

**FOREST  
CARBON  
PARTNERSHIP  
FACILITY  
2011 ANNUAL  
REPORT**



A photograph of a dense, lush green forest covering a hillside. The forest is composed of various types of trees, including tall, thin trees and shorter, denser foliage. The sky above is blue with some light clouds. In the foreground, a river flows through the scene, with white water rapids visible. The overall scene is vibrant and natural.

# **THE FOREST CARBON PARTNERSHIP FACILITY**

**Demonstrating activities  
that reduce emissions from  
deforestation and forest  
degradation**

This report covers the Forest Carbon Partnership Facility for the period from July 1, 2010 through June 30, 2011, referred to as fiscal year 2011 or FY11.  
An online version of the report is available at [www.forestcarbonpartnership.org](http://www.forestcarbonpartnership.org)  
Note: All dollar amounts are in U.S. dollars (US\$) unless otherwise indicated.



# Acronyms

AusAid	Australian Agency for International Development
AWG-LCA	Ad Hoc Working Group on Long-term Cooperative Action (under UNFCCC)
CAR	Central African Republic
CF	Carbon Fund
COP	Conference of the Parties (to the UNFCCC)
CSO	Civil Society Organization
DPs	Delivery Partners
DRC	Democratic Republic of Congo
ER	Emission Reduction
ER-PIN	Emission Reductions Program Idea Note
ERPA	Emission Reductions Payment Agreement
ESMF	Environmental and Social Management Framework
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Program
FMT	Facility Management Team
FY	Fiscal Year (World Bank fiscal year, July 1 through June 30)
GEF	Global Environment Facility
IDB	Inter-American Development Bank
IPCC	Intergovernmental Panel on Climate Change
IP Program	Indigenous Peoples and other Forest Dwellers Capacity Building Program
Lao PDR	Lao People's Democratic Republic
MRV	Measurement, Reporting, and Verification
NGO	Non-Governmental Organization
OECD/DAC	Organisation for Economic Co-operation and Development's Development Assistance Committee
OP	Operational Policy (of the World Bank)
PA	Participants Assembly
PC	Participants Committee
REDD	Reducing Emissions from Deforestation and Forest Degradation
REDD+	REDD <i>plus</i> conservation of forest carbon stocks, sustainable management of forests, and enhancement of forest carbon stocks
REL	Reference Emission Level
R-PP	Readiness Preparation Proposal
SBSTA	Subsidiary Body for Scientific and Technological Advice (under UNFCCC)
SESA	Strategic Environmental and Social Assessment
SFM	Sustainable Forest Management
TAP	Technical Advisory Panel
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UN-REDD	United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
WBI	World Bank Institute



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## Executive Summary

This report marks the third year of implementation of the FCPF. The first three years have seen the development of the FCPF and REDD+ at the global and national levels. Remarkable progress was achieved in the UNFCCC, an international REDD+ Partnership was established, and global initiatives such as the FCPF, the UN-REDD Programme, the Forest Investment Programme and the GEF's new SFM/REDD+ window were set up to assist forest countries in tackling the REDD+ challenge. Under this new international framework, dozens of forest countries have started formulating broad strategies and investing in activities on the ground.

The FCPF has become a central piece in the new REDD+ institutional landscape. It has created a normative framework for REDD+ Readiness centered on the robust assessment of country-owned proposals, fostered domestic thinking about and action for REDD+, and incentivized greater cooperation among national and international entities. The past year saw the FCPF achieve some key milestones including the signing of the first Readiness preparation grants for several forest countries, the adoption of the Common Approach to safeguards among Multiple Delivery Partners under the Readiness Fund, the start of operations of the Carbon Fund, and the completion of the first evaluation of the Facility.

The Carbon Fund has now entered its operational phase and will provide performance-based payments to about five programs from countries that have made significant progress towards REDD+ Readiness. Emission Reductions Payment Agreements will only be entered into under the Carbon Fund for programs from REDD Country Participants whose Readiness Package has been assessed by the Participants Committee. The Carbon Fund will thus offer additional incentives for countries to get ready for REDD+ and undertake the necessary investments as well as policy and regulatory adjustments.


The first evaluation of the FCPF has now been completed, which reveals the main strengths and weaknesses of the FCPF. The strengths of the initiative include the capacity that is being built for REDD+ in countries; the establishment of a common framework for Readiness; a transparent and effective governance structure; the recognition of country ownership, the lead role of country governments in the context of REDD+; the facilitation of greater donor coordination; and the creation of a space for Indigenous Peoples, local communities and civil society to engage in forest sector reforms and other reforms relevant to REDD+.

The Facility's main weaknesses have been the slow pace of financial commitments and disbursements from the FCPF Readiness Fund; the flat rate of FCPF grants regardless of needs; the lack of in-country procurement capacity; the need for more World Bank staff to work on the FCPF at the country level; insufficient communications and outreach about the FCPF; and the creation of unrealistic expectations as to the scale and timing of REDD+ benefits.

These weaknesses are already being addressed in a variety of ways by the Facility Management Team—through the acceleration of due diligence on Readiness grants where feasible; the opening of the Readiness Fund to Delivery Partners other than the World Bank (to enhance Readiness service coverage) combined with the reinforcement of World Bank staff working on FCPF operations; the possible varying of grant size in accordance with needs; the support to in-country procurement experts; and the recruitment of communications staff dedicated to the FCPF.

The above measures should address the weaknesses without compromising quality. In particular, the Common Approach to safeguards approved by the Participants Committee in June 2011 creates a level playing field among Delivery Partners. Once they enter into Transfer Agreements with the World Bank—who acts as trustee of the FCPF Readiness Fund—they will be operating under a framework that ensures substantial equivalence with the World Bank's social and environmental safeguards policies and procedures applicable to the FCPF.

The next year will present new challenges and exciting opportunities, among which the questions as to how to optimize resources allocation within the FCPF, whether to reopen the FCPF to more REDD Country Participants, and how to measure country progress towards REDD+ Readiness will be paramount.



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## Turning Point

The Forest Carbon Partnership Facility (FCPF) is a global partnership focused on reducing emissions from deforestation and forest degradation, forest carbon stock conservation, the sustainable management of forests, and the enhancement of forest carbon stocks in developing countries (commonly referred to as REDD+). The FCPF complements the UNFCCC negotiations on REDD+ by demonstrating how REDD+ can be applied at the country level and by drawing lessons from this early implementation phase.

The FCPF consists of two separate mechanisms, each underpinned by a multi-donor fund—the *Readiness Fund* and the *Carbon Fund*. Governments and private or public entities making the minimum financial contribution (US\$5 million) to the Readiness Fund are known as *Donor Participants* while governments and private or public entities making the minimum financial contribution (US\$5 million) to the Carbon Fund are known as *Carbon Fund Participants*. The developing countries participating in the FCPF are known as *REDD+ Country Participants*.

### The Facility pursues four strategic objectives:

- (a) To assist countries in their REDD+ efforts by providing them with financial and technical assistance in building their capacity to benefit from possible future systems of positive incentives for REDD+;
- (b) To pilot a performance-based payment system for REDD+ activities, with a view to ensuring equitable benefit sharing and promoting future large-scale positive incentives for REDD+;
- (c) Within the approach to REDD+, to test ways to sustain or enhance livelihoods of local communities and to conserve biodiversity; and
- (d) To disseminate broadly the knowledge gained in the development of the Facility and the implementation of Readiness Preparation Proposals (R-PPs) and Emission Reductions (ER) Programs.

To achieve these objectives, the FCPF *Readiness Fund* supports participating countries in their preparation for REDD+ as they develop the necessary policies and systems, in particular by adopting national strategies; develop reference emission levels (RELS); design Measurement, Reporting, and Verification (MRV) systems; and set up REDD+ national management arrangements, including

the proper environmental and social safeguards. The FCPF *Carbon Fund*, in turn, will provide performance-based payments for verified Emission Reductions from REDD+ programs in countries that have made considerable progress towards REDD+ Readiness.

The FCPF completed its third full year of operation on June 30, 2011. This past year (FY11) was marked by some important developments on the path from REDD+ Readiness to carbon finance.

### Highlights from FY11 include the following:

- > Three countries signed Readiness Preparation grant agreements: the Democratic Republic of Congo (DRC), Indonesia, and Nepal;
- > Eight countries submitted R-PPs for formal assessment and were allocated grant funding by the Participants Committee (PC), with three more countries presenting draft R-PPs. As of the end of FY11, a total of 24 countries had either submitted R-PPs for formal assessment or presented draft R-PPs, and almost US\$65 million had been allocated in Readiness Preparation grants to 18 countries;<sup>1</sup>
- > A Common Approach to Environmental and Social Safeguards (the “Common Approach”) for Multiple Delivery Partners was approved, allowing the FCPF to leverage strengths of entities other than the World Bank, namely multilateral development banks and UN agencies, to enhance the coverage of Readiness services to REDD+ countries;

<sup>1</sup> Tanzania is among the 19 countries having submitted its R-PP for formal assessment but it did not request a grant allocation.

**The FCPF also continues to serve as a forum for exchanging ideas, information, and building capacity for the global REDD+ community.**



- > The FCPF completed its first program evaluation which yielded an assessment of progress made so far and guidance on how to strengthen the FCPF; and
- > The Carbon Fund became fully operational in May 2011, bringing to bear the second mechanism of the Facility, which is essential in providing incentives for valuing standing forests.

These developments have brought the FCPF to a turning point. While the first three years were mostly dedicated to establishing the right frameworks and processes to ensure that REDD+ was being tackled in a comprehensive fashion, the attention is now turning to the implementation of national Readiness programs and the initiation of performance-based incentive systems.

In addition, the FCPF mobilized more funding for REDD+, bringing total committed and pledged funding for the two funds as of June 30, 2011 to US\$444 million, representing a significant portion of total multilateral REDD+ funding.

Furthermore, the FCPF also continued to serve as a forum for exchanging ideas, information, and building capacity for the global REDD+ community.

As in previous years, the FCPF also supported a number of capacity-building activities among Indigenous Peoples and deepened the understanding of the social dimension of REDD+ through country R-PP submissions and exchanges held with representatives of forest-dependent Indigenous Peoples and local communities at the global, regional, and national levels.

