Terra GLOBAL CAPITAL

Passion and Persistence for People and the Planet

Delivering a Just Transition Through Nature-based Solutions

"Practitioner's Guide to Creating a Just Transition with NbS Investments"

Leslie Durschinger, Trevor Munday, and Michael Cullen

February **2024**

About Terra Global

Founded in 2006, Terra Global is a women-founded, woman-run, for-profit social enterprise and small business. Terra Global's mission is to facilitate financially, socially, and environmentally sustainable landscapes. Terra Global is a global leader in nature-based solutions program development, land-use greenhouse gas quantification, and climate finance, providing technical expertise and investment capital to their international partners in developing and emerging countries in a collaborative and innovative manner. Having worked in 34 countries, Terra Global has designed and supported the implementation of REDD+ and other sustainable landscape programs from the project to national scale.

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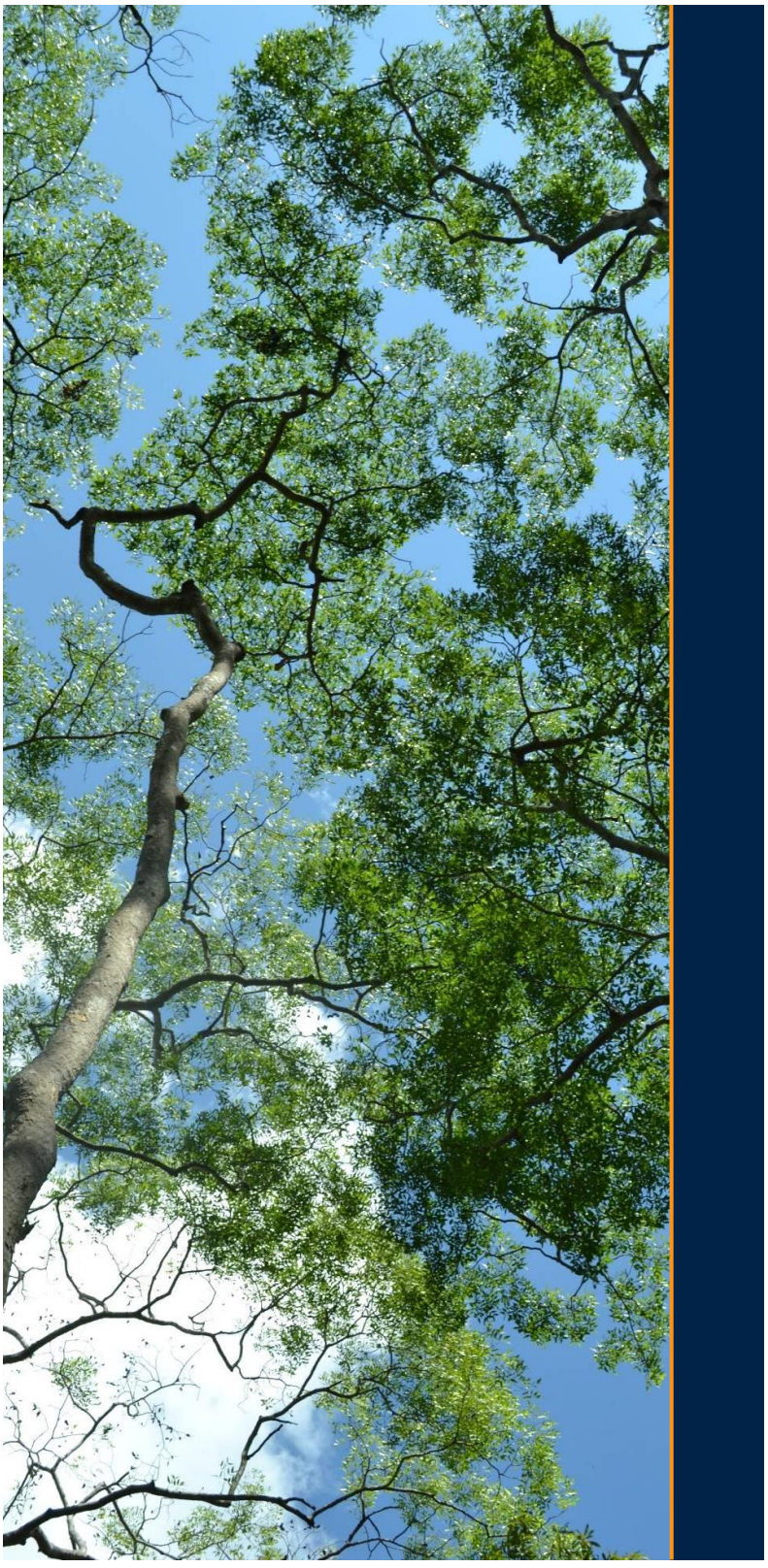

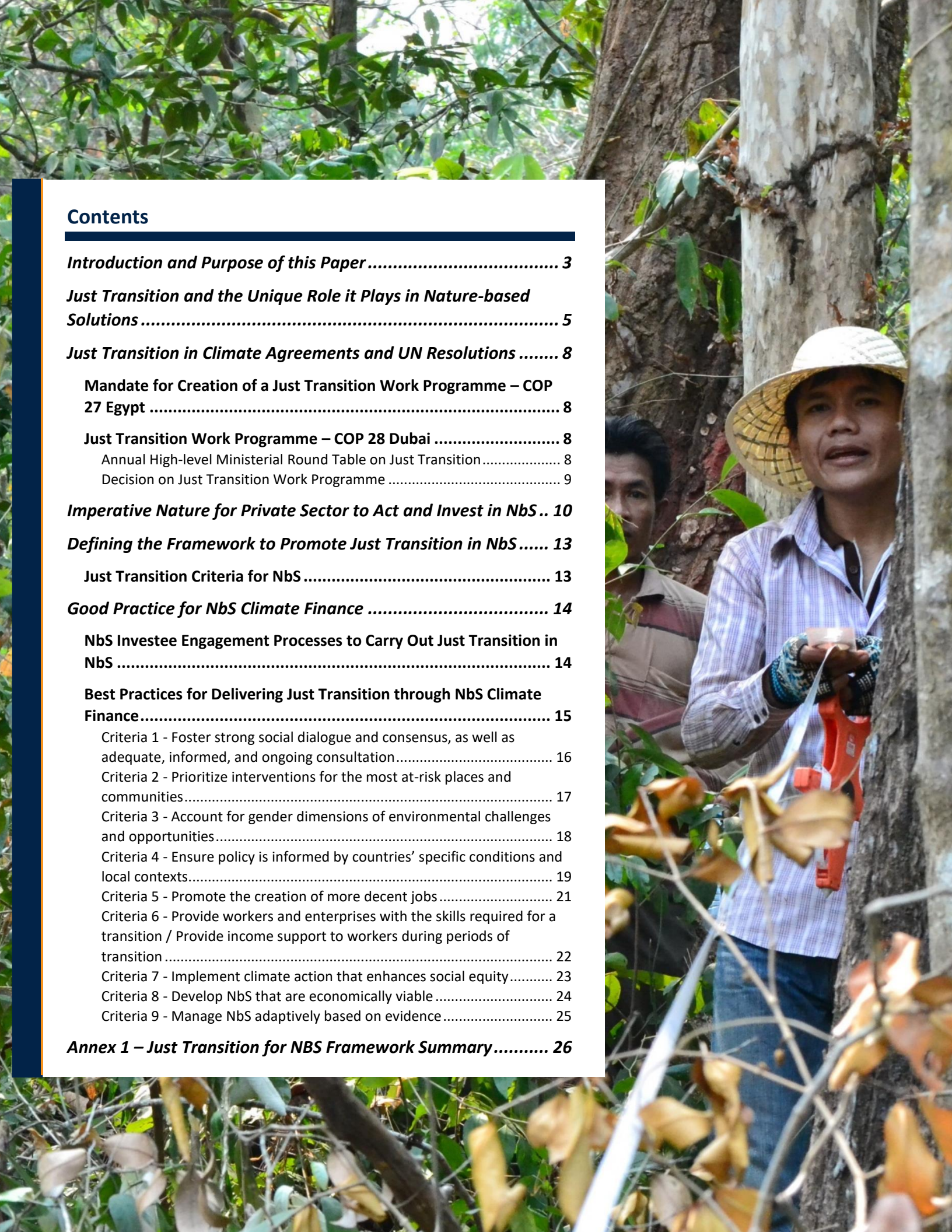

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Introduction and Purpose of this Paper

Many international corporations, governments, and NGOs have defined pathways toward a "Just Transition." Numerous papers are emerging on the Just Transition in climate, and organizations such as Climate Investment Funds (CIF) and Principals for Responsible Investing (PRI) seek to bring the principles of Just Transition into how climate investments are being made. Recent papers from London School of Economics[1] and the comprehensive UNEP/ILO Decent Work in Nature-based Solutions 2022[2] report focus specifically on Just Transition through *nature-based solutions* and offer frameworks for applying Just Transition to NbS. Many of these reports, though, are overly focused on job creation, which is only one aspect of Just Transition, mainly as it is applied to NbS. They also focus primarily on "no loss" rather than "fair gain" and how to promote "protective measurements" versus delivering "productive measures." None of these provide practical guidance to ensure that the USD $384 billion per year NbS investment needed by 2025 and the USD $484 billion per year of funding by 2030[3] will be deployed in a manner to ensure a Just Transition through NbS investments.

