



2g. Enhancing Country Access to Finance

Background

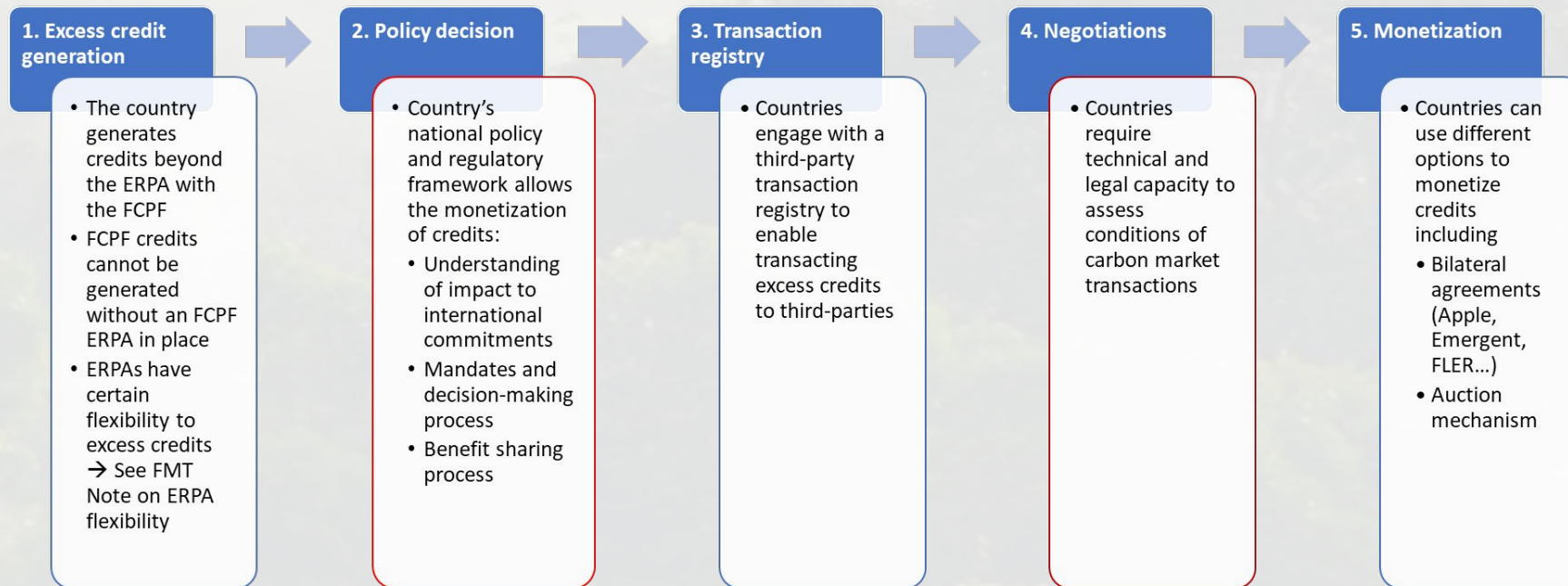
- The FCPF Carbon Fund (CF) was designed to pilot the implementation of REDD+ programs, via results-based-payments
- REDD+ Countries have now submitted at least one monitoring report, and almost half concluded a full cycle resulting in results-based payments
- REDD+ Countries have reported emission reductions, including Excess ERs in several cases, and have also reported non-carbon benefits
- With many REDD+ Countries entering a new stage of piloting results-based climate finance, **REDD+ countries have identified two areas for support to enhance their ability to mobilize finance to ensure the sustainability of their ER Programs and the outcomes generated:**
 1. Carbon market access via the monetization of Excess ERs; and
 2. Recognition of non-carbon benefits generated by ER Programs.
- The FMT would like to propose a package to support these two items