### 1.1. Increased Momentum and Resources for REDD+

#### 1.1.1. Setting Sail: Eight New Allocations

During FY11 the R-PP formulation grants continued to be expended (see Figure 1) and the focus increased on the formulation and presentation of country R-PPs. These R-PPs symbolized significant achievements for each of the submitting REDD+ countries as they play a critical role in creating a national dialogue on REDD+, bring together national stakeholders, and provide a roadmap for going forward. Eight countries presented their R-PPs for formal assessment (Cambodia, Ethiopia, Lao PDR, Liberia, Peru, Tanzania, Uganda, and Vietnam). Of these eight, all except Tanzania, which has alternative bilateral funding, were allocated Readiness grants. Three more countries presented draft R-PPs (Central African Republic (CAR), Colombia, and Nicaragua).

#### 1.1.2. Grants for Readiness

As a major step forward in the Readiness process, Readiness Preparation grant agreements were signed with the DRC, Indonesia, and Nepal. This was made possible by the approval of World Bank management and Board of Executive Directors of the safeguards approach to be followed under the FCPF Readiness Fund, consisting of a Strategic Environmental and Social Assessment (SESA) and an Environmental and Social Management Framework (ESMF).

In addition, PC7 decided to smooth the disbursement process of Readiness Preparation grants by no longer



dividing the grants into two installments, where the latter installment was only released after submission of a progress report on utilization of the first US\$2 million disbursement. These developments are expected to expedite the grant delivery process.

The due diligence proceeded for countries whose R-PPs were assessed by the PC and steps were taken to address the requirements included in the PC resolutions.

#### 1.1.3. Additional Funding for Readiness

FY11 also saw the increased capitalization of the Readiness Fund, with new commitments from Canada (US\$41.4 million), Germany (US\$26.0 million), and Italy (US\$5 million). These three countries thus became Donor Participants. In addition, *Agence Française de Développement* and Finland increased their contributions to the Readiness Fund by US\$5.8 million each. Germany and the European Commission also made public pledges during FY11, of US\$14.5 million and US\$5.8 million respectively, bringing the total amount committed and pledged to the Readiness Fund as of 30 June, 2011 to US\$232 million.

#### 1.1.4. Moving towards Results-Based Payments

FY11 was a watershed year for the FCPF as the Carbon Fund became fully operational. Two conditions had been set for the operationalization of the Carbon Fund. First, a minimum capitalization of US\$40 million was required under the FCPF Charter. Second, the early Carbon Fund Participants chose to wait until at least two additional private entities had signed Participation Agreements to ensure that the Fund started operations as a public-private partnership. The first condition was met in September 2010 and the second in May 2011, with CDC Climat and

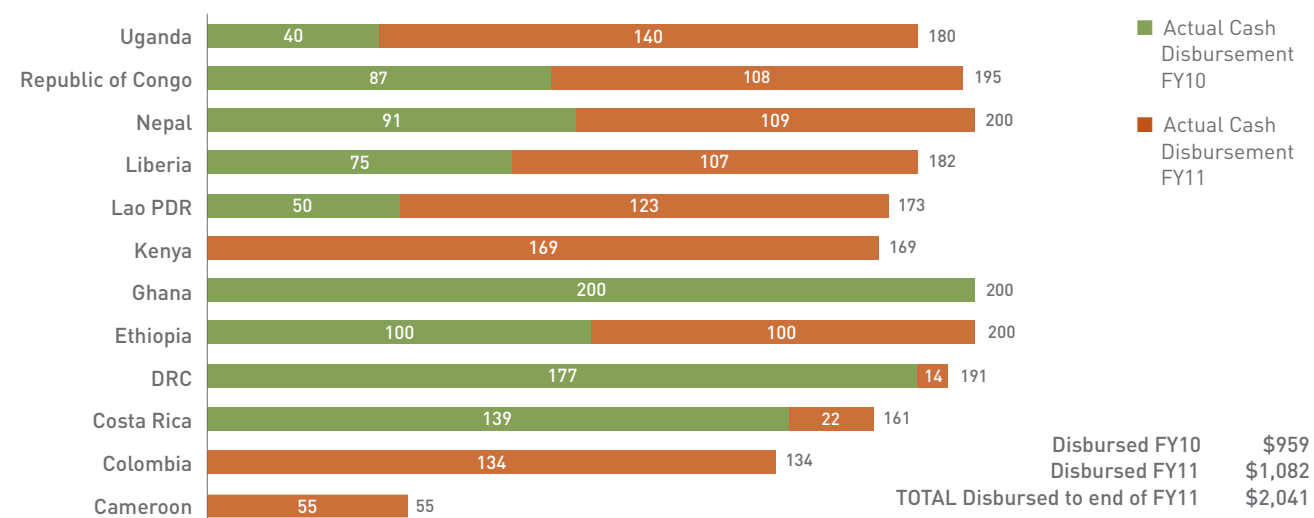
BP Technology Ventures joining the Carbon Fund, signaling the growing confidence of the private sector in REDD+. This development allowed the organizational meeting of the Carbon Fund to take place before the end of FY11. The meeting agreed on the goals of the Fund at the three-year, one-year and six-month horizons, approved the FY12 budget, and discussed draft Rules of Procedure for the Fund. This concluded a two-year long process of updating and adjusting the contents of the FCPF Information Memorandum chapter on the Carbon Fund. The resulting operational modalities of the Carbon Fund were consigned to an Issues Note, finalized in December 2010, and an amendment to the FCPF Charter's Article 12 on the Carbon Fund.

The availability of Carbon Fund resources to be allocated to future Emission Reductions Payment Agreements (ERPAs) is expected to provide further incentives to countries to progress significantly and speedily towards REDD+ Readiness.

#### 1.1.5. Country Implementation Support and Advisory Services

The Readiness Mechanism offers technical assistance to REDD+ countries in the form of two closely linked sets of activities: (1) Country Implementation Support, consisting of assistance with R-PP preparation, and fiduciary and safeguard support from World Bank country teams; and (2) Country Advisory Services, comprised of the coordination by and feedback from the Facility Management Team (FMT) and World Bank staff on aspects of Readiness work. Visits by World Bank and FMT staff, in some REDD Country Participants jointly with UN-REDD representatives, have provided direct onsite technical input as countries advance towards preparation of the Readiness Preparation

Figure 1: Formulation Grant Disbursement by REDD Country Participant (US\$, thousands)



proposals and achieving REDD+ Readiness. The FMT staff participated and provided feedback in national workshops organized by governments in REDD Country Participants. Thematic workshops have also been organized by the FMT in collaboration with the World Bank Institute (WBI), such as several workshops on opportunity costs of REDD, a SESA workshop in Latin America, knowledge-sharing sessions via webinars organized by other organizations, and video conference sessions with REDD+ teams in countries.

## 1.2. Increased Ownership

### 1.2.1. A Country-Driven Partnership

The FCPF was among the first global partnerships to adopt an innovative governance structure in which developing countries have the same voice as financial contributors, with a decision-making process that includes a wide spectrum of observers, including forest-dependent Indigenous Peoples and other forest dwellers and civil society and non-governmental organizations from north and south. This open platform has generated trust and a cooperative spirit to advance the work of the FCPF and the global REDD+ agenda, more generally.

A key signal of this willingness to work together has been the active participation by REDD+ Country Participants and financial contributors in the PC meetings.

By co-chairing the PC meetings and forming contact groups to discuss issues in greater detail, REDD+ Country Participants have taken greater responsibility for the process. For example, the PC formed contact groups to discuss individual R-PPs and working groups to provide guidance on implementing recommendations of the FCPF program evaluation.

Similarly, to make the PC Bureau geographically balanced, Mexico introduced a proposal to increase the number of REDD Country Participants. After discussion, the PC decided to have a total of up to eight members, five representatives from REDD Country Participants and three from financial contributors (either Donor Participants or Carbon Fund Participants).

The entry of CDC Climat and BP Technology Ventures allowed the Carbon Fund to become fully operational and reach a capitalization level at the close of FY11 of approximately US\$174 million, with additional pledges from Germany and Switzerland bringing the total committed and pledged to the Carbon Fund as of June 30, 2011 to US\$212 million. In light of other pledges to the Carbon Fund and the aim of attracting further private sector funding, the PC also approved the FMT's proposal to request the World Bank Board of Executive Directors for an increase in the authorized capitalization of both the Readiness Fund and Carbon Fund.

Table 1: Composition of the FCPF Participants Committee as of June 30, 2011

REDD Countries	Donor and Carbon Fund Participants	Observers to the PC
Argentina	<i>Agence Française de Développement</i>	Forest-Dependent Indigenous Peoples and Forest Dwellers
Cambodia	Australia	International Organizations
Colombia	Canada <sup>a</sup>	Non-Governmental Organizations
Costa Rica	European Commission	Private Sector
Democratic Republic of Congo	Finland	UNFCCC Secretariat
Ethiopia	Germany	UN-REDD Programme
Gabon	Japan	
Nepal	Netherlands	
Guatemala	Norway	
Kenya	Spain	
Mexico	Switzerland	
Paraguay	The Nature Conservancy	
Thailand	United Kingdom	
Uganda	United States of America	

a. Denmark was elected to the PC in November 2010 but volunteered to resign as a member of the PC in June 2011 in order that Canada could replace them as a member.

## The IP Program enables the development of inclusive and accountable national strategies and programs by enhancing understanding of REDD+ and climate change and enabling active engagement in national and international dialogues.

### 1.2.2. Engaging Observers and Indigenous Peoples

Some non-governmental actors may be uniquely positioned to contribute to the Readiness process. They continue to bring in views and insights that add value to country preparation efforts and help shape the discourse on how to achieve REDD+ Readiness. Though observers do not have formal voting rights in the FCPF's governance structure, the norm of reaching decisions through consensus has empowered them to play a constructive role in the FCPF. The FCPF continues to recognize the important role that stakeholders play and supports their participation by financial and technical means. Forest-dependent Indigenous Peoples and other forest dweller representatives conducted a self-selection process in which Africa chose two representatives (one from Francophone Africa and one from Anglophone Africa); Asia nominated one representative for the region; and Latin America nominated two representatives (one from South America and one from Central America). The results were presented to PC9. The approved budget for FY12 thus includes resources to support the participation of five regional forest-dependent Indigenous Peoples and other forest dwellers' representatives.

The Indigenous Peoples and Forest Dwellers Capacity Building Program continues to strengthen forest-dependent peoples' participation in national Readiness processes. The program enables the development of inclusive and accountable national strategies and programs by enhancing understanding of REDD+ and climate change and enabling their active engagement in national and international dialogues. In FY09, the PC allocated a total of US\$1 million (US\$200,000 per year for FY09–FY13) to the program. In FY11, the program provided support to a wide range of activities, as outlined below.