Described in this paper are the historical origins of the Just Transition and how, especially since COP28, Just Transition is being interpreted and applied to our global actions. It covers the scope of Just Transition in Climate Agreements and UN Resolutions, which provide the background and importance of delivering on the Paris Agreement. The core focus of this paper, though, explains the imperative need for the Private Sector to invest in NbS, along with good guidance practices Investors should adopt to ensure climate finance investments are being made into NbS programs, demonstrably to promote a Just Transition. Applying these good practices as we move to a net zero global green economy allows developing countries and their communities to win in the process. For corporates with net-zero goals who use NbS carbon credits or asset owners with a climate mitigation mandate, it is meant to be an Investor's guide on how NbS programs should be developed, implemented, financed, and measured to benefit the countries, communities, and biodiversity. And to ensure that those who are disproportionately affected by climate change receive the funding needed and that can contribute to our global goal of GHG emissions reductions to limit global warming exceeding 1.5 degrees C.

Based on existing literature and Terra Global's 17 years of practice, nine good practice criteria that support the delivery of a Just Transition through private sector NbS investments have been selected. For each of these nine criteria, the paper defines the criterion in the context of NbS and explains its rationale, best practices for implementation, and how it can mitigate investment risk. Further, it provides the list of real-world indicators deployed by Terra Global when it invests in NbS programs to ensure that they promote decent work, new income opportunities, social inclusion, climate resilience, and the reduction of poverty in the shift to net zero.

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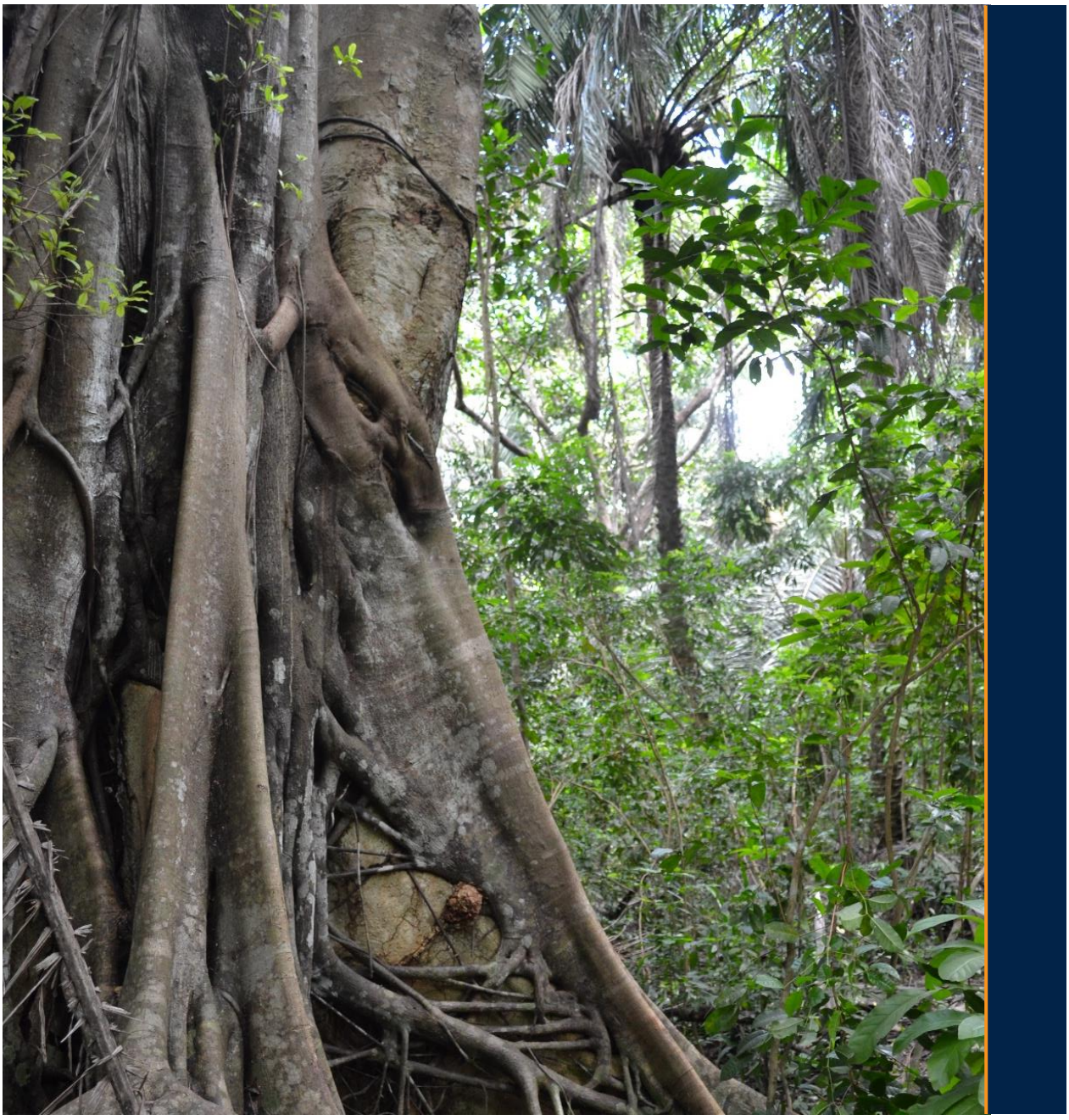
[1] Muller S and Robins N (2022) Just Nature: How finance can support a just transition at the interface of action on climate and biodiversity. London: Grantham Research Institute on Climate Change and the Environment and Centre for Climate Change Economics and Policy, London School of Economics and Political Science. https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2022/08/Just_Nature_How_finance_can_support_a_just_transition_at_the_interface_of_action_on_climate_and_biodiversity.pdf

[2] ILO, UNEP, IUCN. (2022). Decent Work in Nature-based Solutions 2022. https://wedocs.unep.org/20.500.11822/41401

[3] United Nations Environment Programme (2022). State of Finance for Nature. Time to act: Doubling investment by 2025 and eliminating nature-negative finance flows. Nairobi. https://wedocs.unep.org/20.500.11822/41333

While policies, practices, and standards play an essential role in promoting a Just Transition in NbS, how funders ultimately engage with NbS projects and programs will determine the success or failure of delivering Just Transition through NbS. This means those engaging in NbS investment transactions do not capitalize on the inherent information or knowledge asymmetries that generally exist between climate finance capital providers and developing country "Investees". In this rapidly emerging NbS market, with the massive potential it provides Investors to generate fair risk-adjusted returns while producing climate and rural development benefits, it is imperative to promote good practices and transparent climate finance investments to safeguard against bad actors as the market develops.



Just Transition and the Unique Role it Plays in Nature-based Solutions

The initial concept of Just Transition can be traced back to the 1990s in North America when unions began developing the notion of a 'just transition' in the workforce. Unionists coined this concept as a program of support for workers who lost their jobs due to environmental protection policies and free trade agreements.[4] While this focus on jobs remains important and relevant for Just Transition in the workforce today, the role of Just Transition as it relates to global climate goals, climate law, and carbon markets is much broader than the impact on jobs. Within the application of a Just Transition towards a net zero climate, there is an increasing awareness of how this will specifically impact forests and agricultural lands and the rural people who live in them.

There is no single definition of what a Just Transition means for NbS. However, by examining various definitions of Just Transition and NbS, the characteristics of a Just Transition for NbS can be clearly defined. Simply put, NbS relates to actions that impact forest and agriculture land use to generate climate benefits. The United Nations Environment Assembly (UNEA) at the fifth session (2021-2022) frames NbS as follows:

Definition of Nature-based Solutions (NbS)
Actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems which address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human well-being, ecosystem services, resilience and biodiversity benefits."[5]

For the private sector to finance NbS actions, there must be one or more commercially viable income streams to drive returns. Some projects that are considered NbS have revenue streams that meet investment requirements, such as timber or high-value crops, but these are a "timber plus carbon" investment type where the carbon value is generally small and does not drive returns. Most NbS programs that reduce deforestation and forest degradation and increase tree cover create an environmental asset through program implementation that is sold as a 'carbon credit', thus generating a commercial-scale revenue stream. The value of these carbon credits will drive the scale of investments needed into NbS to meet global climate goals. Additionally, the value that global markets place on carbon will change the economic opportunity for developing countries and rural communities, allowing them to attract the required upfront private sector climate finance investments.

