



Capacity Building Impact Brief

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Introduction: Five Years of Capacity Building

This brief showcases the activities and impact of work undertaken on capacity building for sustainable land use finance by **UNEP's Climate Finance Unit** in collaboration with partners such as UNEP's Finance Initiative (UNEP-FI) and the World Conservation Monitoring Centre (WCMC) covering a 5-year period from 2018 to 2023. It highlights successful projects that promote healthy and productive ecosystems, mitigate climate impacts, and reduce deforestation in commodity supply chains.

This brief focuses on activities primarily undertaken by the GEF-funded Good Growth Partnership (GGP) and the Food Systems, Land Use and Restoration Impact programme (FOLUR), but also includes other capacity building initiatives undertaken by the Climate Finance Unit, namely the Restoration Factory and the Innovative Finance for the Amazon, Cerrado and Chaco (IFACC) projects, showcasing the unique value chain approach of the unit.



Capacity Building: Addressing Risks and Scaling Sustainable Land Use Finance

At the nexus of the climate and biodiversity crises lie deforestation and land use change. Over the past decade, approximately 80% of deforestation worldwide is attributed to agricultural expansion and production of commodities [1]. A programmatic value-chain approach is essential for tackling the highly complex issue of deforestation.

Financial flows lie at the core of this chain, possessing clear potential to, together with other financial and non-financial incentives, catalyze a change of direction towards sustainable and deforestation-free supply chains.

Financial institutions (FIs), through their loans and investments in companies involved in the production, trade, or use of soft commodities such as soy, beef, and palm oil, are exposed to deforestation risks. Therefore, addressing nature and climate solutions in an integrated way can be a fundamental risk management approach. However, the current risk-management landscape is diverse, encompassing various tools, initiatives, and programmes. **There is inconsistent use and understanding of these resources, coupled with a lack of programmes that offer a comprehensive approach tailored for the land-use sector.**

Through the delivery of integrated solutions that tackle the underlying drivers of environmental degradation, financial institutions and value chain actors can collectively overcome such challenges in assessing risk and mobilize sustainable land-use finance. **These integrated solutions, or capacity building efforts, involve targeted trainings, additional resource allocation, and institutional support.** Capacity building extends beyond conventional approaches to risk management such as awareness raising, it presents stakeholders with practical methodologies and tools for addressing risk that have lasting systemic impacts.

In short, capacity building serves as a pathway to realign portfolios, investments, and operations with nature-positive solutions through the utilization of tools and strategies for risk management.

As depicted in Figure 1, capacity building fosters an environment where value chain actors, including Financial Institutions (FIs), entrepreneurs, corporations, governments, and regulators, can function within the limits of Earth's planetary boundaries. Taking a value chain approach is pivotal for system transformation.

Through UNEP’s capacity building initiatives, this involves: (1) fostering market development by training eco-entrepreneurs, such as through the Restoration Factory; (2) enhancing financial supply by educating financial institutions and regulators on climate risks; and (3) realigning portfolios, particularly those of corporate off-takers, through financial innovations like the IFACC project. For example, consider that as more financial institutions adopt risk

assessment tools, this awareness can permeate central banks, leading to the adoption of progressive regulations. Consequently, more banks will integrate risk assessment practices, thereby increasing funds subject to enhanced deforestation risk policies. At the end of the day, capacity building serves as a means to an end, aiding in shaping the enabling environment to align financial flows with nature-positive solutions.

Figure 1. Key Beneficiaries of Capacity Building within the Food and Agriculture Value-Chain

Financial Institutions

Including banks (commercial, state, and dev. banks) banking associations (e.g., FEBRABAN) impact investors, other financial actors.