#### High-level dialogues on REDD+ with Indigenous Peoples (Washington, DC)

The World Bank Vice President for Sustainable Development hosted two high-level dialogues with Indigenous Peoples leaders. The first session took place in Washington, DC, on November 15, 2010. The second one was held under the auspices of the UN Permanent Forum on Indigenous Issues in New York, on May 20, 2011. The Indigenous Peoples participants who attended the

Table 2: Composition of the PC Bureau as of June 30, 2011

PC Bureau
Argentina
Australia
Cambodia
Democratic Republic of Congo
Germany
Guatemala
Kenya
United States of America

Table 3: Financial Contributors to the FCPF (Donor Participants and Carbon Fund Participants) as of June 30, 2011

FCPF Financial Contributors
<i>Agence Française de Développement</i>
Australia
BP Technology Ventures
Canada
CDC Climat
Denmark
European Commission
Finland
Germany
Italy
Japan
Netherlands
Norway
Spain
Switzerland
The Nature Conservancy
United Kingdom
United States of America



**For the first time, governments and IP organizations came together to have an honest and open dialogue on climate change, the negotiations process, and the role of IPs as well as their positioning in the climate negotiations.**

meetings represented four socio-cultural regions as identified by the UN system—Africa, Asia, Central and South America, and the Russian Federation. The direct dialogue format of the meetings allowed the Indigenous Peoples participants to articulate their needs and aspirations directly to World Bank senior management. The impacts of climate change on Indigenous Peoples as well as the Indigenous Peoples' active participation in REDD+ was noted along with the need to continue discussions on free, prior, and informed consent (FPIC), particularly as the World Bank is updating and consolidating its environmental and social safeguards. There was agreement on the need to continue this dialogue by holding two sessions each year with Indigenous Peoples representatives nominated through a self-selection process.

The Indigenous Peoples representatives also called for the World Bank to organize a Global Consultation of Indigenous Peoples on the FCPF. World Bank senior management recognized the importance of social inclusion and participation of Indigenous Peoples and other forest communities in REDD+ and endorsed the Indigenous Peoples' request, which was subsequently presented at the FCPF PC9 meeting in Oslo, in June 2011. The PC endorsed this request and the Global Consultation was to take place from September 27-29, 2011 in Panama. This event will be reported on at PC10 and in the FY12 Annual Report.

**COICA Workshop on Climate Change and REDD+ (Bolivia)**

In August 2010, the FCPF funded a workshop of the COICA, the coordinating entity of Indigenous Peoples organizations of the Amazon basin, designed to build the capacity of COICA and its member organizations to engage in international negotiations on climate change and REDD+ and seek to achieve outcomes that recognize traditional knowledge and the rights of Indigenous Peoples. The

workshop revealed the diverse positions of Indigenous Peoples regarding REDD+ and issued conditions for REDD+ to succeed from the points of views of Indigenous Peoples organizations from the Amazon.

**International Technical Workshop of Indigenous Peoples towards COP16 (Mexico)**

For the first time, governments and Indigenous Peoples organizations came together for an honest and open dialogue on climate change, the negotiations process, and the role of Indigenous Peoples as well as their positioning in the climate negotiations. Indigenous Peoples representatives put forward a proposal on the inclusion of Indigenous Peoples in the UNFCCC agreement and also tabled a resolution to garner support for the Indigenous Peoples' formal and effective participation in the UNFCCC process and in REDD+, in preparation for COP16. There was fundamental agreement on the indispensability of Indigenous Peoples in the UNFCCC process and the inclusion and participation of Indigenous Peoples in REDD+ design and implementation, and the participants were able to find entry points where the role of Indigenous Peoples could be strengthened. This meeting was viewed as a historic one and certainly helped to create space for a sustained dialogue on Indigenous Peoples in the UNFCCC process.

**FCPF information sharing at FIP IP Regional and Global Caucus Meetings (Ghana, Lao PDR, and Peru)**

The FMT took advantage of three regional caucus meetings organized by the Forest Investment Program (FIP) in the context of the design of a Dedicated Grant Mechanism for Indigenous Peoples under the FIP to solicit the views of Indigenous Peoples on a range of topics related to the FCPF, in particular the Multiple Delivery Partner

**Table 4: Activities Supported through the Indigenous Peoples Capacity Building Program in FY11<sup>2</sup>**

Activity	Location
High-Level SDN Direct Dialogue with Indigenous Peoples	Washington, DC
COICA Workshop on Climate Change and REDD+	Santa Cruz, Bolivia
International Technical Workshop of Indigenous Peoples towards COP16	Xcaret, Mexico
FIP Regional/Global Caucuses	Accra, Ghana; Vientiane, Lao PDR; Pachacamac, Peru
FIPAC International Forum through REPALAC	Republic of Congo

<sup>2</sup> Reports from the activities funded by the program are available on the FCPF website at <http://www.forestcarbonpartnership.org/fcp/node/248>.



### Box 1. Peru's REDD+ Roundtable

The REDD+ Roundtable of approximately 70 public and private stakeholders, including IP representatives, constitutes the main forum for dialogue and sharing of experiences between government and civil society. The Roundtable has access to the National Climate Change Commission (CNCC), through the National REDD Working Group. Regional REDD+ Roundtables play an advisory role for Regional REDD Strategies and influence the National REDD+ Strategy through the regional committees that are represented in the CNCC. The R-PP further proposes an active role for communities in MRV, and suggests joint activities in the monitoring of forests and carbon stocks, thus combining IPCC methodologies and traditional knowledge into an effective MRV system.

arrangement and the workings of the Carbon Fund as it geared towards operationalization. The FCPF FMT has been working with the Administrative Unit of the Climate Investment Funds, which serves as secretariat for the FIP, to ensure complementarities between the two programs, of which the engagement with Indigenous Peoples is but one aspect.

#### International Forum of Indigenous Peoples of the Congo Basin (FIPAC)

The Indigenous Peoples program funded, through the *Réseau des Populations Autochtones et Locales pour la gestion durable de forêts denses et humides d'Afrique centrale* (REPALEAC), the preparation of Indigenous Peoples groups from six Congo Basin countries with a view to engaging in a meaningful debate during the Second International Forum of Indigenous Peoples of the Congo Basin (FIPAC 2), organized by the Republic of Congo. By funding a series of regional caucuses, the FCPF funding has allowed these groups to convene before the Forum to take stock of the situation concerning climate change and REDD+. As a result, Indigenous Peoples in their home countries prepared their position for the Forum and elaborated their main requests to the governments. This has led to a much

better informed participation in the Forum and empowered the Indigenous Peoples of Central Africa.

#### Bringing Together National Level Stakeholders and Rightsholders

A sustainable REDD+ strategy will require a careful balancing of the interests of diverse stakeholders. Bringing stakeholders into the REDD+ process will not only allow countries to tap into their wealth of knowledge on the drivers of deforestation and forest degradation, and how to effectively address them, but will also add credibility and legitimacy to the process as a whole. Most countries have incorporated forest-dependent Indigenous Peoples and forest dwellers into the process early. For example, Cambodia, Liberia, and Uganda have prepared consultation plans as a commitment to engaging with stakeholders. Peru set up an early dialogue process by identifying key stakeholders and prepared ground for more extensive consultations as the preparation towards REDD+ moved forward.

### 1.3. Leveraging Strengths of Partners

#### 1.3.1. Expanding to Other Delivery Partners

An important milestone was reached to enhance the delivery of REDD+ services. At its ninth meeting, the PC adopted the Common Approach to Environmental and Social Safeguards for Multiple Delivery Partners (the "Common Approach"). This innovative framework paves the way for multilateral development banks and UN agencies to act as Delivery Partners (DPs) that will provide Readiness support to REDD+ countries under the FCPF Readiness Fund by achieving substantial equivalence with the World Bank's applicable policies and procedures on environmental and social safeguards, disclosure of information, and grievance and accountability mechanisms. The Common Approach document was developed through intensive, seven-month discussions among the Task Force that comprised five pilot countries,<sup>3</sup> six potential DPs,<sup>4</sup> five Donor and Carbon Fund Participants, Indigenous Peoples representatives, and CSOs. Based on the Task Force recommendation, PC9 also approved the United Nations Development Programme (UNDP) and the Inter-American Development Bank (IDB) as the first two DPs, in line with the preferences of the five pilot countries.<sup>5</sup>

<sup>3</sup> The five pilot countries are: Cambodia, Guyana, Panama, Paraguay, and Peru.

<sup>4</sup> The African Development Bank, the Asian Development Bank, the Inter-American Development Bank, the United Nations Development Programme, the United Nations Environment Programme, and the Food and Agriculture Organization.

<sup>5</sup> Guyana and Peru selected the IDB and Cambodia, Panama, and Paraguay selected UNDP from the candidate list of six potential delivery partners.

#### 1.3.2. Coordinating REDD+ Support with FIP and UN-REDD Programme

The FCPF, FIP, and UN-REDD Programme share the common objective of helping developing countries reduce deforestation and forest degradation. The governing bodies of all three programs have called for a streamlined approach and enhanced coordination with bodies like the GEF, UNFCCC, and bilateral and non-governmental agencies. Together, the FCPF, FIP and UN-REDD Programme are working closely to develop short-term and long-term options to improve coherence and cooperation across the different phases of REDD+, since each of these programs bears distinct strengths for different phases. During FY11, progress was made on responding to these calls. Meetings of the FCPF Participants Assembly, FCPF Participants Committee, and UN-REDD Policy Board were held jointly to create a common platform for sharing country experiences and lessons learned. Other achievements also included:

#### Guidance on Stakeholder Engagement

The FCPF and UN-REDD Programme have jointly prepared guidelines on stakeholder engagement with a particular focus on the participation of Indigenous Peoples and other forest-dependent communities. The guidelines provide a robust and comprehensive set of principles as well as steps for the active inclusion and participation of forest-dependent Indigenous Peoples and other forest dwellers in REDD+ processes. The guidelines further reflect the common understanding between the FCPF and UN-REDD Programme on the full and effective participation of Indigenous Peoples and forest-dependent communities, in accordance with the 1/CP.16 Decision on REDD+, and present a framework that allows consistency across REDD+ activities.

#### Joint Papers

The FCPF and UN-REDD Programme jointly commissioned three papers on multi-stakeholder participation, benefit sharing, and safeguards initiatives for REDD+, the drafts of which were originally presented at the REDD+ Partnership Workshop "Enhancing Coordinated Delivery of REDD+: Emerging Lessons, Best Practices and Challenges," held on November 26, 2010 in Cancún, in conjunction with UNFCCC COP16.<sup>6</sup>

*Draft Framework for Sharing Approaches for Better Multi-Stakeholder Participation Practices* seeks to support the effectiveness of REDD+ decision-making processes by identifying emerging lessons from stakeholder participation practices. It provides insights on sharing

<sup>6</sup> The papers can be accessed at <https://www.forestcarbonpartnership.org/fcp/node/321>.

information and experiences, a framework for categorizing and describing different types of stakeholder engagement processes, and a set of common terms relating to stakeholder participation.

