



# Forest Carbon Partnership Facility

## Update on Safeguard Approach to ER Programs under the FCPF Carbon Fund

January 23, 2020

# Overview

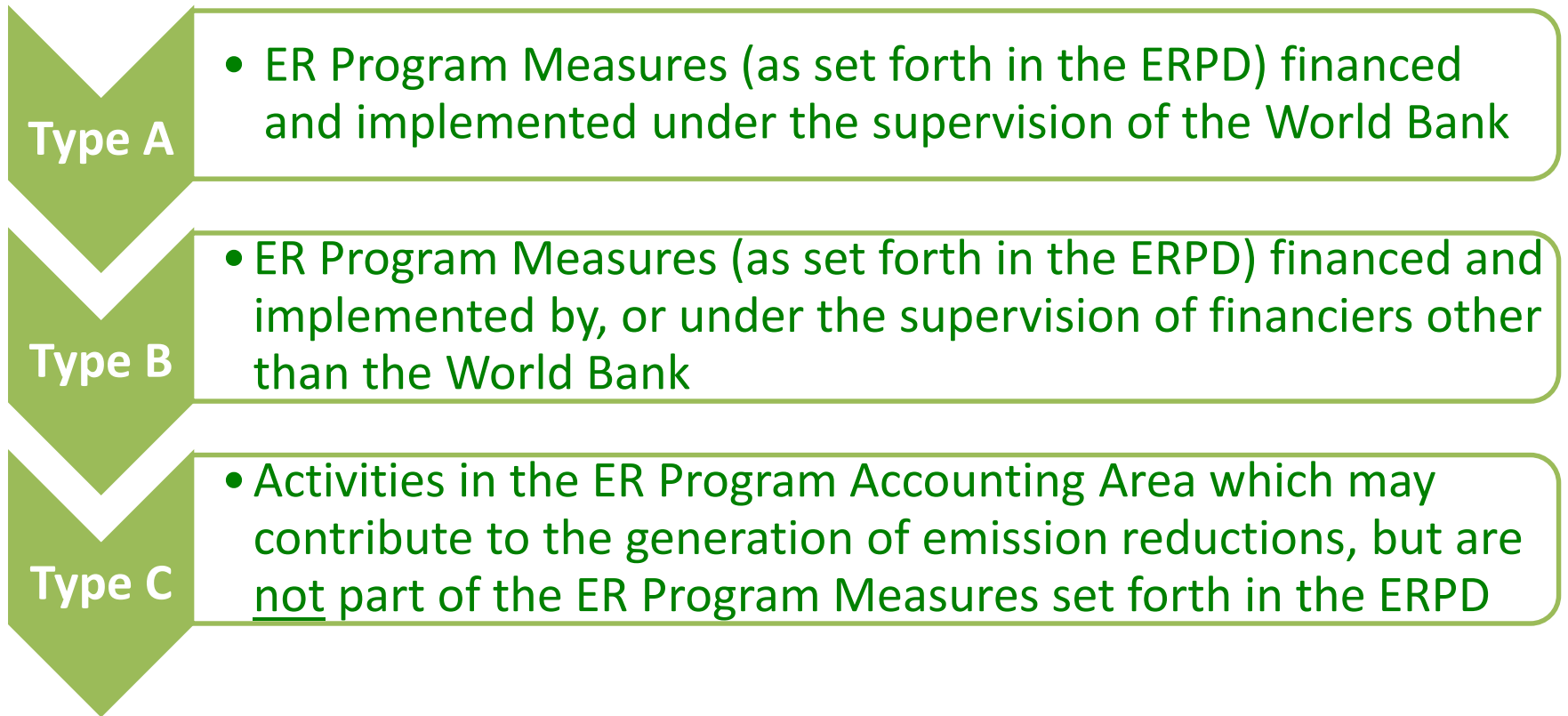
- I. Update from January 2018
- II. Clarified Safeguard Approach
- III. Hypothetical ER Program Example
  - Type A
  - Type B
  - Type C
- IV. Next Steps

# I. Update from January 2018

- At the 17<sup>th</sup> meeting of the FCPF Carbon Fund, the FMT presented the approach for managing safeguard aspects of ER Programs by the World Bank as trustee of the FCPF Carbon Fund.
- Since then, the approach has been further clarified and endorsed internally within the World Bank.
- A draft World Bank Directive on this clarified safeguard approach has been prepared.