Corporates

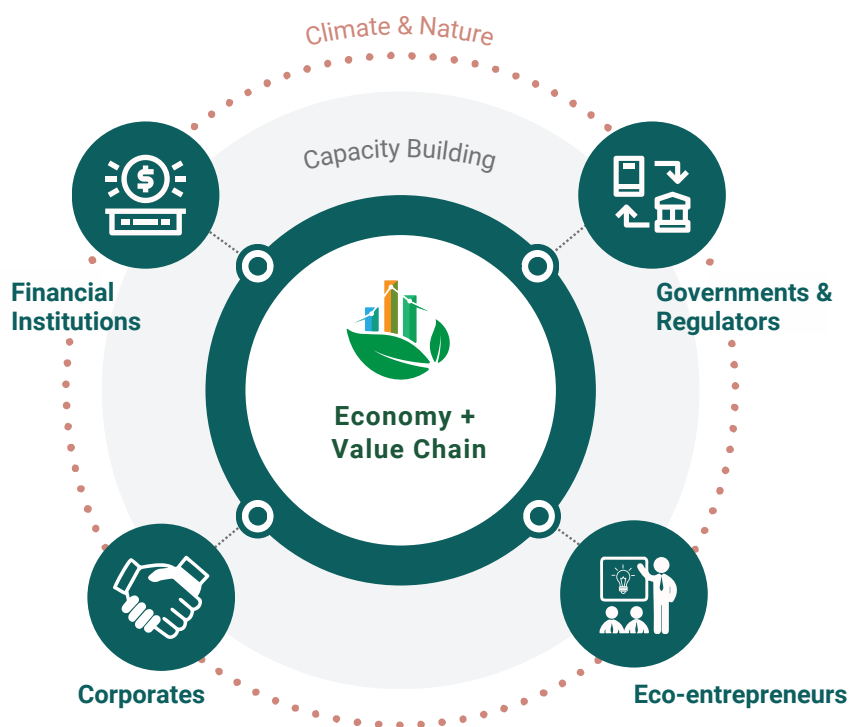
Global and local corporations involved in the value chain

Government & Regulators

Including ministries of finance, of agriculture, and of environment. Additionally forestry institutions, central banks, stock exchanges.

Eco-entrepreneurs

Restoration enterprises are small to medium sized enterprises that put ecosystems’ restoration at the heart of their business model and operations. Eco-Entrepreneurs offer solutions in the following sectors: goods (high-value crops and ingredients used for medicinal purposes, vegetation and livestock products, and upcycling of waste), and services (watershed services and ecotourism)



About UN Environment programme's Climate Finance Unit (UNEP-CFU)

The United Nations Environment programme's Climate Finance Unit (UNEP-CFU) is working to scale up and deploy capital across land-use and agriculture to achieve greater positive environmental and social impact. Through this work, UNEP-CFU has launched various initiatives that take a value chain approach to sustainable land use finance and incorporate meaningful capacity building efforts, such as the Good Growth Partnership, the Food and Land Use Restoration Impact programme, the Restoration Factory, and the Innovative Finance for the Amazon, Cerrado and Chaco Initiative. **At a glance:**



**GOOD
GROWTH
PARTNERSHIP**

Good Growth Partnership (GGP): Working across production, financing and demand, the Good Growth Partnership convenes a wide range of stakeholders and initiatives to reduce deforestation and enable sustainable development. In its pilot phase (2018-2022) it targeted three global commodity supply chains (soy, beef and palm oil) across Africa, Asia-Pacific, Latin America. In 2022, the Good Growth Partnership supported over 170 financial institutions in adopting guidelines, tools, and policies for advancing the consideration of deforestation and forest degradation risks in agriculture investments.



FOLUR
Food Systems • Land Use • Restoration

Food Systems, Land Use and Restoration Impact Programme (FOLUR):

The FOLUR Global Platform funded by the GEF is a continuation of the Good Growth Partnership (GGP) Project. FOLUR aims to mainstream good practices and tools to 27 country projects. Country-level work focuses on accelerating transformative action in landscapes and along value chains for eight major commodities, including beef, cocoa, coffee, maize, palm oil, rice, soy, and wheat. It provides a unique opportunity to test and validate some of the training approaches identified by the GGP, and to utilize capacity building as a catalyst for work delivered.



**Restoration
Factory**

The Restoration Factory: By providing mentoring and business incubation support, the Restoration Factory assists entrepreneurs in

developing attractive business models focused on restoring landscapes and ecosystems. The goal of the programme is to support eco-preneurs in building resilient businesses that restore degraded landscapes and provide for their communities while addressing the effects of climate change. In 2022, the Restoration Factory supported the development of 50 businesses in Kenya, Africa, and has plans to train 400 entrepreneurs across three main regions between 2023 and 2024.