*REDD+ Benefit Sharing: A Comparative Assessment of Three National Policy Approaches* outlines national benefit-sharing approaches from three areas of forest management policy with respect to REDD+, including: payments for ecosystem services (PES), participatory forest management (PFM), and forest concession revenue-sharing arrangements. Challenges, suggestions, and possible future directions of benefit sharing are described.

*A Review of Three Safeguard Initiatives* seeks to contribute to the discussion on practical experiences regarding safeguards by outlining current approaches to the application of social and environmental standards and principles, complementing the AWG-LCA COP 16 decision on safeguards.

#### Country-level cooperation

The FCPF also continued to collaborate with the UN-REDD Programme as well as new DPs, to enhance the common R-PP template that countries use to develop REDD+ Readiness proposals. This has helped to align processes and ensure that partners are providing complementary support to a single set of activities proposed by the country.

In addition, the FCPF is collaborating with the UN-REDD Programme and other partners at the country level, to provide coherent support to the wide range of REDD+ activities in country. In the DRC, the FCPF and UN-REDD Programme are working together in various analytical and capacity-building activities. One of those is an assessment of governance-related elements of the REDD+ process, including a comprehensive analysis of the political economy of REDD+ in the country and an investigation of corruption risks for a national REDD+ mechanism. In addition, the FCPF and UN-REDD are supporting the DRC in the preparation for the investment phase of REDD+. Both programs have contributed to the preparation of an Investment Plan for the FIP, which will provide DRC with US\$60 million for the implementation of activities aimed to address the main drivers of deforestation and forest degradation in the country.

#### 1.3.3. Services to the REDD+ Partnership

During COP15 in Copenhagen in December 2009 and soon after, donor countries pledged an initial US\$4 billion in "fast-start financing" to support developing countries in their REDD+ efforts in 2010-2012, while also expressing their willingness to scale up future financing for REDD+. In the immediate aftermath of Copenhagen, both France and Norway pledged to host follow-up meetings to maintain the political momentum, and at the Oslo Climate and Forest





Though observers do not have formal voting rights in the FCPF's governance structure, the norm of reaching decisions through consensus has empowered them to play a constructive role in the FCPF.

Conference in 2010, 58 countries launched a new Interim REDD+ Partnership.<sup>7</sup>

The Partnership currently includes 72 Parties—18 donor countries and 54 forest countries—and is a voluntary grouping of countries, demonstrating countries' commitments to making progress and taking action on REDD+. The Parties aim to enhance the efficiency, effectiveness, transparency, and coordination of fast-start financing for REDD+. The work of the Partnership does not prejudice but supports the UNFCCC process, and would be replaced by a future UNFCCC mechanism including REDD+. For that purpose, Partners intend to help establish such a mechanism, enable the mobilization of financial and technical resources needed to scale up REDD+ implementation, and underline the importance of the ongoing UNFCCC negotiations, as well as existing multilateral and bilateral initiatives.

Every six months the Partners select two co-chairs to organize its work. Papua New Guinea and Japan, and Brazil and France respectively have served during the first two periods up to June 2011. Guyana and Germany took over as co-chairs in July 2011.

In agreement with the FCPF PC, the World Bank—through the FMT of the FCPF—and the United Nations—through the Programme Team of the UN-REDD Programme—provide secretariat services to the REDD+ Partnership and work closely with the co-chairs. The joint provision of services builds on the extensive cooperation between the FCPF and the UN-REDD Programme with respect to REDD+. The two organizations share the workload by component, with the World Bank focusing on, for example, analysis of gaps and overlaps in financing and assessment of the effectiveness of existing multilateral initiatives on REDD+, whilst the UN focuses on the design and maintenance of a voluntary database of REDD+ financial support and actions.

The Partnership aims to take immediate action to facilitate, among other things, knowledge transfer, capacity enhancement, mitigation actions, and technology development and transfer. It offers a platform for open discussion of innovative ideas and lessons learned from on-the-ground experience, and the Partnership's work program stresses near-term, practical deliverables. The 2010 and the 2011-2012 work programs launched a number of actions whose results are available at <http://reddpluspartnership.org>.

The Voluntary REDD+ Database on financing, actions, and results is continuously updated by Partners and stakeholders of the REDD+ Partnership. They report on individual agreements to undertake REDD+ related actions, involving funders and recipients. Data may be viewed for individual countries or institutions as well as in an overview.<sup>8</sup> As of September 2011, a total of 498 arrangements had been reported by 36 countries. Funders reported that country-to-country funding amounted to US\$3.51 billion, country-to-institution funding reached US\$3.41 billion, and institution-to-country funding reached US\$0.65 billion.

The analysis of financing gaps and overlaps revealed a significant gap between the reported amount received by recipients and the amount provided by funders. The Partnership is to identify the top five to ten most significant gaps in order to clarify information provided between recipients and funders. In further development of the database of REDD+ finance, this result on financing gaps and overlaps will become an integral part of the key information source of the REDD+ Partnership to continue

identifying gaps and eventually fill these gaps.

In addition the results of the study on the effectiveness of the multilateral REDD+ initiatives will be used to discuss how the application and implementation of projects/ financial support could be improved and disbursements be accelerated.

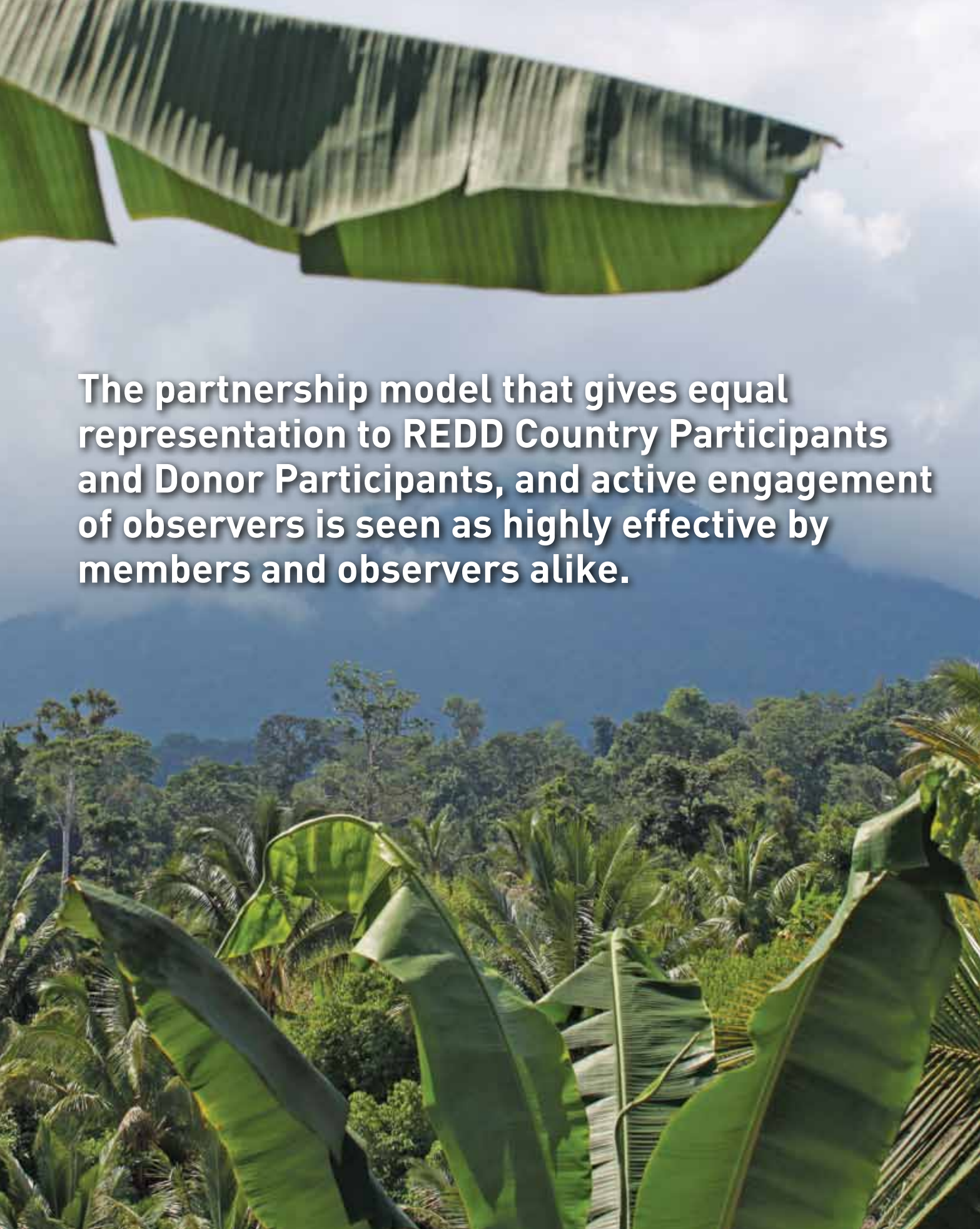
A number of workshops were held in FY11 to share lessons from REDD+ initiatives and best practices to promote and facilitate cooperation among Partners, e.g., in Tianjin (REDD+ Database, gap analysis, and effectiveness), Cancún (multi-stakeholder consultations, applying safeguards, and benefit-sharing mechanisms), Bangkok (demonstration activities), and Cologne (scaling up REDD+ finance). Presentations, papers, and reports of these meetings are available on the REDD+ Partnership website.<sup>9</sup> In order to help the Partners prepare for the negotiations, the Partnership is sharing lessons in the margins and ahead of the UNFCCC official meetings. This approach enables the Partnership dialogue to contribute to the UNFCCC negotiations and allows cost-efficiency. The openness and easy and straightforward nature of the discussions are recognized when compared with the official negotiations.

<sup>7</sup> More information may be found at <http://www.oslocf2010.no/partnershipdocument.cfm>.

<sup>8</sup> The data are available at <http://reddplusdatabase.org>.

<sup>9</sup> The documents may be downloaded from [http://reddplusdatabase.org/entities/filter\\_by\\_type/countries](http://reddplusdatabase.org/entities/filter_by_type/countries).





