantive manner. The effective transmission by UNEP of the recommendation will then be monitored for compliance. **(ii)** Where a new project phase is already under discussion or in preparation with the same third party, a recommendation can be made to address the issue in the next phase.	cross-references are specified as required.	
Quality of Report Structure and Presentation **(i) Structure and completeness of the report:** To what extent does the report follow the Evaluation Office structure and formatting guidelines? Are all requested Annexes included and complete?	Final report *(coverage/omissions):* Well-structured and complete report. Final report *(strengths/weaknesses):* All annexes are included and complete.	5
(ii) Writing and formatting: Consider whether the report is well written (clear English language and grammar) with language that is adequate in quality and tone for an official document? Do visual aids, such as maps and graphs convey key information?	Final report *(coverage/omissions):* Language is appropriate and concise. Final report *(strengths/weaknesses):* Good use of tables as per guidelines.	5
OVERALL REPORT QUALITY RATING		**5**

A number rating 1-6 is used for each criterion: Highly Satisfactory = 6, Satisfactory = 5, Moderately Satisfactory = 4, Moderately Unsatisfactory = 3, Unsatisfactory = 2, Highly Unsatisfactory = 1. The overall quality of the evaluation report is calculated by taking the mean score of all rated quality criteria.

At the end of the evaluation, compliance of the evaluation process against the agreed standard procedures is assessed, based on the table below. *All questions with negative compliance must be explained further in the table below.*

Evaluation Process Quality Criteria	**Compliance**	
	Yes	**No**
Independence:		
1. Were the Terms of Reference drafted and finalised by the Evaluation Office?	x	
2. Were possible conflicts of interest of proposed Evaluation Consultant(s) appraised and addressed in the final selection?		x
3. Was the final selection of the Evaluation Consultants made by the Evaluation Office?		x
4. Were the evaluators contracted directly by the Evaluation Office?	x	
5. Were the Evaluation Consultants given direct access to identified external stakeholders in order to adequately present and discuss the findings, as appropriate?	x	

6. Did the Evaluation Consultants raise any concerns about being unable to work freely and without interference or undue pressure from project staff or the Evaluation Office?		x
7. If Yes to Q6: Were these concerns resolved to the mutual satisfaction of both the Evaluation Consultant and the Evaluation Manager?		
Financial Management:		
8. Was the evaluation budget approved at project design available for the evaluation?	x	
9. Was the final evaluation budget agreed and approved by the Evaluation Office?	x	
10. Were the agreed evaluation funds readily available to support the payment of the evaluation contract throughout the payment process?	x	
Timeliness:		
11. If a Terminal Evaluation: Was the evaluation initiated within the period of six months before or after project operational completion?	x	
12. Were all deadlines set in the Terms of Reference respected, as far as unforeseen circumstances allowed?	x	
13. Was the inception report delivered and reviewed/approved prior to commencing any travel?	x	
Project's engagement and support:		
14. Were the project team, Sub-Programme Coordinator and identified project stakeholders given an opportunity to provide comments on the evaluation Terms of Reference?	x	
15. Did the project make available all required/requested documents?	x	
16. Did the project make all financial information (and audit reports if applicable) available in a timely manner and to an acceptable level of completeness?	x	
17. Was adequate support provided by the project to the evaluators in planning and conducting evaluation missions?	x	
18. Was close communication between the Evaluation Consultants, Evaluation Office and project team maintained throughout the evaluation?	x	
19. Were evaluation findings, lessons and recommendations adequately discussed with the project team for ownership to be established?	x	
20. Were the project team, Sub-Programme Coordinator and any identified project stakeholders given an opportunity to provide comments on the draft evaluation report?	x	
Quality assurance:		
21. Were the evaluation Terms of Reference, including the key evaluation questions, peer-reviewed?	x	
22. Was the TOC in the inception report peer-reviewed?	x	
23. Was the quality of the draft/cleared report checked by the Evaluation Manager and Peer Reviewer prior to dissemination to stakeholders for comments?	x	
24. Did the Evaluation Office complete an assessment of the quality of both the draft and final reports?	x	
Transparency:		
25. Was the draft evaluation report sent directly by the Evaluation Consultants to the Evaluation Office?	x	
26. Did the Evaluation Manager disseminate (or authorize dissemination) of the cleared draft report to the project team, Sub-Programme Coordinator and other key internal personnel (including the Reference Group where appropriate) to solicit formal comments?	x	
27. Did the Evaluation Manager disseminate (or authorize dissemination) appropriate drafts of the report to identified external stakeholders, including key partners and funders, to solicit formal comments?	x	
28. Were all stakeholder comments to the draft evaluation report sent directly to the Evaluation Office?	x	

29. Did the Evaluation Consultants respond adequately to all factual corrections and comments?	**x**	
30. Did the Evaluation Office share substantive comments and Evaluation Consultants responses with those who commented, as appropriate?	**x**	