Restoration Factory's main implementation partner is [Bridge for Billions](#). Other key partners include the [FAO](#) and [Partnerships for Forests](#), as well as local partners [E4Impact Hub](#) and [Mt. Kenya Hub](#).

IFACC

The Innovative Finance for the Amazon, Cerrado and Chaco (IFACC) Initiative (IFACC) is working to support companies, banks, and

investors to accelerate lending and investment in models that can grow the production of beef, soy, and other commodities without further deforestation and conversion of natural vegetation. IFACC was launched in 2021 with the collective goal of reaching USD 1 billion in disbursements for the agricultural transition in the Amazon, Cerrado and Chaco biomes by the end of 2025 and USD 10 billion by the end of 2030.

Figure 2. UNEP-CFU Capacity Building programmes

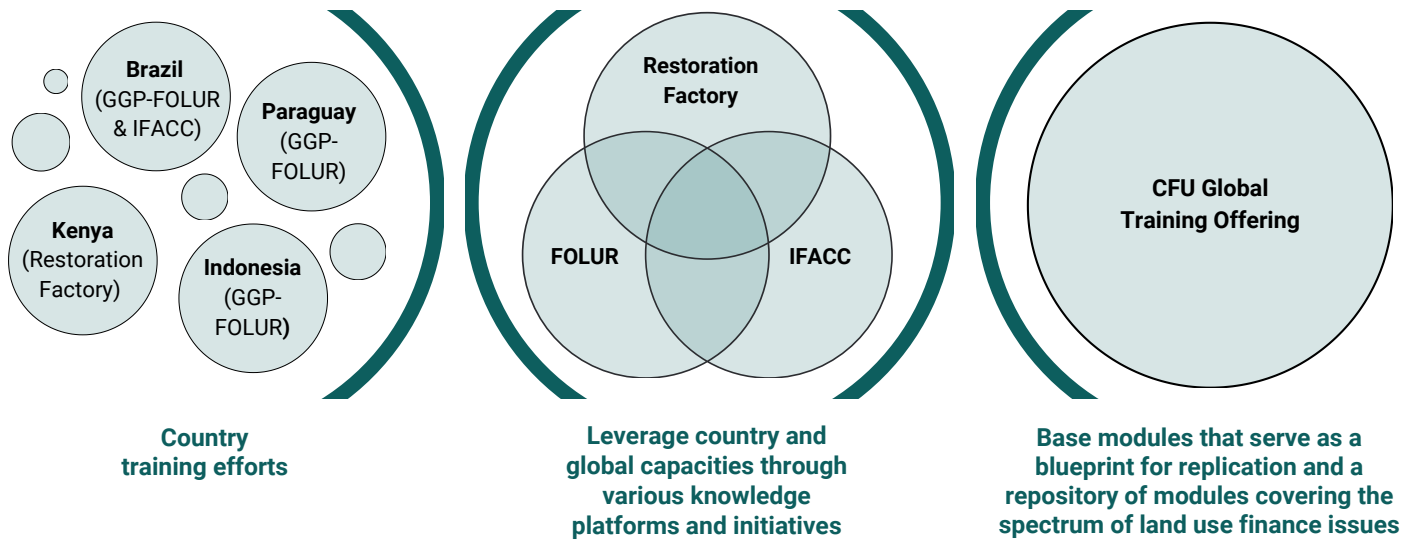


Figure 2 depicts the range of capacity building programmes undertaken by the Climate Finance Unit (in partnership with UNEP-FI and UNEP-WCMC). At the national level, capacity building is deployed by GGP-FOLUR for banks and Central Banks, by IFACC for a variety of private sector actors on innovative finance and by the Restoration Factory for entrepreneurs. The content and lessons drawn from these programmes are disseminated through knowledge platforms of each of these programmes. In addition, the Climate Finance Unit has a number of modules on land use investing, deforestation risk and nature based solutions that can be replicated and deployed to other countries and stakeholders.