**The partnership model that gives equal representation to REDD Country Participants and Donor Participants, and active engagement of observers is seen as highly effective by members and observers alike.**

## Strengthening REDD+, Accelerating Learning

### 2.1. Fast-start Learning

#### 2.1.1. FCPF Evaluation: Two Years in Review

As the FCPF completed two years of operations, the PC commissioned an evaluation of the FCPF, in accordance with the provisions of the Charter. The evaluation assessed the contribution of FCPF at both country and global levels. At the global level, the evaluation reviewed the structure, functions, processes, and impact drivers of the FCPF program as a whole, as well as the governance arrangements and delivery mechanisms. At the country level, the evaluation reviewed the formulation of R-PPs and the country context of the R-PPs (though not the R-PPs themselves), which include the structure, functions, and processes of each country's forest-relevant system, the existing capacity, and resources to formulate the R-PP.

This evaluation provided an opportunity to assess the achievements and challenges of the FCPF as a global partnership for piloting REDD+ in the early years of the operation of the Facility. The evaluation was carried out by an independent consultant firm, on the basis of terms of reference endorsed by the PC focusing on the OECD/DAC criteria of relevance, effectiveness, and efficiency. Results from the evaluation report were presented at PC8 in Vietnam.

**The major achievements of the FCPF highlighted by the evaluation include the following:**

- The pioneering and leadership role of the FCPF in providing a common framework, foundation, and platform for REDD+ Readiness, which has served as the basis for evolving the thinking on REDD+ in participant countries is recognized, notably by
  - providing a forum for exchange of lessons learned and knowledge sharing among participants;
  - making available practical tools and guidance for moving forward with REDD+ planning;
  - fostering cross-sectoral and cross-institutional engagement; and
  - giving fresh impetus to addressing pervasive governance challenges.
- The FCPF has established processes, procedures, and standards of REDD+ Readiness that are increasingly being accepted as the norm and have served to inform the REDD+ negotiations under the UNFCCC.
- The governance structure of the FCPF is a model that is considered democratic, transparent, and inclusive. The partnership model that gives equal representation to REDD Country Participants and Donor Participants, and active engagement of observers, is seen as highly effective by members and observers alike. This has fostered openness and transparency in the decision-making processes and has been widely appreciated.
- The REDD+ Readiness process has created an enabling environment for stakeholder engagement at the national and global level. The FCPF has encouraged dialogue among diverse stakeholders at the national level in a manner that ensures stakeholders who had not been involved in national processes were included, in some countries for the first time to this extent.



**Key gaps that have been identified for the FCPF to work on are:**

- On the operational side, the need to finalize financial commitments to FCPF countries and provide flexibility in funding support to REDD+ countries has been highlighted. The report recognizes that finalization of the approach to safeguards has resulted in delay in the signing of grant agreements with REDD+ countries and urges that steps be taken to enhance this.
- Strengthening coordination among various actors at the national and international level for effective REDD+ implementation, including the safeguards approach to REDD+. The cross-sectoral nature of REDD+ and the fact that FCPF financial support is insufficient to meet the total budgetary requirements for Readiness point to the need for the national government to have a strong coordinating role in relation to its international partners and the Bank's project portfolio in several FCPF countries. It will be important for REDD+ to be mainstreamed with ongoing development programs as the work being undertaken is highly relevant to issues identified in the R-PPs of REDD+ countries.
- Lack of capacity support to REDD+ participant countries, including at the national level. Several recommendations relate to ways of enhancing the support provided by FCPF and other development partners.
- Lack of a strong communication strategy to convey the key outcomes of FCPF. The report recommended the FCPF develop a communication and outreach strategy to disseminate FCPF outcomes more widely for use at country level, within the World Bank, and to external audiences.

The World Bank management appreciated the useful observations and lessons provided by the report, and concurred with its main findings and suggested remedial actions.<sup>10</sup>

Since the finalization of the report, the PC set up a PC Working Group to facilitate discussions on the report's recommendations at the PC9 meeting in Oslo, in June 2011. A draft action plan has been prepared by the FMT proposing follow-up action on the recommendations. Action on some of the recommendations has already been taken. Subsequent PC meetings, beginning with PC10 in Berlin, will take stock, discuss, and make decisions on recommendations pertaining to the strategic direction of the Readiness Fund.

<sup>10</sup> The full text of the management's response is available at [http://www.forestcarbonpartnership.org/fcp/sites/forestcarbonpartnership.org/files/Documents/PDF/Jun2011/5.Management%20Response\\_June%2016\\_0.pdf](http://www.forestcarbonpartnership.org/fcp/sites/forestcarbonpartnership.org/files/Documents/PDF/Jun2011/5.Management%20Response_June%2016_0.pdf). Translations in French and Spanish are also available.





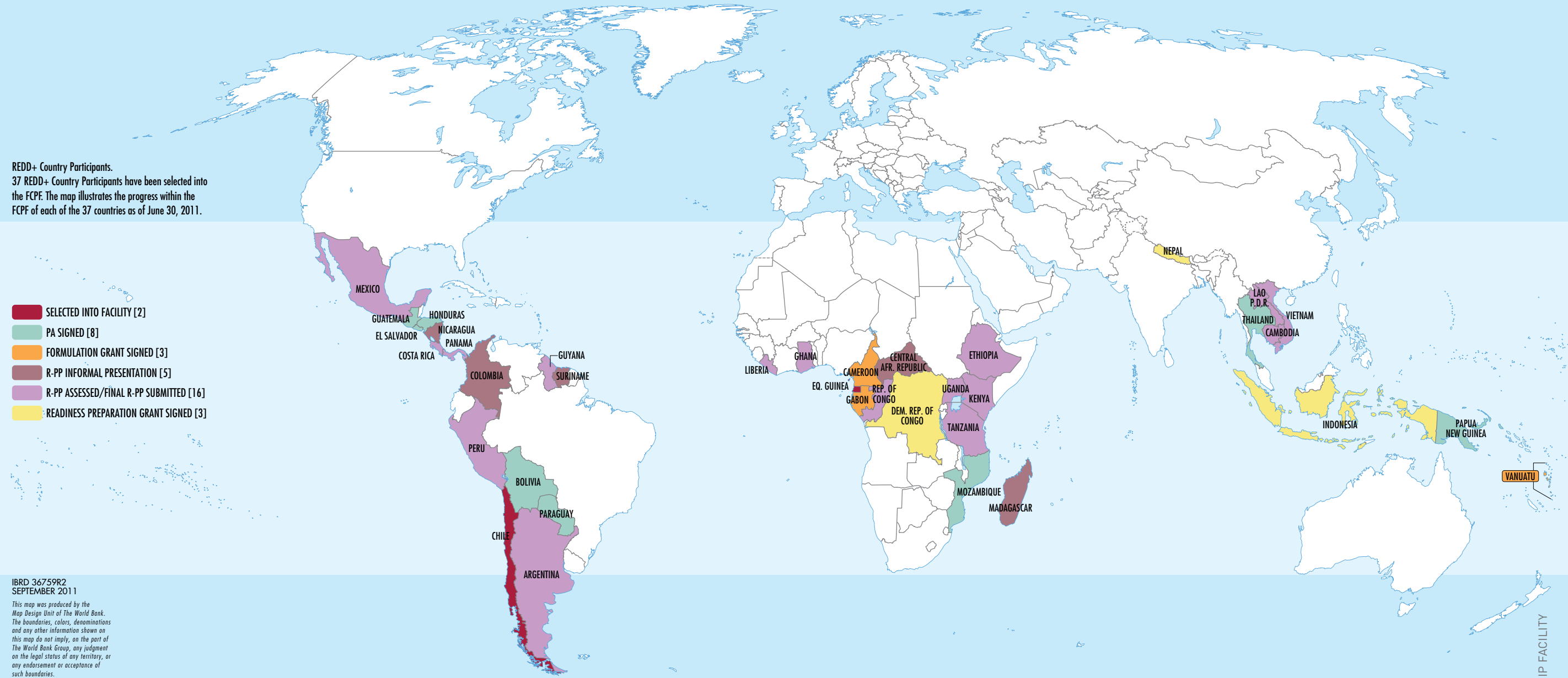
# FCPF REDD+ COUNTRY PARTICIPANTS

**REDD+ Country Participants.**  
 37 REDD+ Country Participants have been selected into the FCPF. The map illustrates the progress within the FCPF of each of the 37 countries as of June 30, 2011.

- SELECTED INTO FACILITY [2]
- PA SIGNED [8]
- FORMULATION GRANT SIGNED [3]
- R-PP INFORMAL PRESENTATION [5]
- R-PP ASSESSED/FINAL R-PP SUBMITTED [16]
- READINESS PREPARATION GRANT SIGNED [3]

IBRD 36759R2  
 SEPTEMBER 2011

*This map was produced by the Map Design Unit of The World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.*







**2.1.2. FCPF Harvesting Knowledge on REDD+: Early Lessons from the FCPF Initiative and Beyond - Overall Lessons Learned**

The FMT prepared and presented a short report on early lessons learned in November 2010, at the PA3 meeting in Washington, entitled *FCPF Harvesting Knowledge on REDD-plus: Early Lessons from the FCPF Initiative and Beyond*. The report’s major overall lessons are reproduced below, together with the set of ten specific lessons presented in the report updated with some examples of REDD Country Participant activities in FY11:

The FCPF, through the REDD Country Participants, has been breaking new ground in conceptualizing how to create incentives and institutions to make REDD+ work. As the FCPF evolves, it is generating experience that is essential to understand the progress made thus far and challenges down the road.

**Overall lessons learned are:**

- REDD+ is about financial incentives and governance. There are two deep-seated failures behind unplanned deforestation. The first one is that other forms of land use are more valuable in the near and medium term than forests. The second is the inability of existing legislations and regulations to halt deforestation. The FCPF offers a chance to REDD+ countries to address these two failures simultaneously.
- We have many solid building blocks, but we need to start building.

While REDD+ may be a new concept, its success will depend on how it can integrate existing instruments and lessons learned to form new policy approaches that allow effective management of natural resources and sharing of benefits and burdens.

- Poverty matters. Poverty is the dominant human condition in tropical countries and the lack of alternative forms of utilization has perpetuated the cycle. While REDD+ creates incentives that address poverty-related drivers at the individual and institutional levels, it cannot be expected to be the primary tool for poverty reduction.
- National scope with sub-national and local implementation works. REDD+ offers magnitude and scope that were not possible under project-based approaches. A national-level accounting framework would overcome problems associated with project-level implementation like leakage and additionality, while also allowing a range of sub-national activities to take place.
- Timing and sequencing are important to piloting REDD+. REDD+ requires financial resources, skilled staff, and institutional capacity to come together in a timely manner. Political timing is also key to sustain progress made.

