

Forest Carbon Partnership Facility (FCPF)

Working Group on the Methodological and Pricing Approach for the Carbon Fund of the FCPF (WG)

3rd conference call (March 1, 2012)

Background Note #5

Programmatic Elements for the Methodological Framework of the Carbon Fund of the FCPF

The objective of this note is to provide background information to the Working Group (WG) on considering potential programmatic characteristics of CF Emission Reductions Programs (ERPs) in the Methodological Framework (MF) for the Carbon Fund (CF), and to help structure discussion, by: 1) summarizing discussion on this topic to date; and 2) proposing a revised set of key “programmatic elements” to guide the MF for your consideration.

1. Discussions on the Carbon Fund methodological framework to date

1.1 Potential programmatic elements in the methodological framework

The Issues Note of the CF ¹ reflects inputs from meetings of entities interested in the CF held over the course of 2009-2010, in Participants Committee meetings (PC4, PC5, PC6 and PC7), and exchanges with Indigenous Peoples and civil society in Washington and Accra. With regard to the MF, the Issues Note states that “the selection of ER Programs into the portfolio of the Carbon Fund will be based on the following characteristics:

[Note: those marked with a “P” indicate potential programmatic elements. Those marked with an “A” indicate potential ER accounting elements. The underlining is added here to help clarify the reasons for the P notation.]

1. (P) Be submitted by the governments or government-approved entities of countries that are FCPF REDD Country Participants, i.e., countries that were selected into the Readiness Mechanism of the FCPF;
2. (A) Be based on performance, i.e., payments for ERs relative to an agreed reference emission level (REL) and/or forest reference level (FRL);
3. (A, P) Generate high-quality and sustainable ERs (including environmental and social benefits, and minimization of the risk of non-permanence);
4. (P) Be consistent with emerging compliance standards under the UNFCCC and other regimes, as applicable;
5. (P) Be based on transparent stakeholder consultations;
6. (P) Use clear and transparent benefit-sharing mechanisms with broad community support. Adequate governance and financial management arrangements for a transparent benefit sharing will need to be in place prior to the effectiveness of the ERPA; and

¹ The Issues Note is available at <http://www.forestcarbonpartnership.org/fcp/node/277>.

7. (P) Generate learning value by testing and demonstrating different approaches that are proposed by REDD+ countries, and learn from them in order to inform the international community on their feasibility.

For sub-national ER Programs, these should also:

8. (P) Be undertaken at a significant scale, e.g., at the level of an administrative jurisdiction within a country or at the national level, in line with the proposed national REDD+ management framework;
9. (P) Be consistent with the (emerging) national REDD+ strategy and recognized as such by the appropriate national authority;
10. (A) Demonstrate capacity to measure and report on ERs. The system should be consistent with the (emerging) national REDD+ MRV system;
11. (A) Be consistent with the national REL/FRL, or with the national approach establishing it;
12. (P) Be integrated in a national institutional framework that will manage and coordinate sub-national programs; and
13. (A) Provide for an assessment of and measures to minimize the risk of displacement of emissions (leakage), reversals (non-permanence) and other relevant risks.”

1.2 CF and PC discussion of MF issues to date, and FMT Proposal of Key Elements

Previous discussion by the CF Participants, the FCPF PC and CF meetings in Berlin in October 2011, and in the calls of the WG, expressed general support for a proposed set of about six methodological “elements” focused on carbon accounting issues (discussed in the WG call #2), as well as about six programmatic elements pertaining to characteristics of ER Programs (shown in Table 1, with a few proposed edits).

Table 1: Potential Programmatic Characteristics Proposed to the CF and PC (Berlin, October 2011)

[Note: same as Table 2 in the WG Note #2 for WG call #2]

1	Submitted by government-endorsed entity
2	Consistent with emerging UNFCCC compliance standards (and other regimes, to extent feasible)
3	Transparent stakeholder consultations
4	Social and environmental safeguards and clear and transparent benefit-sharing mechanisms
5	Integrated in national framework managing sub-national programs
6	Consistent with emerging national REDD+ strategy

The FMT proposed revision of the original proposed elements are provided in Table 2, in order to build on the WG call #2 discussion and provide text for discussion that is closer to potential full-fledged elements. This edits attempt to reflect CF discussions in the September video-conference, Berlin meetings, and WG calls to date, although many perspectives and quick thoughts have been exchanged.

In Table 2, the revised version of each element is presented to help advance WG discussion towards drafting principles.