[4] Burrow, Sharan. (2017, May). Just Transition: A Report for the OECD. OECD. https://www.oecd.org/environment/cc/g20-climate/collapsecontents/Just-Transition-Centre-report-just-transition.pdf
[5] UNEP. (2022). Intergovernmental Consultations on Nature-Based Solutions. UNEP. https://www.unep.org/about-un-environment/intergovernmental-consultations-nbs

Just Transition Through NbS (London School of Economics)
To date, efforts to deliver a just transition have focused on the shift to net zero in the energy system. However, the imperative of decent work and social inclusion applies equally to the transformations that lie ahead to deliver net zero in terms of agriculture, forests, and land use and to strengthen biodiversity conservation. We call this a 'Just Nature Transition.' [6]

So, the question is, as the opportunity grows for private sector return generation from NbS, how can we ensure that it promotes Just Transition? The definition of what constitutes Just Transition through NbS can be understood by examining the work of LSE and SEI.

SEI describes different ways equity and justice have been defined in the context of NbS, but the description below clearly captures the imperative when investing in NbS. It emphasizes that the access to and control of natural resources must be at the heart of making a "good" NbS investment.

Just Transition Through NbS (Stockholm Environment Institute)
A framework to make "justness" a focal point of NbS "Just", NbS have been defined as "harnessing the power of nature and people to transform the social, political, and economic drivers of socio-spatial inequality and environmental degradation into opportunities to create progressive, cohesive, antiracist, and social-ecologically sustainable communities." Achievement of just NbS requires explicit recognition of the ways in which access to and control over resources (particularly the land and spaces used for NbS), determine economic, environmental, and social outcomes.[7]

For NBS actions to be financed at scale by the private sector, these actions need to demonstrate their positive impact on climate and developing countries through rural communities' access to land and

[6] Robins , N., et. al. (2019, February). Investing in a just transition in the UK: How Investors can How Investors can integrate social impact and place-based financing into climate strategies. LSE. https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2019/02/Investing-in-a-just-transition-in-the-UK_Full-policy-report_40pp-2.pdf

[7]Boyland, M., et. al. (2022, May). Principles for just and equitable nature-based solutions. SEI. https://www.sei.org/wp-content/uploads/2022/05/principles-for-just-and-equitable-nature-based-solutions.pdf

natural resources and the incomes they can derive from them. Moreover, they can transform the well-being of these communities through the deployment of investments in activities that produce quantifiable climate, social, and biodiversity outcomes that will be valued in global markets. But finance at scale cannot be driven solely because it is ethically the 'right' thing to do, for NbS to deliver its climate potential investments need generate fair risk adjusted financial returns. However, the very fact of having developing countries and rural communities on one side of the equation and private Investors and commodity markets on the other side, where information asymmetry is high in a rapidly growing yet opaque market, requires that Investors be committed to fair financing terms and ensuring that the design and operation of the NbS program delivers a Just Transition. Investors, therefore, must take an active role in understanding how the investment and benefits generated by NbS investments, along with the ongoing carbon revenue streams, are controlled and distributed to at all levels and specifically to those that have changed their use of natural resources to produce the carbon credits.

Approximately half of the world's GDP is dependent on nature and the sustainable management of ecosystem services.[8] This includes, but is not limited to, the 1.2 billion jobs in farming, fisheries, forestry, and tourism. Rural communities, many living below the poverty line, along with women and indigenous peoples, are often dependent on natural resources for their livelihoods and food security and disproportionally affected by climate change. By financing a range of actions within an NbS program that supports these vulnerable groups to produce a new carbon revenue stream, it can jointly deliver scaled climate benefits and improve livelihoods when that would otherwise be hard to deliver. NbS programs are uniquely positioned to deliver climate, community, and biodiversity outcomes in a single program and provide resources and transformational income streams to groups that need them the most.

[8] ILO. (October 2020) Nature Hires: How Nature-based Solutions Can Power a Green Jobs Recovery. ILO. https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_757823.pdf

Just Transition in Climate Agreements and UN Resolutions

Guidelines aimed at defining and steering the path for a Just Transition are referenced in many key climate Agreements and Resolutions issued by some of the most relevant and authoritative bodies navigating climate change. These reinforce the need to address climate change in a just and fair way but provide very little practical guidance on how this should be implemented in climate finance.

Perhaps the most well-known climate agreement of our time, the Paris Agreement includes reference for the need to "account [for] the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities."[9]

At more recent COPs, specific working groups were created to deepen and form a pathway.

Mandate for Creation of a Just Transition Work Programme – COP 27 Egypt

In 2022, discussions regarding the Just Transition were widespread, culminating in the COP 27 Presidency proposing the creation of a Just Transition Work Programme in the final text of the Sharm-El-Sheikh Implementation Plan. This work was aimed to build on the Just Energy Transition Partnership Programmes that were already evolving during this time in countries such as South Africa and Indonesia, but goes further and wider, also calling for solutions that recognize vulnerable and indigenous groups, to ensure that "sustainable and just solutions to the climate crisis must be founded on meaningful and effective social dialogue and participation of all stakeholders".[10]

Just Transition Work Programme – COP 28 Dubai

Annual High-level Ministerial Round Table on Just Transition

During COP 28 in Dubai, the first-ever round table on Just Transition was held on the 3rd of December in 2023 (Decision CMA/4).

COP28 Roundtable Decision on Just Transition

This decision "affirmed that sustainable and just solutions to the climate crisis must be founded on meaningful and effective social dialogue and participation of all stakeholders and noted that 'the global transition to low emissions provides opportunities and challenges for sustainable economic development and poverty eradication.' The decision also emphasized that a just and equitable transition encompasses pathways that include energy, socioeconomic, workforce, and other dimensions, all of which must be based on nationally defined development priorities and include social protection to mitigate potential impacts associated with the transition. The annual high-level ministerial round table on just transition will provide a platform for a political discussion on framing and implementing just transitions and on the scope and direction for the work program on just transition pathways."[11]

[9] UNFCCC. (2015, December). Paris Agreement. Unfccc.int. https://unfccc.int/files/meetings/paris_nov_2015/application/pdf/paris_agreement_english_.pdf
[10] UNFCCC. (2022, November 20). Sharm el-Sheikh Implementation Plan. Unfccc.int. https://unfccc.int/documents/624444
[11] UNFCCC. (2023, December 3). First Annual High-level Ministerial round table on just transition. Unfccc.int. https://unfccc.int/event/first-annual-high-level-ministerial-round-table-on-just-transition

In summary, the Parties have acknowledged and will likely propose measures and approaches to safeguard consultation, particularly with affected communities, give more decision-making power and benefits to indigenous communities, and ensure robust monitoring of climate programs.

Decision on Just Transition Work Programme

On the 13th of December in 2023, in its decision (FCCC/PA/CMA/2023/L.14), the Paris Agreement Conference of Parties (CMA), inter alia: decides that the work program shall include the following elements of the Just Transition Work Programme, to be now worked upon, and reviewed in 2026:

1. Just transition pathways to achieving the goals of the Paris Agreement.
2. Just and equitable transition encompasses pathways that include energy, socioeconomic, workforce, and other dimensions, all of which must be based on nationally defined development priorities and include social protection to mitigate potential impacts associated with the transition.
3. Opportunities, challenges, and barriers relating to sustainable development and poverty eradication as part of transitions globally to low emissions and climate resilience, taking into account nationally defined development priorities.
4. Approaches to enhancing adaptation and climate resilience at the national and international level.
5. Just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities, including through social dialogue, social protection, and the recognition of labor rights.
6. Inclusive and participatory approaches to just transitions that leave no one behind.
7. International cooperation as an enabler of just transition pathways towards achieving the goals of the Paris Agreement.

Parties to the Paris Agreement, observers, and other non-Party stakeholders are encouraged to submit their views on opportunities, best practices, actionable solutions, challenges, and barriers relevant to the elements listed above via the UNFCCC submission portal.

Progress against these elements will remain under review annually, including at the Ministerial Round Table on Just Transition (see above), with the target of a draft text being submitted at the COP in 2026.

In the interim, the Work Programme will be monitored under the guidance of the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation, and a review will be required at least twice per year from June 2024 onwards.

Imperative Nature for Private Sector to Act and Invest in NbS

The global imperative to promote and realize a Just Transition—to reach net zero and address rising socio-economic inequities while making businesses more sustainable—presents significant investment opportunities. The IPCC 2023 Report maps the feasibility of climate responses and adaptation and the potential of mitigation options in the near term across different sectors to 2030. Agriculture, Forestry, and Other Land Use (AFOLU) options provide adaptation and mitigation benefits that could be upscaled in the near term across most regions. Conservation, improved management, and restoration of forests and other ecosystems offer the largest share of economic mitigation potential, with reduced deforestation in tropical regions having the highest total mitigation potential and most cost-effective. Ecosystem restoration, reforestation, and afforestation can also deliver sizable mitigation benefits but are more expensive to implement and harder to finance purely with climate finance investments.[12] With the increasing demand in the carbon credit markets, investments in NbS produce not only positive environmental and social outcomes but also present a compelling case from a financial return perspective.

The convergence of economic benefits, risk mitigation, and alignment with global climate goals makes NbS investments financially attractive in transitioning to a green economy.