1. Country Carbon Market Access

1. Carbon market access via the monetization of Excess ERs

- REDD+ Countries have expressed strong interest in the ability to take a decision on the use of Excess ERs, including monetization in carbon markets
- Despite WB support, REDD+ Countries have identified barriers in allowing them to move forward with monetization, including on decision-making
- Countries struggle with necessary policy decisions (Step 2) and require support for negotiations (Step 4)



1. Carbon market access via the monetization of Excess ERs

- Based on country-needs, the FMT is proposing to address barriers in Step 2 and 4 as follows:

2. Policy-decision.

- *Barriers.* Unclear national legal and institutional framework for monetization in carbon markets and the lack of understanding of impact of monetization on country's climate strategy (and NDC commitment) is hindering or delaying countries' decision-making.
- *Actions.* FMT is proposing to address these issues by providing tailored and targeted technical assistance that seeks to: a) analyze the specific countries' needs and gaps; and b) provide advice in establishing/enhancing regulations, policies, and governance structures for trading within the country's broader climate strategy

1. Carbon market access via the monetization of Excess ERs

- Based on country-needs, the FMT is proposing to address barriers in Step 2 and 4 as follows:

4. Negotiations.

- *Barriers.* Countries need legal and technical support for negotiations. To avoid potential conflicts of interest, the World Bank, as a party to the ERPA and the issuer of ERs, would not be involved in any third-party transaction.
- *Actions.* WB would provide funds to an intermediary organization that would then provide direct and independent support to countries as and when requested.
- As noted in the FMT Note related to ERPA Flexibility, the WB would ensure that as part of this support, the WB would provide capacity building related to demand-side integrity.

1. Carbon market access via the monetization of Excess ERs

- To enable this support, the **FMT requests CFPs for the approval of up to US\$5.4 million which will come from the investment income already generated in this fiscal year.**

Activity	Indicative Budget (USD)
Step 2: Analysis and advice to support country decision-making (6 countries)	1,800,000
Step 4: Support to negotiations (6 countries)	3,600,000
TOTAL	5,400,000

1. Carbon market access via the monetization of Excess ERs

Key steps:

- Countries generate verified credits in excess (i.e., "Excess Credits") of ERPA contracted credits (i.e., "Contracted Credits").
- Countries establish policy/regulatory frameworks and governance structures to monetize.
- Countries work with transaction registry platforms to register these "Excess Credits"
- Countries and buyers negotiate terms of sale of "Excess Credits"
- Countries and buyers execute the sale of "Excess Credits"



2. Non-Carbon Development Outcome Certification

2. Non-Carbon Development Outcome Certification

Objective:

- To recognize, reward and incentivize efforts that prioritize inclusion and generate additional (non-carbon) benefits beyond standard requirements.

Rationale:

- At time of developing the FCPF Methodological Framework, the question of a premium price for non-carbon benefits, as proposed by REDD+ countries, was parked. It was decided this would be included as a 'flexible' reporting requirement.
- REDD+ Countries have continued to:
 - raise the importance of recognition of non-carbon benefits; and
 - emphasize the recognition of performance in terms of non-carbon benefits not only emission reductions.
- Third-party buyers signal that development outcomes are important factors that influence both purchasing decisions and pricing.

2. Non-Carbon Development Outcome Certification

Process:

- Based on prior endorsement by CFPs, FMT has developed a methodology on non-carbon development outcome certification
- Internal review is currently ongoing by World Bank working group. This includes refining of methodology, including its indicators.
- Piloting of methodology is planned in two countries, between July 2024-July 2025:
- Piloting includes:
 - Indicator Information Collection
 - Submission Preparation for Certification
 - Third-Party Auditor Validation and Verification
 - Establishing Certification Protocol
 - Cost-Benefit Analysis of Social Certification Implementation
- Consultations on the methodology in July – October 2025

2. Non-Carbon Development Outcome Certification

- To enable this support, the **FMT requests CFPs for the approval of up to US\$450,000 which will come from the investment income already generated in this fiscal year.**