## II. Clarified Safeguard Approach

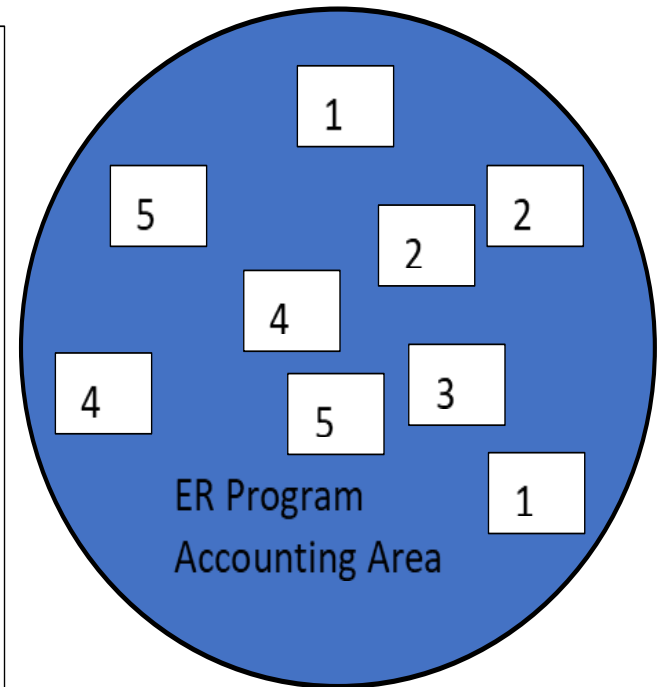
The safeguard responsibilities of the World Bank depend on the type of activities in the ER Program area:



# III. Hypothetical ER Program Example

To demonstrate practical implications of the approach, the following is a hypothetical ER Program with typical ER Program Measures (included in the ER Program Document), drawn from a few actual ER Programs under FCPF

- 1. Prevent conversion of natural forests to plantations and infrastructure development (financed by the World Bank through IPF projects)
- 2. Prevent illegal logging in protected areas (financed by the World Bank through IPF projects)
- 3. Prepare land use and management plans (financed by other MDBs through GEF, FIP or other similar projects)
- 4. Promote climate smart agricultural practices (financed by bilateral donors)
- 5. Promote reforestation and afforestation in degraded areas (financed by the government and private sector)



# Bank's Roles & Responsibilities for Type A Activities

Since activities 1 and 2 are financed and implemented under World Bank supervision, they are considered "Type A activities", and are treated as standard World Bank projects. World Bank's roles & responsibilities would be:

## World Bank, as financier

- World Bank task teams responsible for reviewing and clearing safeguard instruments for these financed activities, for ensuring that such instruments are consistent with the ESMF for the ER Program, and for ensuring compliance of the respective activities with such instruments through periodic supervision.

## World Bank, as Trustee (due diligence)

- World Bank, as Trustee, responsible for carrying out due diligence whether:
  - ESMF for ER Program addresses potential environmental and social impacts of activities 1 and 2; and
  - Program Entity (PE) has capacity and resources sufficient to implement ESMF and to monitor and report on its implementation.

## World Bank, as Trustee (during ER Program implementation)

- To determine whether the PE has implemented the ESMF, the World Bank, as Trustee, will review:
  - Reports from PE (self-reporting),
  - Reports from any third-party monitor, and
  - Any information from World Bank task teams during supervision.