<b>Box 2: Early lessons from the FCPF: Updated with examples from FY11</b>	
<b>Lesson 1: Partnership lessons from the FCPF</b>	
A partnership among often contentious stakeholders in tropical land use can find ways to communicate and explore highly policy-sensitive topics, if it builds trust and willingness to share new ideas. <i>Example from FY11: FCPF’s PC8 meeting in Vietnam considered new R-PPs from Peru and Cambodia in a process that brought together government officials who drafted the R-PPs and key civil society representatives and forest dwellers, who engaged in protracted negotiations over some critical points of contention in the R-PPs. The urgency of seeking a decision on the R-PP within the context of the forum of the PC meeting contributed substantially to the difficult task of reconciling conflicting viewpoints on fundamental issues in both countries, including in-country negotiations just prior to the PC meeting. For Peru, issues included debate about the rights of forest dwellers, land tenure, and on how participation in the R-PP development process can be operationalized via the evolving Mesa REDD stakeholder roundtables at the regional level.</i>	
<b>Lesson 2: Lessons in sectoral coordination</b>	
The cross-cutting nature of REDD+ presents new challenges in sectoral coordination that may be solved by embedding the REDD+ strategy in overarching policy frameworks and by mobilizing decisive political will. <i>Example from FY11: One of the key issues debated at PC8, as noted under Lesson 1 above, regarding Cambodia’s R-PP, was how the government can work to reconcile its continual granting of new economic concessions for mining, hydro development, etc., on lands that are both already being used by local communities, and under consideration for inclusion in another ministry’s REDD+ strategy options.</i>	
<b>Lesson 3: Stakeholder participation</b>	
Countries are now grappling with how to operationalize the inclusion of stakeholders in REDD+ policy and implementation, raising new issues of control over resource management and the respective decision making processes. <i>Example from FY11: The consultation and participation aspects are well developed in Colombia’s R-PP. This document has benefited from 37 ‘early dialogue’ events during which concepts related to climate change, REDD+, the FCPF and the R-PP itself were discussed with a wide range of representatives of civil society, indigenous peoples and farmer communities. Even so, the R-PP recognizes that information gathering and dissemination will have to continue into the R-PP implementation.</i>	
<b>Lesson 4: Lessons from country R-PP formulation process</b>	
Political will is required to create highly qualified teams capable of resolving competing interests into a coherent national Plan for REDD+. <i>Example from FY11: The development of both the Liberia and the Uganda R-PPs evolved from the coalescence of a dedicated band of government, local and international NGO, and other experts to actively draft the complex documents. The model emerged since government resources and staff were stretched too thin to address the full range of issues required to be included in an R-PP.</i>	
<b>Lesson 5: New techniques and tools</b>	
Promising results are emerging where countries are combining traditional evaluation of potential REDD+ strategy options with newer analytic tools that facilitate making choices among competing options. <i>Example from FY11: Ethiopia tasked a technical institute to develop a cost curve of climate mitigation options in the forest and land use sector that was a central feature of its R-PP section on the REDD+ strategy.</i>	
<b>Lesson 6: Implementation of REDD+</b>	
On the ground: A REDD+ bridge has not yet been built between the wealth of experiences at the local level in managing forest resources and land-use change, and ideas on REDD+ policy frameworks and incentive programs at the national level. <i>Example from FY11: Indonesia, with assistance from World Bank/FCPF FMT staff, has actively been reviewing its experiences with a wide range of fund types and financial mechanisms used to date to support natural resource management programs, in order to offer insights to the government as it considers how best to develop the institutional arrangements for its projected large-scale REDD+ program with Norwegian support.</i>	
<b>Lesson 7: Governance aspects of REDD+</b>	
Early cooperative development of a first set of rules of the game for REDD+ transactions and benefit-sharing is an essential prerequisite for the broad legitimacy and support for REDD+ programs. <i>Example from FY11: DRC is designing a comprehensive accreditation system for REDD+, including a prototype REDD+ registry to track REDD+ financing and activities. Once operational, it could serve as a transparent platform to aide in the development of required national infrastructure to undertake REDD+ at a significant scale.</i>	

continued on page 26



<b>Box 2: Early lessons from the FCPF: Updated with examples from FY11 (continued)</b>
<b>Lesson 8: REDD+ methodological issues</b>
Addressing methodological issues such as reference level and measurement, reporting and verification (MRV) is a key entry requirement for REDD+ programs. In the absence of clear policy guidance from the international level and price signals for REDD+, countries could embark on a no-regrets stepwise approach to begin building capacity.  <i>Example from FY11: Ethiopia and Cambodia both included detailed flow diagrams of the steps necessary for building a reference level and an MRV system, converting very early ideas about two technical topics into a draft workplan of ordered, implementable steps. Guyana tendered several contracts via competitive bidding to begin rapid development of its MRV system, beginning with system design and specification, training and data management for improved forest cover change detection, and establishment of carbon density plots.</i>
<b>Lesson 9: REDD+ financing</b>
Early initiatives to finance REDD+ have illuminated a paradox: In spite of the high level of international commitments to REDD+ funding, the mechanics of multilateral programs to move resources to REDD+ partner countries require due diligence and safeguards that have slowed the flow of funds to countries.  <i>Example from FY11: The Task Force on the Common Approach eventually led the PC to approve a unified approach founded on common standards for safeguards that opens up Readiness Preparation Grants to many countries for whom the World Bank could not be the Delivery Partner.</i>
<b>Lesson 10: REDD+ cannot be cast as a potential solution to every problem</b>
If REDD+ is to evolve and achieve its promise to mitigate global climate change, these lessons suggest it needs some time, some space, and some flexibility to be fairly experimented with over the next few years.  <i>Example from FY11: This year marked the evolution within the FCPF from a focus on submission of country R-PP proposals and how to build capacity for REDD+, into an international initiative of countries that are now actively beginning to produce early studies, experiment with participatory approaches, and assess governance needs for undertaking REDD+ activities in specific land types and land ownership frameworks.</i>

## 2.2. Building on the International Framework for REDD+

### 2.2.1. Cancún: A Landmark Summit for REDD+

Cancún (COP16) was a historic summit for REDD+. For the first time, the importance of stemming the loss of forests in developing countries to mitigate global climate change with financial support from the industrialized world was enshrined in an international agreement (the Kyoto Protocol only allows incentive payments to be made for afforestation and reforestation projects in developing countries).

Parties carried forward the momentum provided by the Copenhagen climate talks in 2009 (COP15) and other high-level meetings on REDD+, such as the Oslo Conference of May 2010, by deciding on the general principles of REDD+, the scope of activities, a phased approach, and the centrality of national strategy plans.

**Under REDD+, the following developing country activities are eligible for support:**

- reducing emissions from deforestation;
- reducing emissions from forest degradation;
- conservation of forest carbon stocks;
- sustainable management of forests; and
- enhancement of forest carbon stocks.

**The COP16 decision encouraged developing countries, in accordance with national circumstances and respective capabilities, to develop the core elements of REDD+. These include:**

- a REDD+ strategy or action plan;
- forest reference emission level (their baseline of forest cover and change over time);
- a forest monitoring system for robust and transparent monitoring and reporting of activities; and
- a system for providing information on how safeguards will be addressed and respected throughout the implementation of REDD+ activities. Safeguards identified include ensuring full and effective participation of relevant stakeholders, notably Indigenous Peoples and local communities, whose knowledge and rights must be respected and who must be able to participate fully and effectively.

While no quantified global deforestation target was agreed, the striking accomplishment of Cancún was the scaling up of mitigation vision and activities to a *national* approach (vs. the project approach of the CDM), while allowing sub-national piloting on an interim basis as a

**Cancún (COP16) was a historic summit for REDD+. For the first time, the importance of stemming the loss of forests in developing countries to mitigate global climate change with financial support from the industrialized world was enshrined in an international agreement.**

vehicle to commence early action. A phased approach to REDD+ was confirmed in the COP decision, specifying a first phase of national strategies and capacity building in each country, a second phase of implementation of a carefully developed REDD+ strategy, and a third phase of results-based activities that are fully measured, reported, and verified. Bilateral and multilateral assistance funding is anticipated for the first two phases, while further discussion is called for by COP17 in Durban, South Africa, on how the third phase would be funded, with potential public and/or private funding to be determined.

Parties in Cancún thus endorsed principles for REDD+ under a future regulatory emissions regime, but left many of the practical details and rules to be finalized. At COP17 the Parties will seek to agree on the following:

- Modalities. The Subsidiary Body for Scientific and Technological Advice (SBSTA) is tasked with producing (binding) modalities on how developing countries should: (i) set Reference Emission Levels (REL); and (ii) design Measurement, Reporting, and Verification (MRV) systems.
- Guidance on safeguards. SBSTA is also tasked with developing (non-binding) guidance on the establishment of information systems by developing countries on how to implement and respect the safeguards for REDD+ adopted in Cancún.
- Financial options. The Ad Hoc Working Group on Long-term Cooperation Action (AWG-LCA) is to produce options for financing 'phase 3' (results-based) activities. The role of the private sector is currently a key policy uncertainty.

#### *Building in the REDD+ Space*

The policy space pioneered by the invention of REDD+ has widened and deepened over the past year. A transition has occurred from REDD+ as a creative international policy concept five years ago, to the early stages of coalescing the necessary country-driven national institutional architecture and stakeholder participation to effect REDD+ activities on the ground. The governing bodies of the FCPF, FIP and UN-REDD Programme have mandated their secretariats to







collaboratively develop options to enhance cooperation and coherence among REDD+ institutions in support of country-level REDD+ efforts and financing. The FCPF FMT and UN-REDD Programme Secretariat have jointly developed guidelines for stakeholder engagement, and a common draft template for country R-PPs.

The experience gained through the Readiness process in the FCPF has helped Parties further develop the REDD+ process through the UNFCCC. For example, the Cancún decision on REDD+ recognized environmental and social risks and provided that REDD+ should promote and support safeguards. While there is an indicative list of safeguards in the Cancún decision, a work program is expected to develop them further, together with a system that provides information on their application and implementation. The Common Approach developed as part of the FCPF's Multiple Delivery Partner arrangement represents a convergence of views among very diverse institutions on the application of safeguards and could assist with the further development of REDD+ safeguards.