Figure 3. UNEP-CFU Capacity Building Efforts Across the Globe

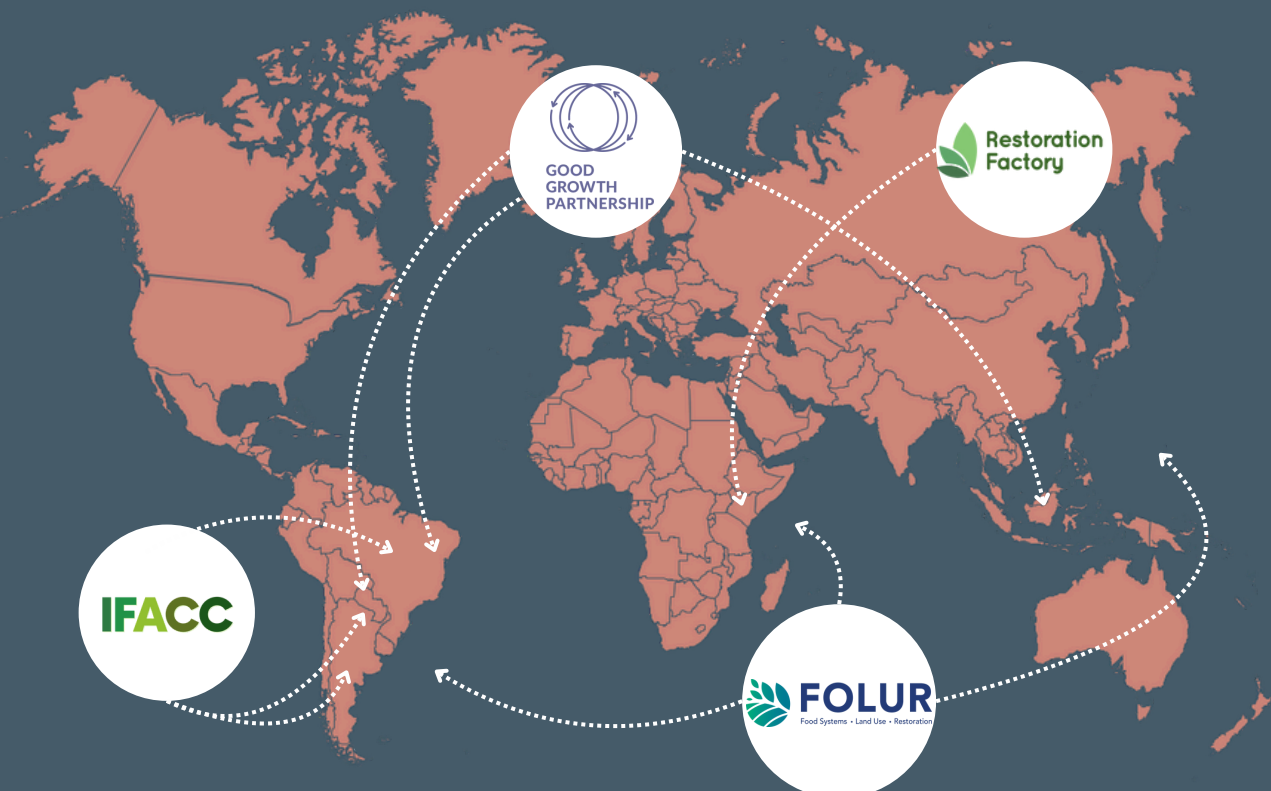


Figure 4. UNEP-CFU Capacity Building Efforts in Numbers 2018-2023

200+

Financial institutions trained

36

Modules developed for financial institutions

08

Business incubation tools developed

1000+

Participants completed trainings

50

Entrepreneurs trained leading to 47 restoration projects

03

Thematic trainings on biodiversity risk, nature based solutions and innovative finance

Mobilizing Finance at Scale: Market Development

Capacity building efforts can play a pivotal role in designing and financing new commercial transactions, including innovative long-term financial products, trade finance products, blended finance vehicles, and business ventures.

Capacity Building Achievements to Mobilize Finance:



Restoration Factory Capacity Building Achievements:

Trained over 50 entrepreneurs

In 2022 the Restoration Factory offered a country-specific entrepreneurship training programme in Kenya to over 50 entrepreneurs, supporting the development of 47 projects

Masterclass trainings on sustainable finance

Offered masterclasses on key topics such as carbon markets, payment for ecosystem services and impact finance.