It is also a sector which is uncorrelated with other asset classes. In most NbS investment opportunities, the financial returns are driven by the creation of a carbon credit, which is a commodity that trades in tons in global voluntary and compliance carbon markets as well as 'over the counter.' Investing in NbS programs that produce carbon credits generates a new stream of revenue, which finances the transition to sustainable use of natural resources and generates new employment and livelihood opportunities, particularly in rural areas in developing countries. The carbon market driving financial returns and rural transformation has strong projected growth over the next 30 years. Depending on the scenario, the carbon credit markets are estimated to be valued at between USD $15 to $47 billion in 2030 and $186 to $476 billion in 2050 – up from roughly $2 billion today[13]. NbS represents a substantial market opportunity of $3.6 trillion annually in business opportunities and 191 million jobs by 2030[14].

[12] Lee, H., Calvin, K., & Dasgupta, D. (2023). Climate change 2023: Synthesis Report Summary for Policymakers. IPCC. https://www.ipcc.ch/report/ar6/syr/
[13] Bloomberg. (2023). Long-Term Carbon Offsets Outlook 2023. Bloomberg. https://spotlight.bloomberg.com/story/longtermcarbonoffsetsoutlook2023/
[14] WEF. (2020). The Future Of Nature And Business. Geneva. WEF. https://www3.weforum.org/docs/WEF_The_Future_Of_Nature_And_Business_2020.pdf

This creates an attractive opportunity for Investors to make an allocation to the NbS sector that produces an attractive risk-adjusted return, lowers overall portfolio risk, and enhances community resilience to climate impacts while supporting local livelihoods. In the past, international development assistance, generally grant funds, has sought to help finance this transition. Such funding, however, proved insufficient because, by its very nature, it is short-term and is not delivered to produce long-term, financially sustainable businesses managed by local operators. The private sector is incentivized to create NbS programs that have long-term financial sustainability, despite the recent growth of private sector investments in NbS, which are estimated to be USD $35 billion[15], the estimated increase in private sector funding needed to transition to a green economy is USD $200 - $500 billion per year. In addition to the financial return opportunity, deploying private sector capital to NbS is essential to protect our planet from climate change and its associated risks. There are numerous reasons why it is imperative for asset owners/managers and corporates to deploy private sector capital to NbS now and at scale:

- **Risk Mitigation** - NbS can mitigate many risks associated with climate change and environmental degradation. This helps reduce risks to industries, infrastructure, and communities, ultimately lowering the overall risk to other financial investments against climate-related losses[16].
- **Attracting Investors and Consumers** – Whether your business is managing assets for others or producing products and services, companies that demonstrate a commitment to NbS and sustainability tend to attract more investment and consumer support.
- **Future-Proofing Investment Portfolio** - Incorporating the NbS sector into investment strategies helps future-proof portfolios against the impacts of climate change. This approach aligns with long-term sustainability goals and minimizes exposure to climate-related risks.
- **Long-Term Cost Savings** - While initial investments in NbS programs may require significant capital and take time to generate carbon credits, corporates seeking high-quality, multiple-benefit carbon credits to reach carbon reduction goals can secure carbon credits and realize long-term cost savings.
- **Beyond ESG, NbS produces Impact** – While NbS investments align with Environmental, Social, and Governance (ESG) criteria, they also go beyond risk reduction to produce a positive and measured social, biodiversity, and gender equity impact.
- **Regulatory Impact** – As many developing countries enact environmental regulations and policies that impact rights to the carbon credits produced through NbS investment, the private sector has the financial leverage to ensure governments pass and operationalize laws and policies in a way that ensures fairness, transparency, and is supported by good governance.
- **Timing** – It is imperative to act now, as it can take NbS programs up to a year to be Investment ready to receive private sector investments, an additional 2-3 years to start producing carbon credits, another 5 years for avoided deforestation, and up to 14 years for tree planting to reach breakeven.

[15] UNEP. (2023). State of Finance for Nature 2023. UNEP. https://www.unep.org/resources/state-finance-nature-2023
[16] Robins, N., et. al. (n 6)

The market opportunity for NbS is here, driven by the urgent need to reduce emissions and increase removals in tons of carbon, which have value in a growing global carbon credit market that will drive financial returns. NbS investments de-risk portfolios and make good business sense.

As in any new sector where returns are driven by an emerging market, along with most investment opportunities taking place in developing countries, deploying capital will take a commitment to learning the sector, assessing the opportunities and risks, and selecting experienced and trustworthy partners.

Without the scaled allocation of private capital to NbS, developing countries and rural communities will be excluded from the transition to a green economy, making it more unlikely that global climate change goals can be achieved. Terra Global's commitment is to uncover investment opportunities that combine climate and social goals that deliver inclusive growth, identified through the lens of the Just Transition while generating fair returns for investors.

Defining the Framework to Promote Just Transition in NbS

As private sector investments in NbS increase, ensuring they are being deployed and managed in a way that drives a Just Transition is imperative. To accomplish this, the framework or set of criteria to drive Just Transition outcomes in the context of NbS must be defined. By identifying 'good practice' criteria and indicators for how NbS private sector climate finance should be structured, deployed, and managed over time, the targeted multiple-benefit climate, social, biodiversity, and financial returns can be delivered. The framework presented in the next section is based on nine criteria selected from the International Labor Organization (ILO), the International Union for Conservation of Nature (IUCN), C40, and the Stockholm Environment Institute (SEI) and should be delivered through NbS climate finance investments.

Just Transition Criteria for NbS

The nine key criteria that can be used to guide good practice for NbS investments are:

1. **Foster strong social dialogue** and consensus, as well as adequate, informed, and ongoing consultation[17]
2. **Prioritize interventions** for the most at-risk places and communities[18]
3. **Account for gender** dimensions of environmental challenges and opportunities[19]
4. **Ensure policy is informed** by countries' specific conditions and local contexts[20]
5. **Promote** the creation of more **decent jobs**[21]
6. **Provide workers** and enterprises **with the skills** required for a transition / **Provide income** support to workers during periods of transition[22]
7. Implement climate action that **enhances social equity**[23]
8. Develop NbS programs that are **economically viable**[24]
9. Manage NbS that are adaptively **based on evidence**[25]

For each of these nine criteria, Terra Global has defined a set of good practice indicators that it deploys, starting with the identification of NbS investment opportunities through the ongoing technical and business support that it provides to its NbS Investees.

[17] ILO. (2015). Guidelines for a just transition towards environmentally sustainable economies and societies for all. Geneva. ILO. https://www.ilo.org/global/topics/green-jobs/publications/WCMS_432859/lang--en/index.htm
[18] Boyland, M., et. al. (n 7).
[19] ILO. (January 2023). Just Transition Policy Brief: Social protection for a just transition. International Labour Organization (ILO). https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_886544.pdf
[20] Reid, Hannah, Maikel Lieuw-Kie-Song. (2022). Just Transition Policy Brief: Green works to support a just transition. Geneva: ILO. https://labordoc.ilo.org/discovery/fulldisplay/alma995212792602676/41ILO_INST:41ILO_V2
[21] Payen, J., Lieuw-Kie-Song, M. (March 2020). Desk Review Study on Employment Impact Assessment (EmpIA): Potential of Natural Resource Management (NRM) Investments on Employment Creation. International Labour Organization (ILO). https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_748743.pdf
[22] Payen, J., Lieuw-Kie-Song, M. (n 21).
[23] C40 Cities Climate Leadership Group. (2023, December). Cities Climate Transition Framework. C40 Knowledge Community. https://www.c40knowledgehub.org/s/article/Cities-Climate-Transition-Framework?language=en_US
[24] IUCN. (2020). Global Standard for Nature-based Solutions. A user-friendly framework for the verification, design and scaling up of NbS. First edition. Gland, Switzerland: IUCN. https://portals.iucn.org/library/sites/library/files/documents/2020-020-En.pdf
[25] IUCN. (n 24).

Good Practice for NbS Climate Finance

This section presents a summary of the engagement and investment processes developed by Terra Global to support the deployment of NbS upfront climate finance investments and ongoing management of carbon revenue. For each of the nine Just Transition Criteria for NbS, it provides the list of indicators, or actions, deployed by Terra Global when it invests in NbS programs to ensure that they promote decent work, new income opportunities, social inclusion, climate resilience, and the reduction of poverty in the shift to net zero.

NbS Investee Engagement Processes to Carry Out Just Transition in NbS

In most cases, the investment opportunity in NbS does not come with a detailed workplan, business case, or management team. Much of the pre-investment work performed by Terra Global focuses on supporting the potential Investee in preparing their business case, building the capacity with local partners, and engaging the tenure holders/communities to ensure that the proposed activities to be financed simultaneously generate the carbon credits and improve livelihoods.

The Investment readiness process takes time, technical expertise, and funding. This work is funded by Terra Global and takes between 3 – 12 months. Each stage in the process is a building block, ensuring that good practice for promoting a Just Transition starts early in the process and is supported through the end of the investment period.

Achieving Just Transition through NbS requires good practice to be applied from the screening of investments to the investment deployment and ongoing support provided to Investees. Activities to deliver a Just Transition within Terra Global's processing occur in the stages defined in Figure 1.