### 2.2.2. Safeguards for People and the Environment in REDD+

The R-PP template has continued to improve, driven by country experience, the PC's guidance, stakeholder views and recommendations, and the Cancún decision on REDD+. The FCPF's safeguards approach, consisting of the Strategic Environmental and Social Assessment (SESA) and an associated Environmental and Social Management Framework (ESMF), has been wholly mainstreamed into the latest version of the template. The strength of a SESA for REDD+ is that it combines analytical work and consultation in an iterative fashion to inform the preparation of the country's REDD+ strategy. The SESA helps to ensure compliance with the World Bank's safeguard policies (and now the Common Approach) by integrating key environmental and social considerations

relevant to REDD+, including all those covered by the safeguard policies, into the Readiness Preparation process from its earliest stages, while also extending to policies, regulations, and investments that are supported as part of REDD+ strategy implementation.

The SESA/ESMF approach was approved by the Bank's Board of Executive Directors following a thorough design phase and reviews at several levels of management. Moreover, Bank management clarified the Bank's Operational Policy (OP) 4.01 on Environmental Assessment, which now includes an explicit recognition of SESAs and ESMFs as safeguards instruments.

The guidelines of the R-PP template were modified in FY11 to clarify the requirements for stakeholder consultations at the R-PP formulation stage. The R-PP guidelines now distinguish between Section 1b on "Information Sharing and Early Dialogue with Key Stakeholder Groups," in which the submitting country provides information on exchanges with Indigenous Peoples and other groups up to the point of submission of the R-PP to the PC, and Section 1c on "Consultation and Participation Process," in which the country proposes how the full range of stakeholder groups will be engaged in the REDD+ process going forward.

Enhanced guidance has been provided for challenging components of the R-PP, along with emerging good practices and standards to be met for each component. Similarly, efforts are under way to develop a common template with the UN-REDD Programme. The latest version of the R-PP template reflects this attempt; the template is being revised further to include any final adjustments needed in this regard, as well as to reflect improvements and clarifications requested by a range of stakeholders.<sup>11</sup>

<sup>11</sup> Draft Version 5 of the template (dated December 22, 2010) is available at <http://www.forestcarbonpartnership.org/fcp>.

Strong country ownership and mobilization of stakeholder support have provided the momentum for R-PP development. Continued exchange of information among REDD+ Country Participants, the TAP, and the FMT has allowed the quality of R-PPs to greatly improve. After all, R-PPs are a collaborative exercise among different government agencies and stakeholders, and early cross-sectoral coordination can go a long way in addressing deforestation and forest degradation. Recently submitted R-PPs demonstrate that the broad sharing of good practices among countries will be essential for achieving REDD+ Readiness. Countries have also started to place R-PPs in broader development contexts through better inter-institutional coordination. For example, Ethiopia has made the R-PP a tool through which to achieve its overarching climate goals.

In a stocktaking exercise in November 2010, TAP experts noted that Indigenous Peoples rights were better acknowledged in recent R-PPs, a number of which referred to the need for FPIC of Indigenous Peoples, and that proposals were emerging for including community-based monitoring, together with related capacity-building actions, in national REDD+ monitoring proposals. For example, Madagascar's R-PP insists on "participatory monitoring" as a key aspect of a national MRV system, building on existing experience with ecological monitoring, and expanding into carbon monitoring through a program of targeted capacity building for local communities.

## 2.3. Knowledge Sharing and Capacity Building

### 2.3.1. Defining What It Means to Be Ready

The FCPF has been able to generate and build capacity of experts and practitioners on Readiness plans,

national strategies, and institutional arrangements for implementing REDD+. This has resulted in much greater clarity on how countries should design the process.

TAPs are assembled to review and provide technical guidance for country R-PP submissions. The FCPF maintains a roster of experts—nominated by FCPF Participants, Observers, and the FMT—to create multidisciplinary teams of scientific and technical experts. TAPs continue to play a major role in supporting the development of REDD+ methodologies, providing expert guidance on R-PP formulation, and strengthening the technical rigor of R-PPs in general.

In FY11, eight REDD+ countries submitted their final R-PPs for review by the TAP and nine REDD+ countries submitted draft R-PPs. The final R-PPs were also reviewed by working groups of PC representatives—a practice that was started in FY10.

### 2.3.2. Increasing South-South Knowledge Sharing

South-South knowledge sharing is an effective mechanism to ensure cross-fertilization across REDD+ countries and is encouraged by the FCPF. At PC meetings, the FCPF organizes knowledge-sharing sessions where REDD+ countries are invited to present on some relevant REDD+ topics. As an example, at PC9 in Oslo, Liberia, Mexico, and The Nature Conservancy shared their experiences on benefit-sharing mechanisms relevant to REDD+ (see Box 3 below).

In cooperation with the World Bank regional departments and country offices, and with funding from the GEF, the FCPF organized a large South-South knowledge-sharing event between 6 countries in the Congo Basin (plus Madagascar) and Brazil through a ten-site visit to Brazil. The activity aimed to contribute to the design of the national

#### Box 3: Country Experiences on Options for Benefit Sharing

Benefit-sharing mechanisms are an essential part of a national REDD+ structure, as it ensures that incentives are delivered to those that have a stake in the forests and can contribute to its good (or bad) management, which in turn builds support and legitimacy for REDD+. Thus, benefit-sharing mechanisms will play a pivotal role in REDD+ implementation. At PC9, Liberia, Mexico, and The Nature Conservancy presented early lessons for benefit-sharing mechanisms from experience with different forest management options. The experiences demonstrate lessons in building capacity at the community level, developing participatory decision-making processes, and improving the targeting and effectiveness of the delivery of benefits. These lessons will help to guide the design of results-based payment approaches as well as monitoring and evaluation systems, and ensure equity and fairness in the process. Based on this discussion, the FMT will continue the dialogue on benefit sharing in FY12, through workshops or activities that will discuss country experiences and design of potential mechanisms.



**A transition has occurred from REDD+ as a creative international policy concept five years ago, to the early stages of coalescing the necessary country-driven national institutional architecture and stakeholder participation to effect REDD+ activities on the ground.**

REDD+ strategy, by demonstrating to the participants the role that community management of forests can play as an effective and efficient tool for reducing deforestation, along with the main challenges to making this type of forest management work. Participants to the activity included key decision-makers in the African countries actively involved in the R-PP preparation or implementation in their home countries. In Brazil, participants visited federal- and state-level initiatives, such as the Amazon Fund, an innovative performance-based fund that is currently providing support to various activities across the Brazilian Amazon, and the *Bolsa Floresta* program, a payment for environmental services scheme in the Amazonas state in Brazil that seeks to compensate those households that contribute to the sustainable management of forests. Participants also visited the *Tapajós* state forests, to see how communities are adding value to timber and non-timber forest products. As a result of the activity, participants started discussions at the country level, on how REDD+ could foster community management of forests in their own countries.

#### *Readiness Package*

At PC9, Costa Rica, the DRC, and Nepal discussed progress made on REDD+ Readiness as a knowledge-sharing exercise. The cross-cutting theme across the presentations was the need to have a set of fundamental Readiness activities in place, as outlined in their R-PPs, to set the stage for Emission Reduction Programs (ER Programs). They also reflected on principles, indicators, and criteria that could be used to define key milestones for future R-Package submissions. How to define Readiness, setting minimum standards, and ensuring these standards are consistent with guidance from the UNFCCC are all themes of an ongoing dialogue among the Participants, observers, and the FMT.

#### *Collaboration with the World Bank Institute*

To enhance knowledge management, information dissemination, and training, a joint staff position was created with 75 percent financed through the Carbon Finance Assist multi-donor trust fund. Through this position many activities were boosted, culminating in results like the FCPF Harvesting Knowledge on REDD+, the publication of the Manual on Opportunity Costs of REDD (English and Spanish), the organization of three regional workshops on Opportunity Costs and Implementation Costs of REDD, and the participation in the knowledge-sharing platform of the Alliance for Global REDD Capacity.

#### **2.3.3. The Costs of Getting Ready for REDD+**

A key question that REDD+ countries are facing is how to estimate the costs of REDD+. Knowing how much it "costs" to participate in which REDD+ activities is critical to defining a country's strategy on whether and how to



tackle REDD+. In collaboration with WBI's Carbon Finance Assist trust fund, the FCPF developed a manual on the opportunity costs of REDD+, with the goal of helping countries generate economic information to assess potential national REDD+ strategies.

The manual provides a hands-on approach for a wide audience on the methods and tools to estimate the opportunity cost of different land use changes in forest landscapes. It is available in English and Spanish and contains presentations, a calculation tool, and interviews.<sup>12</sup> The manual was launched at a regional workshop in Arusha, Tanzania, in November 2010, with participants attending from eight different countries, followed by a workshop in Bangkok, Thailand, in April 2011, and in Cali, Colombia, in May 2011. These workshops were carried out in close partnership with other organizations such as the UN-REDD Programme, the Center for People and Forests (RECOFTC), the *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ), the IDB and the International Center for Tropical Agriculture (CIAT), leveraging each other's resources and experiences in REDD+ in the participating countries.

The FCPF has started to elaborate on this work, by going beyond the opportunity costs and developing guidance on the implementation and transaction costs of REDD+. Analysis of all these related costs will give countries a fuller picture of just how much it costs them to tackle REDD+.

<sup>12</sup> The manual may be downloaded from <http://wbi.worldbank.org/wbi/learning-product/estimating-opportunity-costs-redd>.



The programs selected by the Carbon Fund are expected to be undertaken at a significant scale, for example, at the level of an administrative jurisdiction within a country or at the national level...

## The Carbon Fund

### 3.1. From Readiness to Performance-Based Payments

The operationalization of the Carbon Fund marks an important step in piloting performance-based payments for REDD+ at scale and in line with emerging policy guidance under the UNFCCC. The Carbon Fund will provide performance-based payments for Emission Reductions generated from REDD+ activities, with a view to ensuring equitable benefit sharing and promoting future large-scale positive incentives for REDD+. The Carbon Fund will also seek to disseminate broadly the knowledge gained in the development and implementation of ER Programs.

Under the Carbon Fund, about five forest countries participating in the FCPF whose Readiness Package has been endorsed by the Participants Committee, will enter into an Emission Reductions Payment Agreement (ERPA) for an average amount of between US\$30 and US\$40 million each. It is anticipated that ERPAs will cover a period of about five years, to be confirmed depending on the volumes on offer from specific ER Programs. The programs selected by the Carbon Fund Participants are expected to be undertaken at a significant scale, for example, at the level of an administrative jurisdiction within a country or at the national level, align with the proposed national REDD+ strategy and management framework, and be consistent with the emerging national REDD+ MRV system and national REL.