Activity	Indicative Budget (USD)
Indicator Information Collection	250,000
Submission Preparation for Social Certification	75,000
Third-Party Auditor Validation and Verification	60,000
Establishing Social Certification Protocol	55,000
Cost benefit certification analysis	10,000
TOTAL	450,000

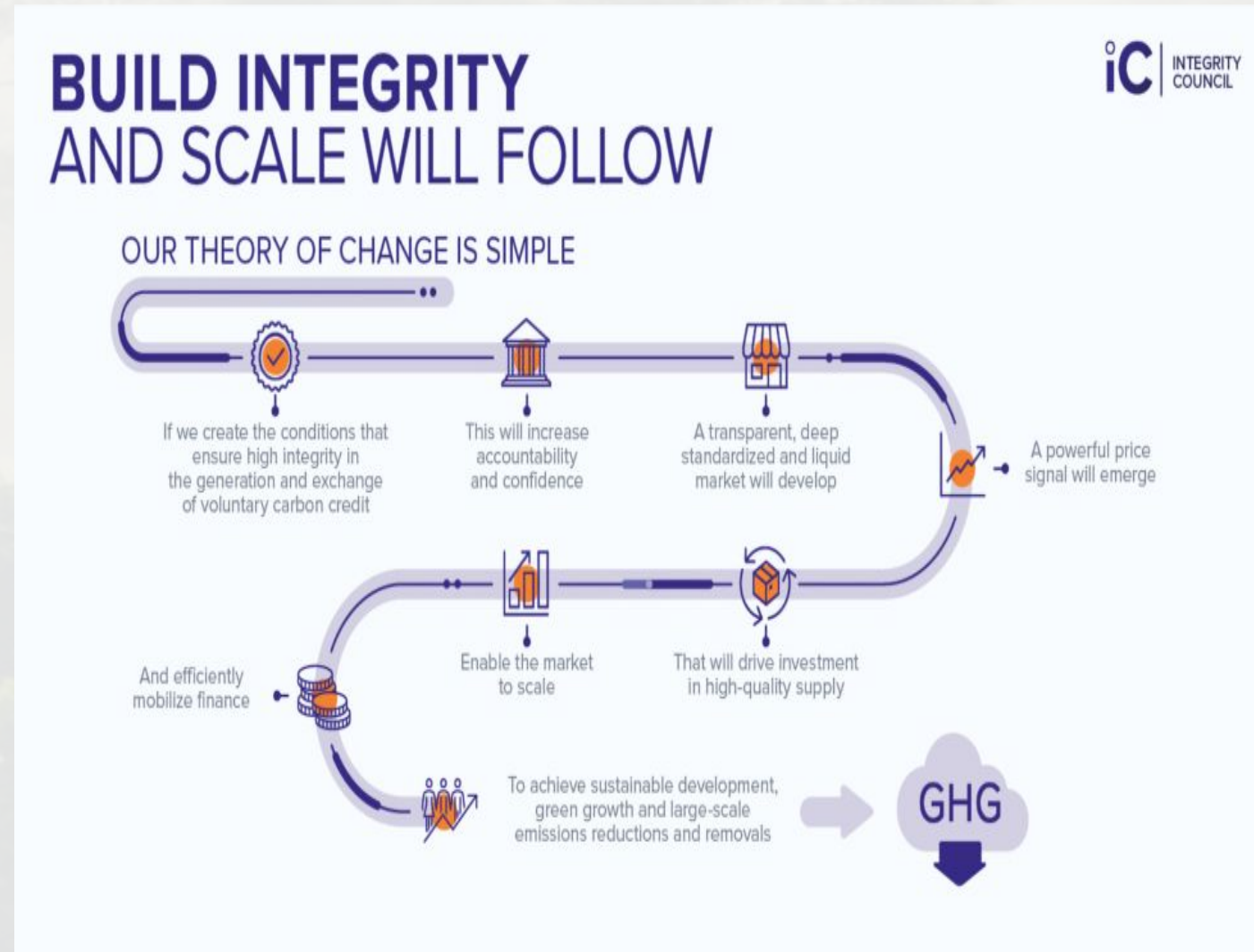
Carbon credits



- Projects in the Forestry and Land Use category command the largest share of trades (46%) and the highest prices with a weighted average price.