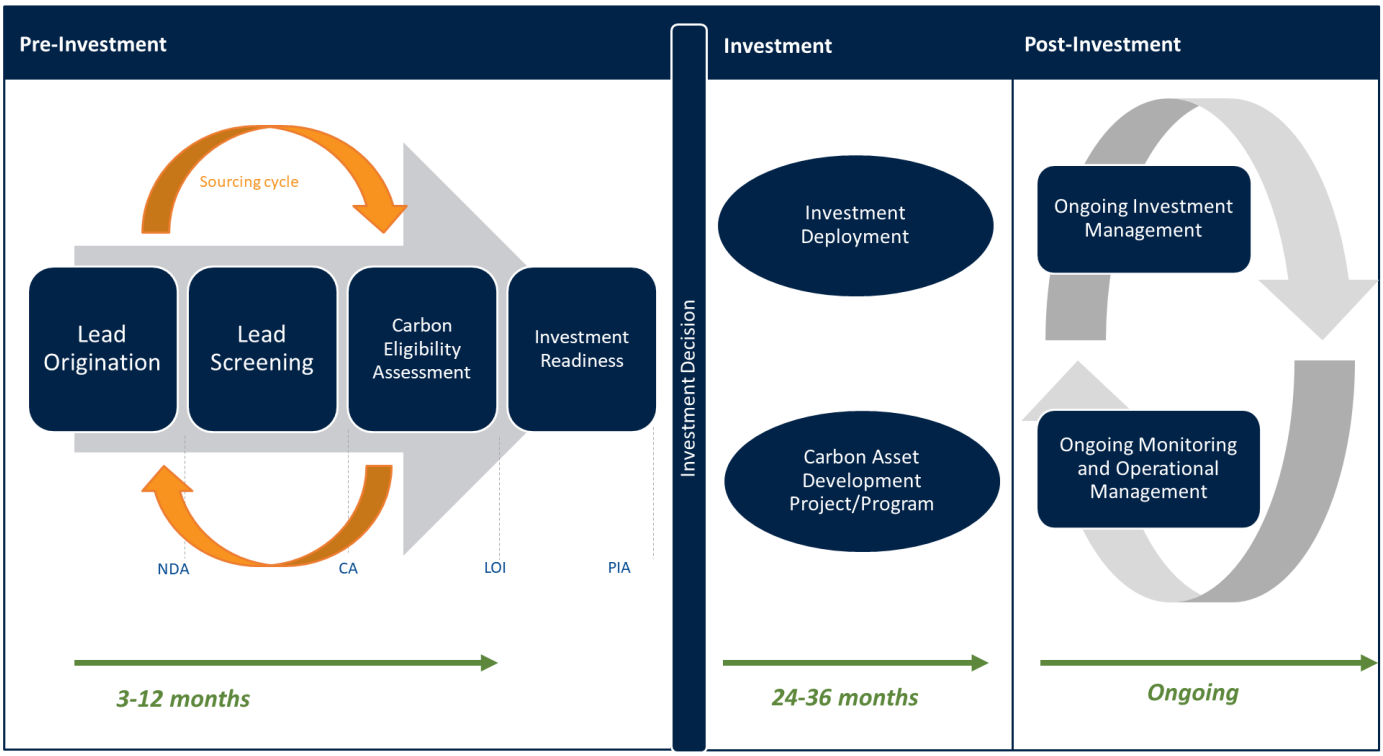
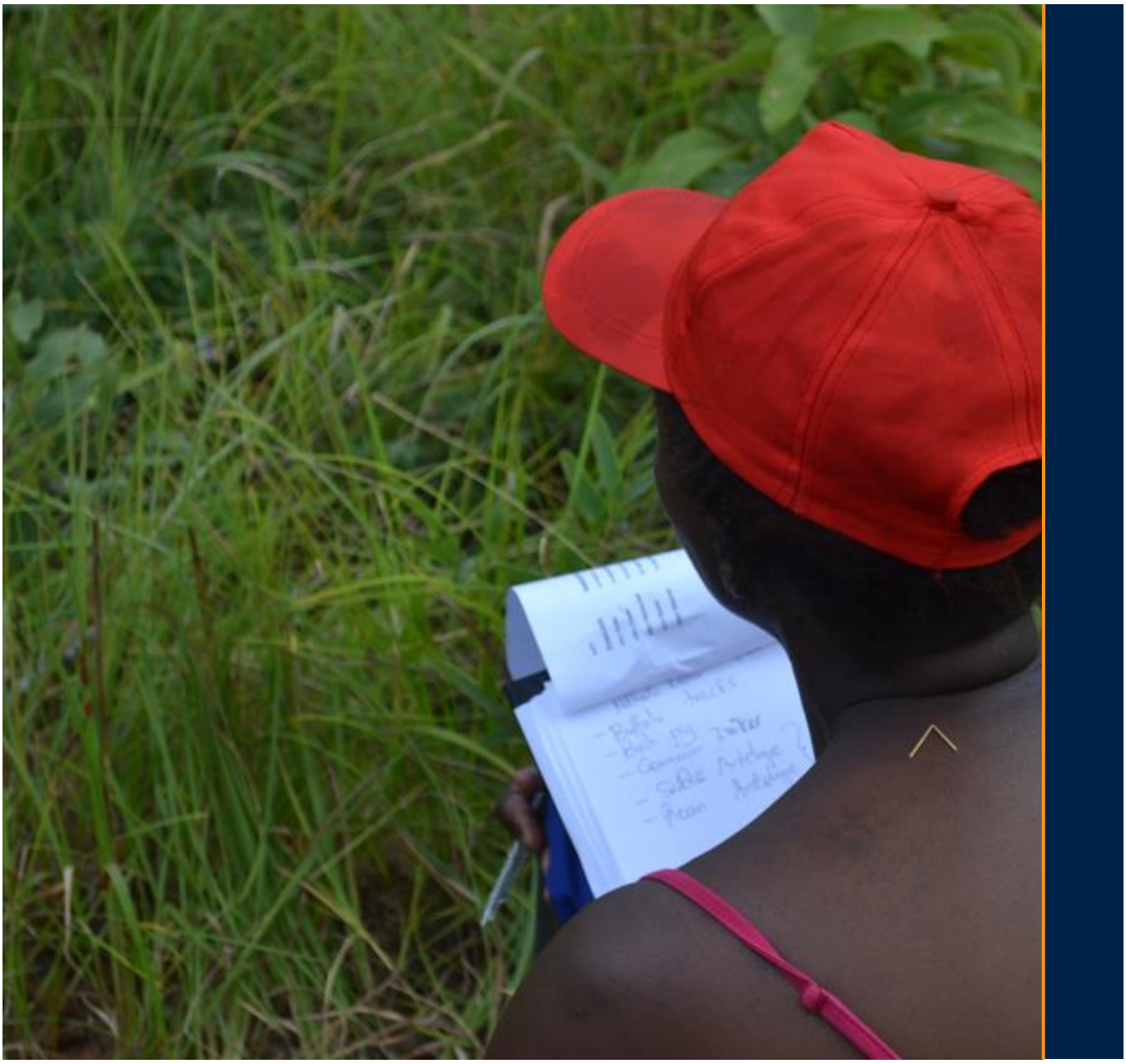


Figure 1. Terra Global Stages of Developing NbS Investments and Delivering on Just Transition

Best Practices for Delivering Just Transition through NbS Climate Finance

This section describes how each of the nine Just Transition criteria applies to NbS investments, the rationale or importance of the criteria, an overview of the best practices to meet the criteria, and the risk reduction of applying these best practices. Further, for each criterion, the best practice indicators that are applied by Terra Global for our investments are listed to provide a practical guide to how NbS investments should be sourced, developed, funded, and supported on an ongoing basis to deliver a Just Transition.



Criteria 1 - Foster strong social dialogue and consensus, as well as adequate, informed, and ongoing consultation

The underpinning of the entire NbS program design, development, and investment process should be based on collaboration and consultation. This process requires extensive time and support from teams with the skills and experience to engage at local levels with various stakeholders. It starts with initial engagement, informing key stakeholders about the opportunities and conditions in securing climate finance. Following the initial engagement, the additional collaboration includes building the knowledge level of key stakeholders to ensure informed participation through a stepwise process to prepare the business case, complete a transaction, and collectively support the ongoing operation of the project.[26]

Rationale	Natural resources are used by people for their livelihoods, incomes, culture, physical well-being, etc. Any proposed activities that seek to change their use (even for the better) can only be done through full consultation and collaboration.
Best Practice	Identify who is to be engaged and impacted. Gain an understanding of the current dynamics that generate incomes, impact labor (formal and informal) conditions, food security, and social needs. Then engage fully with these groups to develop their business case for the NbS project implementation.
Risk Mitigation	By ensuring that the process from design to implementation on the ground is carried out with collaborative processes that both engage and educate those involved in the NbS program programs, they will have higher adoption and greater effectiveness.