Table 2: Potential Revised Programmatic Elements

1	Principle: The ERP was submitted by a government or government-endorsed entity
2	Principle: The ERP is consistent with evolving UNFCCC compliance standards (and other major climate policy initiatives, as relevant)
3	Principle: The ERP meets World Bank social and environmental safeguards
4	Principle: The ERP utilizes transparent stakeholder information sharing and consultations
5	Principle: The ERP incorporates clear and transparent benefit-sharing mechanisms
6	Principle: The ERP is consistent with the emerging national REDD+ strategy, and integrated with the framework for managing national and sub-national programs
7	Principle: The ERP is proposed by an implementing entity that has the capacity, potentially via a stepwise approach, to implement the proposed REDD+ activities

1.3 Pertinent key points that emerged in previous discussions

1. World Bank Operational Policies on safeguards and fiduciary aspects (i.e., procurement and financial management) are required to be met for ERPs, and thus are not open to WG decisions. These policies would essentially be addressed on a pass/fail basis – the minimum standards would need to be met or WB participation in a proposed ERP could not go forward. The reason for nonetheless including an element on meeting social and environmental safeguards is that safeguards are explicitly referred to in the COP16 decision on REDD+.
2. A range of views exists on whether and how additional benefits of ERPs like biodiversity conservation, improved livelihoods or enhanced safeguards, could be measured, distinguished quality across ERPs, and taken into account in the CF’s pricing approach, as discussed in call #2.

3. Potential programmatic elements or principles for the methodological framework

Table 3: UNFCCC Principles Compared with Potential CF Programmatic Elements

UNFCCC Principles re Programmatic REDD+, Multiple Benefits, and Safeguards Issues	Potential CF Programmatic “Elements “
Transparency	5. The ERP incorporates clear and transparent benefit-sharing mechanisms with broad community support among stakeholders
Consistency	1. The ERP was submitted by a government or government-endorsed entity 2. The ERP is consistent with evolving UNFCCC standards (and other major climate policy initiatives, as relevant) 6. The ERP is consistent with the emerging national REDD+ strategy, and integrated with the framework for managing national and sub-national programs
Key elements of REDD+	6. The ERP is consistent with the emerging national REDD+ strategy, and integrated with the framework for managing national and sub-national programs 3. The ERP meets World Bank social and environmental safeguards <i>[Note: reference level, MRV covered in CF proposed carbon accounting elements]</i>
Phasing in of REDD+	1. The ERP was submitted by a government or government-endorsed entity 7. The ERP is proposed by an implementing entity that has the capacity, potentially via a stepwise approach, to implement the proposed REDD+ activities
Reporting on safeguards, and inclusion of multiple benefits	3. The ERP meets World Bank social and environmental safeguards
Stakeholder participation in REDD+, and benefit sharing	4. The ERP utilizes transparent stakeholder information sharing and consultations 5. The ERP incorporates clear and transparent benefit-sharing mechanisms

4. Proposed WG discussion approach

4.1 The following approach is proposed for the WG discussion in call #3:

1. Review these proposed elements, and determine if they are reasonable basis for developing the MF, using section 4.2 as a guide.
2. Is anything not needed? Or is anything important missing?
3. Figures 1 and 2 below (discussed in WG call #2) summarize two options for establishing a relationship between the methodological framework and the pricing approach (see more details on the two options in Background Notes #2 and 3). They may prove useful again for this call.

Figure 1: Pricing Based on Single High-Quality Standard

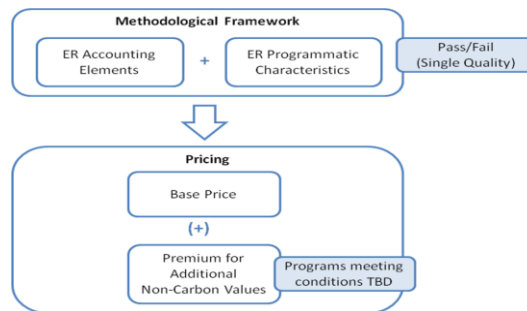
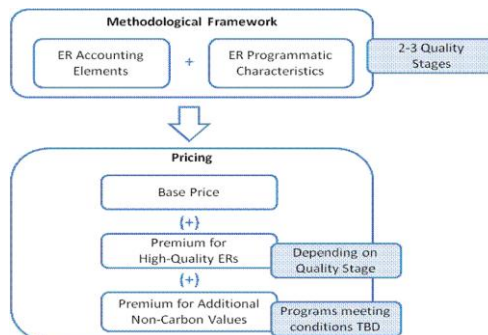


Figure 2: Pricing Based on Differentiated Quality



4.2 Discussion of proposed elements

Each element is presented as a possible principle for consideration of the WG. Although beyond the mandate of the WG, some of the potential criteria or issues the Carbon Fund Participants may want to consider as they develop the more detailed Methodological Framework are listed. This may help the WG recognize further work that may be needed after agreement on a given principle for a MF that could guide the submission of ERPs, and help the CF Participants to assess whether an ERP meets a principle.