Provided access to 8 incubation tools

Provided access to 8 incubation tools, which included definitions, examples, tutorials, and resources for developing a value proposition, competition map, stakeholder map, business model and marketing, pricing and business viability, financial projections, impact plan, and growth plan.

Empowered local organizations

Delivered "Train the trainers" programmes, which enhance the capacity and expertise of local entrepreneurship organizations so they could effectively support their communities of sustainable green entrepreneurs.

IFACC Initiative Capacity Building Achievements:

Facilitated impact reporting and KPIs

IFACC encourages financial actors to report on impact results, based on a core set of KPIs for each financial product identified in the IFACC Impact Indicator Guidelines.

Made commitments and expanded project scope

By the end of 2023, IFACC has 16 signatories who have collectively committed US\$ 4.6 billion for deforestation and conversion-free (DCF) soy, cattle, agroforestry, and non-timber forest products in South America. In 2023, IFACC Initiative has expanded their scope to include agroforestry and non-timber forest products.

Offered trainings on sustainable finance

Training delivered to Brazilian stakeholders in 2022 with plans to deliver further capacity building to financial institutions, investors and corporates for the 3 IFACC countries (Brazil, Paraguay and Argentina) on sustainable finance opportunities in the land use space to support this effort.

Established financial products

IFACC products include six focused on the Cerrado biome, four on the Amazon, and one covering both regions. Five of these products offer long-term loans to producers for a variety of sustainable practices. Three provide loans to foster agroforestry systems and the production of non-timber forest products (NTFPs) related to the bioeconomy sector. The final instrument offers low-cost, annual crop finance to farmers who agree to protect their forest cover beyond legal requirements. **All products launched offer greater financial incentives than are generally available in the market.**



Demonstrated Impact: New Financial Products Launched with the IFACC Initiative

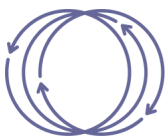
- In 2023, IFACC signatories came to market with 3 new products and expanded 3 existing products that were launched in 2021-2022, for a total of eleven products in the market and \$240 million disbursed to farmers and other recipients. While this amount is a fraction of the finance opportunity to expand sustainable production of cattle, soy, agroforestry, and non-timber forest product models in the region, **this progress in 2023 represents the continued expansion of the market, which is encouraging for future growth.**

Support to Financial Institutions

In this context, capacity building efforts involve providing technical and operational assistance to financial institutions significantly exposed to deforestation. This aids FIs in utilizing risk management tools, developing policies such as achieving net zero deforestation commitments, and navigating emerging markets. Additionally, it can support the development of new financial products and clarify the role of financial institutions in funding the transition to deforestation- and conversion-free commodity production, thereby increasing the funds subjected to enhanced deforestation risk policies.

Capacity Building Achievements to Support FIs:

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GGP Training for Banks:

Under the Good Growth Partnership, over 36 modules have been developed for Banks and Central Banks. These modules support more than 170 financial institutions in adopting guidelines, tools, and policies to advance the consideration of deforestation and forest degradation risks in agricultural investments.

3 Country trainings on deforestation risk related to commodity production

Training consisted of at least four modules each for Indonesia, Brazil, and Paraguay. Paraguay: In 2022, training was provided to the Mesa Financas Sostenibles, the sustainable finance roundtable of Paraguay, reaching 47 participants from 18 financial institutions.

Indonesia: UNEP in collaboration with WWF-Indonesia provided training on sustainable land use finance to IKBI (Inisiatif Keuangan Berkelanjutan Indonesia), the sustainable finance platform of Indonesia. Participants included the financial regulator, OJK. A total of 169 participants from 22 financial institutions completed this training.

Brazil: UNEP in collaboration with WWF-Brazil provided training for the three Brazilian banking associations (ABBC, ADBE, and FEBRABAN) on deforestation risk in financing rural and corporate credits, along with supplementary training seminars for investors. Over 200 participants from 134 financial institutions completed the training.

Global training on deforestation risk

The training consisted of four modules that can be adapted to different regions and countries. It was delivered to participants from over 20 financial institutions.