Best Practice Indicators – Foster strong social dialogue and consensus, as well as adequate, informed, and ongoing consultation

1. Conduct multiple-step processes to identify and engage stakeholders and secure informed consent to participate.
2. Identify implementation areas with participatory demarcation (as needed).
3. Assess land, natural resource, and carbon tenure rights holders and ensure the implementation of activities and benefits allocation are aligned.
4. Gather social data through participatory rural appraisals and household surveys to understand and baseline sources of income, use of natural resources, cultural importance, and wealth and well-being levels of participants.
5. Community engagement plan is developed pre-investment.
6. Conduct engagement early and ongoing with two-way dialogue, training, awareness, and process for feedback.
7. Collaboratively develop long-term implementation workplans based on a shared Theory of Change.
8. Deliver training and capacity-building support to transition to a 'business management' mindset, including operational and fiscal controls.
9. Design processes and training to conduct participatory monitoring.
10. Implement adaptive management with regular workplan and budget updates.

[26] ILO. (n 17).

Criteria 2 - Prioritize interventions for the most at-risk places and communities

Investors, particularly in new sectors, often seek to find 'low-hanging fruit.' However, the nature of creating high-quality, multiple-benefit NbS programs is to finance the implementation of activities that reduce the risk of forest loss for forests that are disproportionately at risk. Often, selecting projects that are not considered 'low-hanging fruit' can deliver the highest benefits dollar for dollar while still generating attractive risk-adjusted returns. Where political risk is high, insurance can be used to cover breach of agreement, political risk and change of law. When financing projects that reduce deforestation, increase tree cover, and engage communities where food and income insecurity is prevalent risk can be reduced through financed interventions.[27]

In the context of NbS, specifically avoided deforestation and degradation, this requirement that forest must be at-risk is a baseline condition and the delivery of the NbS program activities to reduce this risk results in carbon credit generation potential. For avoided unplanned deforestation and degradation (AUDD), unless the drivers, agents, and underlying causes of deforestation and degradation that present the most risk to the forest are reduced there are no carbon credits or return generation. However, there needs to be a balance between deploying capital in areas at most risk and having predictability around the effectiveness of addressing that risk to deliver the projected carbon credits.

Rationale	To address the most significant risk to forests and where NbS actions can generate the income needed to improve economic opportunities for communities most at risk.
Best Practice	Target countries and areas where forests are at most risk and where funding is not available to finance change. Fund actions to engage communities in tree planting activities that can generate additional income and/or crops that increase resilience to those most vulnerable.
Risk Mitigation	If at-risk areas and communities are not engaged, there can be no carbon credits and no social impact, and global climate goals cannot be met. Unwillingness to provide finance to the most at-risk areas jeopardizes global climate goals, which increases risk to all.

Best Practice Indicators - Prioritize interventions for the most at-risk places and communities

1. Target developing countries for finance.
2. Demonstrate willingness to work in countries with higher political risk to build an investment track record of fair risk-adjusted returns from these types of investments.
3. Prioritize the carbon typologies such as avoided unplanned deforestation and degradation which is generally caused by subsistence-based drivers, and support afforestation/reforestation that deliver carbon revenue to reduce risks to natural resources, carbon loss, and food insecurity.
4. Develop implementation workplans with a bottom-up community focus that address risks of the people in the NbS program areas.

[27] Boyland, M., et. al. (n 7).

Criteria 3 - Account for gender dimensions of environmental challenges and opportunities

NbS programs are implemented in rural areas, primarily with communities that derive their income and cultural benefits from the natural resources in their areas. Daily life involves women working to gather water, grow and cook food, and seek to generate income with resources they can access in a rural setting to support their families. Their work is generally informal and is often not considered when evaluating the opportunity costs of implementing NbS program activities. Delivering a Just Transition through NbS requires that when designing and promoting changes in natural resource use and when building alternative livelihoods, specialized approaches are deployed in a gender-sensitive and responsive manner. Ensuring that program design and targeted KPIs encourage the growth of women in governance is imperative to community cohesiveness and project success. This is especially critical when implementing projects in cultures where gender norms leave women underrepresented in governance structures.[28] Terra Global, as a woman-founded, women-run company, brings a unique gender approach and expertise to its work at both the corporate and Investee (NbS program) level, highlighting gender equity as a key target for its NbS investments.

Rationale	Consideration and integration of activities that promote gender and vulnerable populations' equity through the NbS program activities and governance structures ensures fair access to resources and opportunities offered by climate finance.
Best Practice	Pre-investment gender equity components are collaboratively developed in the program design and gender action plan. The ongoing support for the implementation of gender-focused activities and monitoring gender equity impact against KPIs is done in a disaggregated manner so that adjustments can be made through adaptive management.
Risk Mitigation	Without the integration of focused gender and vulnerable people activities and a specialized monitoring program, delivery risk is higher and gender focused KPIs cannot be met.

Best Practice Indicators – Account for gender dimensions of environmental challenges and opportunities

1. Develop, at the fund level, a gender and vulnerable populations policy for all investments to enhance gender equity and inclusion of vulnerable people within the governance structure and day-to-day operations of NbS programs financed.
2. Collaboratively develop gender action plans with all Investees.
3. Integrate gender and vulnerable people-focused activities into the long-term implementation workplans.
4. Design monitoring plans to collect gender and vulnerable people's specific data and measure the gender-specific KPIs.
5. Include in adaptive management plans the processes for the gender and vulnerable people data to drive the necessary changes to practices.

[28] ILO. (n 19).

Criteria 4 - Ensure policy is informed by countries' specific conditions and local contexts

It is critical to allocate capital to countries that view the growth carbon markets as an opportunity to generate new income streams for those on-the-ground producing carbon credits rather than to governments whose primary aim is to boost their centralized budgets. Domestically, countries are rapidly establishing carbon-related laws and policies that impact the ability of legally recognized land tenure holders to develop and monetize carbon credits. This changing legal landscape is not always effective or fair. Looking back, it took many years for developing countries around the world to devolve legally recognized land tenure to local communities. Now that carbon credits have value, some countries are adopting carbon-related laws that, in short, order conflict with communities' legal rights to tenure and use of natural resources and the resulting carbon credits. These laws are intended to provide structure around the ability to generate new income streams from carbon credits, but they can deprive communities of revenues that should otherwise be theirs. So, it is critical to stay informed on country-specific legal conditions and ensure that transactions are structured to reinforce land tenure and secure carbon tenure, whether legally defined or not. This is particularly critical with government Investees when transactions and programs are government-led.[29]

It is critical to allocate capital to countries that view the growth carbon markets as an opportunity to generate new income streams for those on-the-ground producing carbon credits rather than to governments whose primary aim is to boost their centralized budgets.

Rationale	Laws and policies need to make the process predictable for Investors, but more importantly, to ensure that carbon-related laws, as they emerge, re-enforce the countries' land tenure systems. Thus, promoting the opportunity for tenure holders who manage their natural resources more sustainably to have the ability generate revenue from carbon credits and without excessive taxes or fees.
Best Practice	Evaluate and re-enforce the legal tenure systems of the NbS program through the design and development of benefits allocation. Engage with governments and provide training to support the adoption of laws and regulations that maximize access to new sources of carbon revenue for those who produce climate benefits and not regulations that may jeopardize the bankability of NbS programs with overly burdensome fees, taxes and/or procedures.
Risk Mitigation	Risk is reduced by ensuring that carbon transactions respect local tenure systems and ensure that the transaction structure does not 'sovereignize' the carbon credits. By guarding against government-level transactions that strip communities, Indigenous people, and other rights holders of direct carbon ownership and carbon income potential ensures that years of progress of devolving land tenure rights are not reversed.

[29] Reid, Hannah, Maikel Lieuw-Kie-Song. (n 19).

Best Practice Indicators – Ensure policy is informed by countries' specific conditions and local contexts

1. Deals must include the legal tenure holders, not intermediaries or governments who do not support a direct link between carbon revenue generation and tenure holders' production of carbon credits.
2. When governments are the counterparties for transactions, deploy spatially explicit nesting GHG accounting (particularly for REDD+) and ensure that benefit allocation aligns with natural resource and tenure rights, providing full rights to the carbon credits they generate.
3. When tenure holders transfer carbon rights to another entity, ensure transfers are effectuated in a fully informed manner and the economic impacts of these arrangements are transparently presented and structured with fair economic terms.
4. Avoid countries that impose disproportion fees, control monetization of carbon credits, or other impose other requirements that extract value or control from those who produce the carbon credits.
5. Contribute to government decision processes in designing laws that include real-world examples of the impact that laws have on the bankability of NbS programs.

Criteria 5 - Promote the creation of more decent jobs

When applied to NbS, this criterion is much broader than the creation or security of jobs. Increased employment through NbS is an important target indicator, but NbS projects done properly provide income opportunities beyond formal employment. The design of NbS includes the training and inputs for new and increased business opportunities, which often bring far more value to communities than formal jobs.[30] These may include promoting new agricultural products, non-timber forest products, local crafts, and/or other rural businesses to generate income. Additionally, for the NbS program cashflow, once the costs of the core NbS program activities are covered with carbon revenue and the climate finance is repaid, the NbS program's net income is distributed based on the benefits allocation plan for additional income to participants.