# Potential remedies for Type A Activities

- In case of PE's failure to meet the safeguards requirements, this constitutes an Event of Default (EoD) under the ERPA and may be subject to remedies, including ERPA termination.
- Until EoD is cured, PE's right to transfer and receive payment for any affected ERs is suspended.
- Since the activities are considered World Bank projects, there may also be additional remedies under the projects' other legal agreements (suspension, cancelation, etc).

# Bank's Roles & Responsibilities for Type B Activities

Since activities 3, 4, and 5 are financed and implemented by/under the supervision of others (other MDBs, private sectors, government, and bilateral donors through their respective projects), they are considered "Type B activities". World Bank's roles & responsibilities would be:

## World Bank, as financier

- No supervision roles or responsibilities

## World Bank, as Trustee (due diligence)

- World Bank, as Trustee, responsible for carrying out due diligence whether:
  - ESMF for ER Program addresses potential environmental and social impacts of activities 3, 4, and 5; and
  - PE has capacity and resources sufficient to implement ESMF and to monitor and report on its implementation

## World Bank, as Trustee (during ER Program implementation)

- To determine whether PE has implemented ESMF, World Bank, as Trustee, will review:
  - Reports from PE (self-reporting), and
  - Reports from any third-party monitor.



# Potential remedies for Type B Activities

- In case of PE's failure to meet the safeguards requirements, this constitutes an Event of Default (EoD) under the ERPA and may be subject to remedies, including ERPA termination.
- Until EoD is cured, PE's right to transfer and receive payment for any affected ERs is suspended.

# Bank's Roles & Responsibilities for Type C Activities

There may be other activities within ER Program Accounting Area that do not fall under activities 1 through 5 above (i.e. are not ER Program Measures as set forth in ERPD) but contribute to ER generation under the ER Program. World Bank's roles & responsibilities would be:

## World Bank, as financier

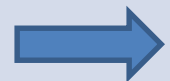
- No supervision roles or responsibilities

## World Bank, as Trustee (due diligence)

- World Bank, as Trustee, has no safeguards responsibility

## World Bank, as Trustee (during ER Program implementation)

- However, World Bank, as Trustee, may learn of issues under Type C activities through, e.g.:
  - World Bank supervision (Type A)
  - Reports from PE (self-reporting),
  - Reports from any third-party monitor, and
  - FGMR.



# Approach for Type C Activities

In such case, if appropriate, the World Bank would engage in a fact finding mission to assess whether the activity in question:

## Scenario 1

Violates PE's obligation under ERPA (9.01(a) GCs) to operate and implement ER Program in accordance with:

- ER Program Documents (including any FGRM set up under ER Program),
- any applicable laws and regulations, and
- sound engineering, financial and environmental practices.



Event of Default (material breach)



Action Plan



Remedies (incl. termination)

## Scenario 2

Materially affects the generation of ERs under the ER Program and does not meet World Bank's safeguards.



World Bank endeavors to engage with PE to address issue(s) under Type C activity

# Engagement with PE under Scenario 2 (Type C)

- In consultation with CFPs, endeavor to agree to restructure ER Program, to include activity in question as an ER Program Measure (Type A/B activity) by amending ERPD.
  - If activity in question is included as a Type A/B activity, PE must take actions to ensure such activity to meet World Bank's safeguards, including amending the ESMF for the ER Program.
  - In such case, until activity in question meets amended ESMF for the ER Program, PE's right to transfer and request payment for affected ERs is suspended.
- If above not possible, in consultation with CFPs, endeavor to agree on
  - Action Plan to address activity in question (e.g. exclusion of area of activity in question from ER Program Accounting Area, reducing ER volume and amending ERPD), or
  - ERPA termination.

## **If neither Scenario 1 nor 2 (Type C) applies...**

World Bank will not undertake any further actions with respect to activity in question, and PE will continue to carry out ER Program in accordance with the ERPA.

## IV. Next steps

- Inform the World Bank Board of Executive Directors of this updated safeguard approach.
- Issue Directive on the updated safeguard approach for World Bank staff.