Proposed element 1: The ERP was submitted by government-endorsed entity

Potential Discussion Points for the Working Group
<ul style="list-style-type: none">• Is a principle needed on this topic? Or should it be deleted if from this list given that it will be part of the general selection criteria applied by the CF Participants?

Potential Discussion Points for later work when the criteria need to be developed for this principle
<ul style="list-style-type: none">• Which ministry or agency is the best situated to provide national government endorsement of an ERP proposal? E.g., the national focal point on REDD+ or on climate change? The lead government agency on REDD+?• How strong of an endorsement should be the minimum standard? E.g., a letter stating no objection? A strong endorsement? Is the CDM Letter of Approval by the Designated National Authority a good model?• Flexibility has been repeatedly stressed by CF Participants; is this a reasonable way to address that concern?

Proposed element 2: The ERP is consistent with evolving UNFCCC standards (and other major climate policy initiatives, as relevant)

Potential Discussion Points for the Working Group
<ul style="list-style-type: none">• Is a principle needed on this topic, and is this a useful way to address it?• Which, if any, other initiatives should the CF MF strive to be consistent with?

Potential Discussion Points for later work when the criteria need to be developed for this principle
<ul style="list-style-type: none">• How to determine consistency with often minimal guidance from the UNFCCC?

Proposed element 3: The ERP meets World Bank social and environmental safeguards

Potential Discussion Points for the Working Group

- Is a principle needed on this topic? Safeguards will be part of the World Bank’s due diligence in any event, and they are not negotiable.
- Is it OK to present the elements #3, 4 and 5 separately, or should they be combined into one (potentially named “The ERP meets World Bank social and environmental safeguards, utilizes transparent stakeholder information sharing and consultations, *and* incorporates clear and transparent benefit-sharing mechanisms”)?
- Referring back to the earlier discussions, should the methodological framework also consider provisions for explicitly recognizing ERPs that provide additional environmental and social benefits (e.g., enhancing and/or maintaining biodiversity conservation and improving local livelihoods)?
- Should anything else be included?

Potential Discussion Points for later work when the criteria need to be developed for this principle

- What is the status of the SESA/ESMF approach in the country, and how does the ERP build on them?
- Does the ERP provide environmental and social benefits (e.g., enhancing and/or maintaining biodiversity conservation and improving local livelihoods) to the ERP area?
- Should anything else be included?

Proposed element 4: The ERP utilizes transparent stakeholder information sharing and consultations

Potential Discussion Points for the Working Group

- Is a principle needed on this topic, and is this adequate?
- Should a mention be added requiring the goal of “broad community support” as per World Bank policy?

Potential Discussion Points for later work when the criteria need to be developed for this principle

- What can be considered as transparent and sufficient information sharing and does this vary depending on the type of ERP?
- What are criteria for an operational feedback and grievance redress mechanism?
- These types of questions benefit from the guidelines on stakeholder engagement prepared with the UN-REDD Programme.

Proposed element 5: The ERP incorporates clear and transparent benefit-sharing mechanisms

Potential Discussion Points for the Working Group
<ul style="list-style-type: none">• Is a principle needed on this topic, and is this a reasonable way to handle it?• Should the adequacy of governance and financial management arrangements be considered?

Potential Discussion Points for later work when the criteria need to be developed for this principle
<ul style="list-style-type: none">• How can equitable distribution of REDD+ benefits be assessed and does this vary depending on the type of ERP?• What benefits should be considered in the assessment (e.g., REDD+ revenues, training and capacity building, social and environmental) ?

Proposed element 6: The ERP is consistent with the emerging national REDD+ strategy, and integrated with the framework for managing national and sub-national programs

Potential Discussion Points for the Working Group
<ul style="list-style-type: none">• Is this important enough for a principle, and is this a reasonable way to handle it?• Is this adequate guidance for the relationship between the subnational and national scales?

Potential Discussion Points for later work when the criteria need to be developed for this principle
<ul style="list-style-type: none">• Should the existence of a national REDD+ registry or other REDD+ tracking system be a criteria?• How to assess the linkage between the ERP and the country's or region's sustainable development planning processes?

Proposed element 7: The ERP is proposed by an implementing entity that has the capacity, potentially via a stepwise approach, to implement the proposed REDD+ activities

Potential Discussion Points
<ul style="list-style-type: none">• Is this important enough for a principle?• Is the mention of a stepwise approach necessary or useful?• Should it be combined with element/principle #1?