Thematic trainings

Thematic trainings for banks covered various topics, including financing nature-based solutions and biodiversity.



UNEP & UNEP-WCMC Training for Investors:

A three-module training series on E&S risk and impact management in land use finance was organized by UNEP and the UN Environment Programme World Conservation Monitoring Center (UNEP-WCMC). The training aims to provide impact funds and other responsible investors with the basic knowledge and tools needed to develop impact strategies and risk management approaches when considering investments linked to sustainable land use. The modules guide investors on the necessity of sustainable land use investments and identify the building blocks of an E&S risk and impact management framework.

In 2023, 541 participants from 75 countries attended the trainings, applying the knowledge gained to manage environmental and social risks and impacts in land use finance.



Demonstrated Impact: Growing awareness and action

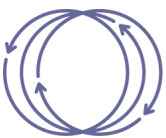
- **Uptake of risk assessments in Paraguay:** The Paraguay Central Bank was deeply engaged and committed to the GGP training programme. The training programme was integrated into the learning institute for the Central Bank as part of the mandatory curriculum for all supervisors of the Central Bank and relevant staff across departments. In addition to this, the Paraguayan sustainable finance roundtable was included in the training and offered to all banking institutions in Paraguay. See spotlight on The Central Bank of Paraguay.
- **Uptake of risk assessments in Brazil:** following the training, in March 2023, Febraban endorsed a protocol (NORMATIVO SARB 026/2023) establishing criteria for managing the risk of illegal deforestation and outlining guidelines for its signatories. This marks a significant advancement as it is the first sector-wide environmental protocol for financing beef processing. Since it will apply to every major bank in Brazil, it stands as an effective method for influencing sustainable change and combating deforestation.
- **Agreements to avoid deforestation in Brazil:** 3 banks have signed a mutual agreement aimed at avoiding deforestation, the so-called Plano Amazonia

Public Sector Support: Incentives and Co-Financing for Transactions

Capacity building efforts, including assessments, analyses, technical support, research, assistance in legislation development, and other trainings, can empower finance ministries and central banks to enhance the sustainable finance landscape within their nation. **These initiatives can redirect public incentives and amplify financing for deforestation-reducing practices.**

Capacity Building Achievements for the Public Sector:

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GGP Central Bank Training:

3 Country specific trainings aimed at banks and central banks

Paraguay: In 2023, 31 supervisors from the Central Bank of Paraguay's Supervisory Department completed the training on Resolution 8, a new law mandating ESG integration for banks. In 2022, the training was expanded to include additional departments within the Central Bank and delivered to 44 people. The training modules were subsequently integrated into the Central Bank's learning academy. Members of the Paraguayan sustainable finance roundtable participated in a separate training.

Brazil: In collaboration with WWF-Brazil and Sitawi, GGP developed and deployed a training programme on deforestation risk for the Central Bank of Brazil in 2021, followed by a programme on biodiversity risks in 2022.

FOLUR Training for Banks:

Public Sector 'Value Beyond Value' trainings

UNEP in collaboration with UNDP deployed a training programme for engagement with public sector institutions to raise awareness regarding the importance of engaging beyond the immediate value chain. The training, "Value Beyond Value" also focused on how public sector entities may engage with the finance sector. The value chain approach ensures that the enabling conditions for sustainable agricultural production are in place.

Two regional trainings for public sector institutions

UNEP, through the FOLUR programme delivered two trainings at the regional level in 2023 for Africa and Latin America. A total of 32 participants completed the training for the Africa region in October 2023 and 76 participants completed the training in November 2023 for the Latin American region.



Demonstrated Impact: Growing regulations and incentives for deforestation

- **International collaboration on deforestation:** During the 2023 Amazon Summit, that took place in Brazil and Paraguay, Heads of State met to discuss their national deforestation policies and targets. Although they were unable to reach a common target, milestone, or deadline, **the Summit marked a significant step towards collaboration and prioritizing deforestation on the political agenda.**
- **Paraguay public incentives:** Paraguay is working on a set of instruments aimed at providing an incentive to avoiding deforestation, such as environmental services certificates and carbon credits. Additionally, other outcomes include an update to the environmental services law (Law 3001).
- **Increasing regulation:** The Paraguayan Central Bank established regulation that is the minimum common denominator for all banks. Under the GGP, UNEP provided technical assistance to the Central Bank of Paraguay to develop Resolution 8, making the integrating of environmental and social risk considerations mandatory among financial institutions.