Integrity Council for the Voluntary Carbon Market (ICVCM)

- In an effort to set and enforce clear global standards, and improve the quality and governance of the voluntary carbon market, the Integrity Council for the Voluntary Carbon Market (also known as the ICVCM or the Integrity Council) was founded in early 2021.
- The Council elaborates criteria to evaluate whether carbon credits and carbon-crediting programs reach its threshold for quality and integrity, articulated through 10 Core Carbon Principles (CCPs) for identifying high-quality carbon credits, which elaborates criteria to evaluate whether carbon credits and carbon-crediting programs reach its threshold for quality and integrity.



Source: Council, Integrity. "Core Carbon Principles, Assessment Framework and Assessment Procedure." (2023).

10 Core Principles Emerge from ICVCM: Sustainable Development

SD BENEFITS AND STANDARDS

The carbon-crediting program shall have clear guidance, tools and compliance procedures to ensure mitigation activities conform with or go beyond widely established industry best practices on social and environmental safeguards **while delivering positive sustainable development impacts.**

Standards Comparison Overview

	ESF & BSP note	Gold Standard	CCB	Plan Vivo	Social Carbon	SD Vista	REDD+ SES	ART-TREES	W+
Stakeholder participation	+++	+++	+++	+++	+	+++	+++	+++	
IP's rights	+++	+++	+++	+++	+	++	+++	+++	
FPIC	+++	+++	+++	+++		++	+++	+++	
Cultural Heritage	+	+	+	+			+	+	
Biodiversity conservation	+	+++	+++	++	++	+	+++	+	
Ecosystem services	+	+++	++	++	++	+	++	+	
Gender		++	++	++	++	+	+		+++
Governance	+++	+	+	+			+++		
Benefit sharing	+++	+	+	+			+		++
Improved livelihoods		++	++	++	++	++	+		++

Objectives

- The Social impact certification aims to recognize and reward efforts that prioritize generate additional social benefits beyond standard requirements, including social inclusion, advancing land tenure, impactful benefit sharing, transparency and sustainability.
- The Social impact certification has the potential to unlock new finance at scale to support high-quality nature-based mitigation activities globally and recognize emission reduction programs that contribute significantly to social development.
- Encourage effective and integrated emission ERP design that is suitable to local conditions and likely to achieve benefits for constituencies

EnABLE Framework and Social Impact Certification

Social Impact Certification is based on EnABLE's Framework Note:

- 1. Land and resource tenure security:** Secure land and resource tenure is often a prerequisite for accessing benefits and participating in ERPs. The existence of various mechanisms for securing land and resource rights promotes inclusion within participation and decision-making processes related to climate action to reduce emissions and promote IPs' and LCs' access to climate finance.
- 2. Governance, participation, and decision-making:** Transparent decision-making processes and active stakeholder participation in program design are essential to ensure that people are well-informed about carbon projects and programs and can effectively monitor progress.
- 3. Distribution of benefits and costs:** Benefit distribution in carbon projects and programs encompasses both carbon benefits (including monetary and non-monetary gains) and non-carbon benefits, such as increased opportunities, influence, access to resources, and capacity development.
- 4. Knowledge, skills, and capacity development:** Developing skills and knowledge through training and capacity building is fundamental to enhancing the agency, capacity—and hence equity—of women, IPs, LCs, and other marginalized groups.

A fifth domain is added to the certification to foster long-term livelihood benefits and sustainability:

- 5. Sustainable benefits:** Sustainability addresses how the program is designed and implemented and how benefits are channeled to ensure that the social impacts of the ERP continue beyond the initial intervention and investment. Specifically, the focus is on governance and financial sustainability of the program and overall livelihoods improvements for constituencies.