Rationale	Investing in NbS programs that deliver new employment opportunities and promote new income streams is at the core of a Just Transition. Any NbS that cannot demonstrate it delivers jobs and new income opportunities to NbS program owners and tenure holders by definition cannot be Just.
Best Practice	Identification of the baseline employment and sources of income being generated by the NbS program participants and the collaborative development of the long-term implementation workplan that provide new/enhanced employment and income generation opportunities.
Risk Mitigation	If new income opportunities are not generated by the NbS program, either as formal employment, daily work opportunities and/or through promoting new income streams, the NbS program will not succeed in the long-term.

Best Practice Indicators – Promote the creation of more decent jobs

1. Understand the social-economic impacts of stakeholders' use of natural resources in the NbS program through detailed field data collection, both up-front and ongoing.
2. Establish a local project management team dedicated to managing the NbS program and employed full-time.
3. Structure activities and budgets to provide community work opportunities related to delivering on the NbS program activities.
4. Co-develop the activities to generate new/enhanced income streams, including budgeting for training, inputs, and monitoring.

[30] Payen, J., Lieuw-Kie-Song, M. (n 21).

Criteria 6 - Provide workers and enterprises with the skills required for a transition / Provide income support to workers during periods of transition

These two criteria have been bundled to describe both the requirement to provide skills development and to recognize the costs (lost income) for participants to adopt new practices. In most cases, NbS programs, to promote less deforestation, more tree cover, or improved agricultural practices, require the adoption of new or changed ways for people to make a living and/or feed their families through use of natural resources. If properly designed and financed, this will create new job and income opportunities for those involved. The success of these NbS programs depends on creating 1) jobs that offer opportunities for people to stay in rural areas and 2) incentives that will support the transition from activities that unsustainably use natural resources to those that can generate improved income and well-being through sustainable natural resource use. When the program is designed to help communities implement new activities or businesses that have been co-developed with them, training is needed for communities to implement these new practices. Even when they are collaboratively designed with provided training, these new practices may not be successful unless the required input and equipment for the new activities are provided. Further, in cases where activities require the loss of income in the short term in exchange for better income in the future, such as the replacement of old tree crops with new agroforestry systems, financing at least part of the loss of income is needed.[31]

Rationale	Without training and the required inputs, change of practices cannot be adopted. And while stakeholders can provide some 'in-kind' support for new opportunities, if the adopted practices require the loss of critical income sources in the short term, communities will need financial support during the transition period to minimize this income loss.
Best Practice	It is imperative to have a deep understanding of the pre-program activities and income generated by participants and the impact the proposed new practices will have on them. Then, the design of activities and budgets must ensure that the required training is provided, that inputs and equipment are supplied, and, where needed, payments that offset lost income in the short term are budgeted.
Risk Mitigation	Without supporting the required training and income loss, adoption will be low and/or the community impact will be negative, and the effectiveness of carbon credit generation will be low.

Best Practice Indicators – Provide workers and enterprises with the skills required for a transition / Provide income support to workers during periods of transition

1. Ensure, during the development of Theory of Change, the long-term implementation plan and budget reflect the economic impact of practice changes for those who will need to adopt activities.
2. Conduct opportunity cost analysis for switching activities.
3. Establish a dedicated NbS program management unit with local staff and provide support and training to oversee activities on the ground.
4. Provide local support linking local implementation teams to international expertise to support ongoing technical training.

[31] Payen, J., Lieuw-Kie-Song, M. (n 21).

Criteria 7 - Implement climate action that enhances social equity

When considering climate solutions globally, studies show that financing NbS programs in developing countries, especially the Global South, will deliver proportionately more positive impacts for people than many other climate investments. [32] NbS climate finance delivers a new and transformational carbon income stream that can be generated when developing country governments and their rural communities are supported in accessing carbon markets. When done correctly, climate finance can be the tool to catalyze rural development. Locally, the climate action taken in the design, financing, implementation, and ongoing management of NbS programs requires engagement from the start, with the mindset that engages participants not as 'beneficiaries' but as owners of this new income stream. The structure of investment transactions, the fiscal management processes, and the benefits allocation plan all must reflect the realities of who actually creates the carbon credits, and ensure they receive the benefits of this new revenue stream. Terra Global demonstrates its focus on social equity through defining the Benefits "Allocation" Plan as such, rather than as a Benefits "Sharing" Plan. Through this language shift, we highlight how the benefits of NbS programs are not for sharing – with a portion being withheld. Instead, they are to be allocated in full between the participating stakeholders and tenure holders, following the full and informed consultation of all parties.[33]

Rationale	NbS project investments must lead with social equity, which includes the equity around access to resources at the local level and social and financial equity between the Investees and private sector Investors.
Best Practice	Transaction structures are transparent, and the benefits allocation plans recognize those who deliver value and ensure they receive the benefits.
Risk Mitigation	Without transactions that deliver social equity, adoption will be low, and non-permanence risk will be high. Implementation effectiveness will be too low for the NbS program to generate the target carbon credits. Or, once carbon credits are generated, they could be reversed due to the communities not receiving benefits.

Best Practice Indicators – Implement climate action that enhances social equity

1. Design NbS programs collaboratively on a bottom-up basis to ensure direct engagement of communities.
2. Ensure that implementation workplans include creating or enhancing legally recognized tenure-holder community groups/indigenous people with direct engagement across multiple stakeholders.
3. Secure and/or reinforce legal land tenure of communities/indigenous groups in NbS program design.
4. Develop benefit allocation plans with the fundamental premise that those with land tenure and natural resource rights, who adopt new activities for better natural resources use, are the carbon credit creators.
5. Deliver business (financial and operational) training and support capacity building for local NbS program management teams to take over full management at the end of the investment period.
6. Register baseline social conditions, then monitor and verify ongoing results with 3rd party audit under international standard.
7. Avoid transaction structures that assign all carbon rights to the investor and/or developer, only providing a portion of net income return to the NbS program participants and communities.
8. Establish a feedback grievance and redress mechanism incorporating local practices and international best practices.

[32] Stephen Woroniecki, et. al. (2023). Contributions of nature-based solutions to reducing people's vulnerabilities to climate change across the rural Global South, Climate and Development. https://doi.org/10.1080/17565529.2022.2129954.
[33] C40 Cities Climate Leadership Group. (n 23)

Criteria 8 - Develop NbS that are economically viable

Developing an NbS program that is economically viable is one of the most important Just Transition practices for NbS criteria. Without an economically viable program, the long-term climate, social, and biodiversity benefits cannot be maintained. With many NbS programs, long-term economic viability is achieved through the generation of carbon revenue, which is the source of funding that allows for ongoing activities on the ground. Understanding the long-term economics, however, takes considerable work and expertise, which, at the NbS program level, requires having detailed workplans, activity-based budgets, reliable carbon credit estimates, and fair climate finance transaction terms. Only then can the long-term cash flow under multiple scenarios be understood. In the benefits allocation plan for the NbS program, provisions must be made for establishing a trust fund to provide income when carbon credits can no longer be generated for long-term financial viability.

Another aspect of being economically viable includes having in place all the required institutional rearrangements for the NbS program. The institutional arrangements will cover legal agreements, governance structure, fiscal management, procurement, and program management processes.[34]

Rationale	To ensure that the amount of upfront and ongoing financing required is identified, the transaction structure can provide the required upfront finance to reach long-term financial viability.
Best Practice	Develop detailed implementation plans, budgets, and cash flow. Structure the investments to bring NbS programs to positive cashflow and ensure that terms provide a fair risk-return profile for both the Investors and Investees.
Risk Mitigation	If the NbS program is not financially viable in the long-term, it will fail, and there could be a reversal of the climate benefits.

Best Practice Indicators – Develop NbS programs that are economically viable

1. Co-develop implementation and long-term implementation plans.
2. Prepare detailed activity-based budgets that support planned activities and scaling of activities over time.
3. Prepare robust pre-investment carbon credit estimates for Investors and Investees to make an investment decision.
4. Create investment models to understand upfront funding needs and finance returns for both Investors and Investees.
5. Update workplans and budgets with Investee at least every 2 years.
6. Deploy investment transaction structures that are designed to provide all the financing to reach positive cashflow, avoiding the need to raise additional capital in the future.
7. Update carbon credits estimates once field data is collected, and as new information becomes available.
8. Update the investment model regularly to check on projected cash flow and share with the Investee.
9. Design the benefit allocation plans, where possible, to include the establishment of a trust fund where the interest can provide long-term cash flow for participants.
10. Execute legal agreements for investment, long-term implementation, and technical services.
11. Establish fiscal management to ensure funds are spent as defined under agreements.
12. Form a trust or special purpose vehicle (SPV) as needed for local Investee NbS program management.
13. Secure, where needed, blended donor funding to create bankability.

[34] IUCN. (n 24).

Criteria 9 - Manage NbS adaptively based on evidence

Developing NbS programs to achieve long-term financial, social, and environmental sustainability involves comprehensive monitoring of the 1) effectiveness of implementing the activities in the long-term implementation work plan, and 2) measuring the impacts generated from implementation.