TESTIMONIAL

"...global managers did a really tremendous job of unifying the different child projects, sharing information, being very organized in terms of our regular calls, having an understanding of what was happening [...] so I felt I was part of a bigger programme."

- Brazil Good Growth Partnership Participant



Country Spotlight: Paraguay

Under the Good Growth Partnership, UNEP provided technical assistance to the Central Bank of Paraguay, which was considering developing a new regulation to make environmental and social (ES) issue integration compulsory for lending institutions. This initiative resulted from market developments where several financial institutions in Paraguay were already integrating ES risks in their lending through self-regulation. To ensure a common set of norms among financial institutions and that the regulator itself would advance in parallel with the private sector, a framework for new legislation was proposed: Resolution 8.

UNEP provided background research and technical support for this new norm, which was adopted by the Central Bank of Paraguay in 2020. To ensure the implementation of this new regulation, the Central Bank collaborated with UNEP to develop and deploy a training programme for its supervisors in 2021. In 2022, the training was expanded to include new supervisors and all relevant departments of the Central Bank, such as legal, compliance, risk, and research analysis.

The resulting training programme, consisting of 7 modules, included insights from global and regional best practices, a strong emphasis on climate risk and nature-related risks in land use, and possible mitigation measures for the Central Bank and financial institutions. The training modules were included as part of the training institute's curriculum and were also delivered to the broader financial ecosystem in 2022. This included members of the Mesa Financas de Sostenibles (the sustainable finance roundtable of Paraguay), the Ministry of Environment (MADES), and the national forestry institute (INFONA).

The consensus on the impact of the training was that, while the Central Bank of Paraguay and financial institutions were taking steps towards sustainable land use finance, the training programme facilitated the uptake of these norms across the Central Bank and the banking sector. Additionally, the training programme included an international perspective on best practices that would have otherwise been lacking.

Leveraging Future Capacity Building: Lessons learned from UNEP-CFU

Since the conclusion of the GGP programme and deployment of the FOLUR programme in 2022, UNEP has noted an uptake in demand for capacity building from financial institutions - including investors, individual banks, Central Banks and corporates who've requested bilateral training. In addition to this, the initiation of the Restoration Factory and IFACC programmes ensured that the capacity of critical actors within the food and agriculture value chain are built through extensive engagement.

A number of lessons can be drawn from the past 5 years of capacity building efforts:

1. **Local stakeholder engagement** should be undertaken to assess the maturity of different sectors and map stakeholders prior to deploying a capacity building program. This can include undertaking baseline studies to assess sectors and secure buy-in for the capacity building programme.
2. **Aligning with national context** such as integrating national legislation into the training programme ensures that stakeholders are aware of their compliance obligations to laws. It also facilitates the development of a common understanding and progress on environmental and social risks by financial institutions and corporates.
3. **Establishment of a favorable national regulatory context** by regulators such as Central Banks, Ministries of Environment and Agriculture, among others is a critical incentive for uptake of environmental and social risk considerations and creating a level playing field among stakeholders. National laws on ES risk are also critical to facilitate the development of innovative financial products and services to ensure investor uptake of these innovations.
4. **Existing infrastructure and networks** for continuity of knowledge exchange is an important consideration in capacity building. Given the turn-over rate among staff of institutions and necessity to include multiple teams in ES risk considerations, the continuity of knowledge exchange needs to be considered for effective capacity building. One approach piloted through the Good Growth Partnership is integrating the offering through existing sustainable finance networks and learning platforms so that stakeholders can continuously access the information beyond the lifespan of the project.

The work of UNEP-CFU has championed the development of proof-of-concept approaches to land use finance through a number of credit facilities, the development of business analytics to support the investment process and the development of robust ESG frameworks to monitor the impact of these approaches. The distillation of the lessons learned from these different pillars should inform the further development and refinement of the capacity building programme in partnership with relevant organizations.