Social Impact Certification

Social impact certification requirements

- Developed through an iterative process by working groups comprising World Bank experts – under finalization
- Comprises five domains: Land and resource tenure, participation and decision-making, benefit sharing mechanisms, long-term capacity building and valorization of local knowledge and sustainability of benefits
- Combines input, process, and outcome indicators
- To be shared for consultation

Social impact certification guidelines

- Operationalize the rules and requirements of the certification to enable the validation and verification of natural climate solutions in ER programs
- Provide overview of the ER program validation and verification process, use of the certification label on emission reduction units, and the approval requirements for validation/verification bodies

Examples of Requirements

Domain	Indicator	Type
Domain 1: Land and resource tenure security	The ERP provides for multiple possible means to provide proof of tenure to land and/or resources (e.g. use rights, jointly registered rights, collective resource permits and authorizations) for constituencies to engage in ERP actions.	Input
Domain 2: Governance, participation and decision making	% of representatives from constituencies in decision-making and implementation entities of the program	Outcome
Domain 3: Distribution of benefits and costs	% of signed official collaboration documents (cooperation agreements, letters of understanding, etc.) with constituencies for benefit sharing	Process
Domain 4: Knowledge and Capacity Development	% constituencies participating in trainings to support the ERP implementation	Process
Domain 5: Sustainability of benefits	% of constituencies that have improved their livelihoods, including food production and gathering, water availability, employment, energy availability and education.	Outcome

Pilot Objectives and Scope

Objectives

- Test the draft social impact certification requirements (indicators)
- Assess the usability of the template and guidance
- Assess the comprehensiveness of the guidelines, particularly the validation and verification process
- Revise the draft requirements and guidelines based on the pilot in the two countries

Scope

- Two countries are to be selected.
- Each ERP is expected to have a certain maturity level
- Engagement with the countries will be conducted jointly with the FCPF FMT.

Pilot Activities

Social impact certification indicator information collection

- Establish data collection methods and tools
- Conduct workshops or training sessions
- Gather information on indicators in two countries

Submission preparation Social impact certification

- Prepare the monitoring report for Social impact certification
- Assisting countries to prepare the monitoring reports

Third-Party Auditor Validation and Verification

- Engage third-party auditors with expertise in social Social impact certification
- Third-party auditors to conduct audit process for two countries
- Facilitate direct feedback to country teams based on auditor evaluations

Engage with market stakeholders

- Workshops and roundtables
- Market stakeholder engagement strategy incl. engagement plan, awareness campaign, feedback, and marketing

Lessons learned and cost-benefit analysis of Social impact certification implementation

- Document lessons learned from the Social impact certification pilot
- Review the templates and guidance based on the learnings
- Conduct a cost-benefit analysis

Expected outputs

Revised requirements and guidelines

- **Improved** clarity, simplified language, additional examples, and more detailed instructions
- Adjustments to certification indicators **to ensure** they are realistic, achievable, and effectively promote social inclusion

Cost-benefit analysis and lessons learned

- **Assess direct** costs, such as auditing fees, training expenses, and administrative overheads
- **Assess** potential indirect benefits, such as enhanced stakeholder trust, improved project acceptance, and long-term sustainability gains
- Document lessons learned from the certification pilot

Strategy for engaging with buyers

- Targeted engagement plan
- Awareness campaign
- Stakeholder feedback integration
- Marketing and promotion

Payment of premium to one country

A practical demonstration of the financial incentives associated with certification

Next Steps

Update

- Multidisciplinary expert working group finalized the indicators
- Countries on piloting the social certification engaged
- Methodology for piloting the certification in two countries developed
- Renaming of certification to better reflect the dimensions to fosters (land tenure, participation & decision-making, distribution of benefits and accountability & monitoring)



Next steps

- Consultations with selected stakeholders on indicators (civil society, potential buyers etc.)
- Piloting social certification in 2 countries including information collection, report writing and validation & verification by third party auditors
- Revise social certification based on pilot, including indicators, monitoring procedures and validation & verification process



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