Operational performance monitoring measures how well the planned activities are being implemented according to the workplan by using data that is collected at multiple levels from NbS program participants. The impact monitoring focuses on climate, community, and biodiversity results produced by the NbS program. With a well-designed NbS program, the activities, when successfully implemented, will lead to positive outcomes for communities, biodiversity, climate mitigation, and climate adaptation. Collecting and analyzing field data and other inputs from the implementors on the ground can determine whether the NbS program is meeting its objectives. Completing this analysis regularly and making collaboratively developed changes to the activities, approaches, budget allocations, and monitoring the use of adaptive management processes can maximize the success of the NbS program. [35]

Rationale	NbS programs often involve the implementation of a complex set of activities with local participants who rely on natural resources for their livelihoods. Even with the best engagement practices and co-developed workplan and budget, these activities may not fully deliver the expected impact. Through ongoing monitoring and adaptation of workplans and budgets, the ability to reach the target impact indicators can be strengthened.
Best Practice	Field data collection and participatory monitoring are used to measure the results versus the target objectives and outcomes, and data is analyzed to adapt future approaches as needed. Investees are involved in on-going monitoring of results.
Risk Mitigation	The target outcomes of the NbS program may not be met, and funding could be wasted on activities that are not feasible and/or do not produce the expected outcomes.

Best Practice Indicators – Manage NbS adaptively based on evidence

1. Baseline conditions for social, biodiversity, climate mitigation, and adaptation are captured at the start of the NbS program.
2. The Theory of Change and its implementation is co-developed around a set of shared challenges and goals.
3. NbS program Monitoring plans are developed to monitor at the operational and impact level.
4. Investees adopt a program operational performance monitoring plan.
5. Training and resources are provided to local implementors to conduct participatory monitoring of program activities and results.
6. Data and analysis are shared to identify where changes and improvements need to be made.
7. Results are monitored under an international standard with 3rd party audits.
8. Regular updates are made based on the data and analysis of workplans, budgets, and engagement processes.

[35] IUCN. (n 24).

Annex 1 – Just Transition for NBS Framework Summary

Criteria 1 - Foster strong social dialogue and consensus, as well as adequate, informed, and ongoing consultation

Best Practice Indicators – Foster strong social dialogue and consensus, as well as adequate, informed, and ongoing consultation

1. Conduct multiple-step processes to identify and engage stakeholders and secure informed consent to participate.
2. Identify implementation areas with participatory demarcation (as needed).
3. Assess land, natural resource, and carbon tenure rights holders and ensure the implementation of activities and benefits allocation are aligned.
4. Gather social data through participatory rural appraisals and household surveys to understand and baseline sources of income, use of natural resources, cultural importance, and wealth and well-being levels of participants.
5. Community engagement plan is developed pre-investment.
6. Conduct engagement early and ongoing with two-way dialogue, training, awareness, and process for feedback.

Criteria 2 - Prioritize interventions for the most at-risk places and communities

Best Practice Indicators - Prioritize interventions for the most at-risk places and communities

1. Target developing countries for finance.
2. Demonstrate willingness to work in countries with higher political risk to build an investment track record of fair risk-adjusted returns from these types of investments.
3. Prioritize the carbon typologies such as avoided unplanned deforestation and degradation which is generally caused by subsistence-based drivers, and support afforestation/reforestation that deliver carbon revenue to reduce risks to natural resources, carbon loss, and food insecurity.
4. Develop implementation workplans with a bottom-up community focus that address risks of the people in the NbS program areas.

Criteria 3 - Account for gender dimensions of environmental challenges and opportunities

Best Practice Indicators – Account for gender dimensions of environmental challenges and opportunities

1. Develop at the fund level a gender and vulnerable populations policy for all investments to enhance gender equity and inclusion of vulnerable people within the governance structure and day-to-day operations of NbS programs financed.
2. Collaboratively develop gender action plans are with all Investees.
3. Integrate gender and vulnerable people-focused activities into the long-term implementation workplans.
4. Design monitoring plans to collect gender and vulnerable people's specific data and measure the gender specific KPIs.
5. Include in adaptive management plans the processes for the gender and vulnerable people data to drive the necessary changes to practices.

Criteria 4 - Ensure policy is informed by countries' specific conditions and local contexts

Best Practice Indicators – Ensure policy is informed by countries' specific conditions and local contexts

1. Deals must include the legal tenure holders, not intermediaries or governments who do not support a direct link between carbon revenue generation and tenure holders' production of carbon credits.
2. When governments are the counterparties for transactions, deploy spatially explicit nesting GHG accounting (particularly for REDD+) and ensure that benefit allocation align with natural resource and tenure rights providing full rights to the carbon credits they generate.
3. When tenure holders transfer carbon rights to another entity, ensure they did so in a fully informed manner and the economic impacts of these arrangements are transparently presented and structured with fair economic terms.
4. Avoid countries that impose disproportion fees, control monetization of carbon credits, or other impose other requirements that extract value or control from those who produce the carbon credits.
5. Contribute to government decision processes in designing laws that include real world examples of the impact that laws have on the bankability of NbS programs.

Criteria 5 - Promote the creation of more decent jobs

Best Practice Indicators – Promote the creation of more decent jobs

1. Understand the social-economic impacts of stakeholders' use of natural resources in the NbS program through detailed field data collection, both up-front and ongoing.
2. Establish a local project management team that is dedicated to managing the NbS program and employed full-time.
3. Structure activities and budgets to provide community work opportunities related to delivering on the NbS program activities.
4. Co-develop the activities to generate new/enhanced income streams, including budgeting for training, inputs, and monitoring.

Criteria 6 - Provide workers and enterprises with the skills required for a transition / Provide income support to workers during periods of transition

Best Practice Indicators – Provide workers and enterprises with the skills required for a transition / Provide income support to workers during periods of transition

1. Ensure, during the development of Theory of Change, the long-term implementation plan and budget reflect the economic impact of practice changes for those who will need to adopt activities.
2. Conduct opportunity cost analysis for switching activities.
3. Establish a dedicated NbS program management unit with local staff and provide support and training to oversee the activities on the ground.
4. Provide local support that links the local implementation teams to international expertise to support ongoing technical training.

Criteria 7 - Implement climate action that enhances social equity

Best Practice Indicators – Implement climate action that enhances social equity

1. Design NbS programs collaboratively on a bottom-up basis rather than top-down to ensure the direct engagement of local communities.
2. Ensure that implementation workplans include creating or enhancing legally recognized tenure-holder community groups/indigenous people with direct engagement across multiple stakeholders.
3. Secure and/or reinforce legal land tenure of communities/indigenous groups in NbS program design.
4. Develop benefit allocation plans that start with the fundamental premise that those with land tenure and nature resource rights, who adopt new activities for better use of natural resources, are those who create the carbon credit.
5. Deliver business (financial and operational) training and support capacity building for local NbS program management teams to take over full management at the end of the investment period.
6. Register baseline social conditions, monitor, and verify ongoing results with 3rd party audit under an international standard.
7. Avoid transaction structures that assign all carbon rights to investor/developer and then provide a portion of net income as the return to the NbS program participants and communities.
8. Establish a feedback grievance and redress mechanism incorporating local practices and international best practices.

Criteria 8 - Develop NbS that are economically viable

Best Practice Indicators – Develop NbS that are economically viable

1. Co-develop implementation and long-term implementation plans.
2. Prepare detailed activity-based budgets that support planned activities and scaling of activities over time.
3. Prepare robust pre-investment carbon credit estimates for Investors and Investees to make an investment decision.
4. Create investment models to understand upfront funding needs and finance returns for both Investors and Investees.
5. Update workplans and budgets with Investee at least every 2 years.
6. Deploy investment transaction structures that are designed to provide all the financing to reach positive cashflow, avoiding the need to raise additional capital in the future.
7. Update carbon credits estimates once field data is collected, and as new information becomes available.
8. Update the investment model regularly to check on projected cash flow and share with the Investee.
9. Design the benefit allocation plans, where possible, to include the establishment of a trust fund where the interest can provide long-term cash flow for participants.
10. Execute legal agreements for investment, long-term implementation, and technical services.
11. Establish fiscal management to ensure funds are spent as defined under agreements.
12. Form a trust or SPV as needed for local Investee NbS program management.
13. Secure, where needed, blended donor funding to create bankability.

Criteria 9 - Manage NbS adaptively based on evidence

Best Practice Indicators – Manage NbS adaptively based on evidence

1. Baseline conditions for social, biodiversity, climate mitigation, and adaptation are captured at the start of the NbS program.
2. The Theory of Change and its implementation is co-developed around a set of shared challenges and goals.
3. NbS program Monitoring plans are developed to monitor at the operational and impact level.
4. Investees adopt a program operational performance monitoring plan.
5. Training and resources are provided to local implementors to conduct participatory monitoring of program activities and results.
6. Data and analysis are shared to identify where changes and improvements need to be made.
7. Results are monitored under an international standard with 3rd party audits.
8. Regular updates are made based on the data and analysis of workplans, budgets, and engagement processes.