#### The Carbon Fund will particularly target high-quality ERs generated by REDD+ programs that:

- Are consistent with emerging compliance standards under the UNFCCC and other regimes;
- Are sufficiently diverse to generate learning value;
- Use clear and transparent benefit-sharing mechanisms with broad community support so that REDD+ incentives are used in an effective and equitable manner;
- Are based on transparent stakeholder consultations; and
- Produce additional environmental and social benefits.

#### The following criteria will apply to the selection of ER Programs into the portfolio of the Carbon Fund. The ER Program will need to demonstrate the following characteristics:

- Be submitted by the governments or government-approved entities of countries that are FCPF REDD

Country Participants, that is, countries that were selected into the Readiness Mechanism of the FCPF;

- Be based on performance, that is, payments for ERs relative to an agreed REL. Although the Carbon Fund might provide some advance payments for future ERs, it will not provide finance for investments;
- Generate high-quality and sustainable ERs (including environmental and social benefits, and minimization of the risk of non-permanence);
- Be consistent with emerging compliance standards under the UNFCCC and other regimes, as applicable;
- Be based on transparent stakeholder consultations;
- Use clear and transparent benefit-sharing mechanisms with broad community support, so that REDD+ incentives are used in an effective and equitable manner, with the objective to further tackle deforestation and forest degradation. In some cases, the national government can be the best actor to enact and implement the necessary policy changes and regulations. But many changes will also require the involvement of Indigenous Peoples, local communities, and the private sector, in which case these stakeholders or rights-holders would expect to partake in the REDD+ activities and the corresponding carbon revenues (or alternative financing or support), in recognition of their contributions. In other cases, Indigenous Peoples, local communities, and the private sector would be the primary actors implementing the ER Programs and thus expect to be the principal beneficiaries of ERPA payments. These arrangements will have to reflect the assessment







of the drivers of deforestation and forest degradation. Adequate governance and financial management arrangements for transparent benefit sharing will need to be in place prior to the effectiveness of the ERPA; and

- 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:**

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

**3.2. Operationalizing the Carbon Fund**

The FCPF Carbon Fund became fully operational at the end of May 2011, when the condition that at least two private entities should have become Fund Participants was fulfilled.

The Carbon Fund brings together key governments and private sector entities and will help to refine methodological frameworks, demonstrate the first transactions at a large scale, and thus pave the way for larger financial flows in the future.

The Carbon Fund welcomed Australia (AusAid), BP Technology Ventures, CDC Climat, the United Kingdom and the United States of America as Carbon Fund Participants during FY11. Supplemental contributions were also made by Germany and Norway, bringing total committed and pledged funding to the Carbon Fund as of 30 June, 2011 to US\$212 million.

Table 5 lists the Participants of the Carbon Fund as of June 30, 2011, distinguishing between the two tranches (Tranche A for unrestricted use of the ERs that will be generated and Tranche B for restricted use, that is, no resale or use for compliance).

While the entry of new Participants signals growing confidence in the Readiness process, the base of participation needs to be further broadened to make REDD+ financing sustainable. In particular, the current Carbon Fund Participants have expressed strong interest in expanded participation from the private sector.

The Organizational Meeting held in Barcelona from May 31-June 1, 2011 agreed on an action plan consisting of a sequenced set of goals for the Carbon Fund, which are reproduced in Box 4.

**Box 4: Carbon Fund Action Plan**

**Six-month goals (by the October 2011 PC)**

- Agree on ER-PIN template
- Agree on Rules of Procedure
- Initiate a strategic discussion on the future of the Carbon Fund
- Discuss draft policy guidance on Valuation/Pricing approach
- FMT shares draft methodological framework with the PC
- FMT proposes Readiness Package outline to PC

**One-year goals**

- Adopt draft Readiness Package guidelines and assessment process
- Agree policy guidance on Valuation/Pricing approach
- Agree Methodological approach
- Agree ERPA General Conditions
- Sign Participation Agreements with at least 2 additional private sector Participants
- Sign Letters of Intent for between one and three ER Programs

**Three-year goals**

- Sign at least 3 ERPAs, representing a value of approximately 60% of the available capital for ER purchases from the capitalization target of US\$200 million
- Review and revise FCPF framework as necessary
- Capture and disseminate the lessons learned in the first three years of Fund operations

**Table 5: Financial Contributors to the FCPF Carbon Fund as of June 30, 2011**

FCPF Carbon Fund Participants	
<b>Tranche A (unrestricted use)</b>	
Australia	
BP Technology Ventures	
CDC Climat	
The Nature Conservancy	
United States of America	
<b>Tranche B (restricted use)</b>	
European Commission	
Germany	
Norway	
United Kingdom	



Tree spiking warning to deter illegal logging in Indonesia.

**Discussion and consensus agreement on the resolution was but one of the many ways throughout the past year that the partners and stakeholders of the FCPF have found ways to convey their different viewpoints and find solutions to move forward...**



## FY11 Financial Report of the Facility

### 4.1. The FCPF Budget Process

Since its inception, the FCPF has experienced considerable financial growth at the same time that its internal systems and processes were just being established. With the Carbon Fund becoming fully operational and the first Carbon Fund budget approved in June 2011, the opportunity for more systematic financial planning and budgeting is now in place for both funds. It is expected that further changes will be required with the expansion to multiple delivery partners.

Such changes will likely have impacts on the internal systems for the FCPF within the World Bank, as may the strategic discussions requested by the PC early in FY12. Hence, the financial planning for the Facility's trust funds will continue to need to evolve to match the evolving context of the FCPF and REDD+ internationally.

The basics, however, have remained the same. The budgets for both main trust funds of the FCPF—the Readiness Fund and the Carbon Fund—are based on the World Bank fiscal year and are approved annually in accordance with the FCPF Charter. Since both funds are established through 2020 (with Carbon Fund ERPA payments expected to dominate the latter years of financial operations), the budgets need to make sense within a long term framework for each fund, consistent with World Bank policies for the financial management of trust funds. These policies generally require funds to be fully set aside for commitments made by the Participants as well as meeting the fiduciary obligations entered into by the World Bank as Trustee.

The PC is responsible for approval of the Readiness Fund budget, usually in June of the preceding fiscal year. To date, the PC (and its predecessor the Steering Committee) has approved budgets for the Readiness Fund for FY09-FY12, along with several amendments and revisions to those budgets throughout the year.

The Participants of the Carbon Fund are responsible for approval of their annual budgets and all activities arising from the Carbon Fund as a separate trust fund. The first formal budget approval for the Carbon Fund has been for FY12, with informal guidance sought by the FMT for developmental expenditures prior to that time (before the fund became fully operational). Unless otherwise noted, the majority of this Financial Report focuses on the Readiness Fund.

However, as part of the approval of the Readiness Fund budget, the FCPF Charter indicates that the PC makes decisions on all 'Shared Costs' for activities that cut across and benefit both the Readiness and Carbon

Funds. In practice, the Shared Costs have included FCPF Secretariat and REDD+ Methodology Support activities such as the work of TAPs, the IP Capacity Building Program and development of the R-PP. Pursuant to the Charter, the Readiness Fund pays 65 percent and the Carbon Fund pays 35 percent of Shared Costs over time, unless the PC decides otherwise.

The PC has issued resolutions waiving such cost sharing through FY11, to reflect the fact that the Carbon Fund had not yet been made fully operational, and instead paid 100 percent of the Shared Costs from the Readiness Fund budget. It is expected that cost sharing at the 65/35 level will commence from FY12 onward. However, there is an important caveat in Resolution PC/8/2011/8 approved in March 2011, in that the PC has placed a lifetime 'cap' or limit of US\$12 million on the Shared Costs that it will charge to the Carbon Fund. This resolution responded to the concerns of several existing and potential Carbon Fund Participants that an upward limit be placed on such costs, given that the PC otherwise makes all decisions regarding their composition and annual approvals. Discussion and consensus agreement on the resolution was but one of the many ways throughout the past year that the partners and stakeholders of the FCPF have found ways to convey their different viewpoints and find solutions to move forward—in this case helping to bring in new partners to the Carbon Fund along the way.

### 4.2. The Readiness Fund

#### 4.2.1. Funding Sources

As noted, the Facility continues to grow in financial terms, and the Readiness Fund received a large inflow of funding over the past year. Table 6 presents the contributions and public pledges for the Readiness Fund by the end of FY11. Although total signed Donor Participation Agreements amounted to US\$207.9 million, some of the agreements included a phased contribution into the Readiness Fund spread over a few years.



In FY11, US\$94.9 million was received into the Readiness Fund in addition to the US\$86.2 million in cash received in the previous two fiscal years, bringing total cash contributions to US\$181.1 million. This leaves outstanding commitments of about US\$26.8 million from existing signed agreements to be paid into the Readiness Fund in the coming years.

**4.2.2. Funding Uses**

As the FCPF has shifted from its startup to implementation phase, the annual budgets of the Readiness Fund have also increased. The first two years of Readiness Fund operations were characterized by relatively slow uptake on the operational and administrative budget, while the broad directions of the FCPF were being mapped out by Participants and the staffing and expertise for REDD+ were put in place. This included both staffing across key stakeholders of the FCPF, as well as staff development and formation of teams at the World Bank. However, in FY11, the PC approved a somewhat larger budget for operational and administrative support to REDD+, to reflect the growing staffing capacity. In June of 2011, the PC has facilitated a broader work program and set of activities through its FY12 budget approval, as indicated in Table 7.

Table 8 reflects both the evolution of the FY11 budget as well as expenditures by activity on a cash basis. The PC authorized specific new activities during the fiscal year, including US\$235,000 for the Task Force on a Common Approach, which contributed to raising the approved budget of the Readiness Fund marginally from the initial FY11 budget. The revised FY11 budget came to US\$6.707 million, compared to total expenditures of US\$6.421 million. The fiscal year closed with a variance (under run) of US\$286,000 and spending at 96 percent of the revised budget, with a share of this related to the special budgetary request for the Task Force on a Common Approach. These numbers also do not include some contracts that were issued to support operations of the FCPF and not yet fully expensed (e.g., some of the Indigenous Peoples Program contracts), and funding commitments that were made previously to World Bank country teams supporting Readiness in specific countries but not yet expensed.

As per Table 8, Country Implementation Support costs were US\$1.904 million, or 94 percent of the planned budget. To date, this line item has reflected the direct assistance of World Bank country teams to REDD Country Participants, including technical assistance, grant supervision and assessments provided to the PC.

**Table 7. FCPF Readiness Fund Annual Budgets FY10-12 (in US\$ thousands)**

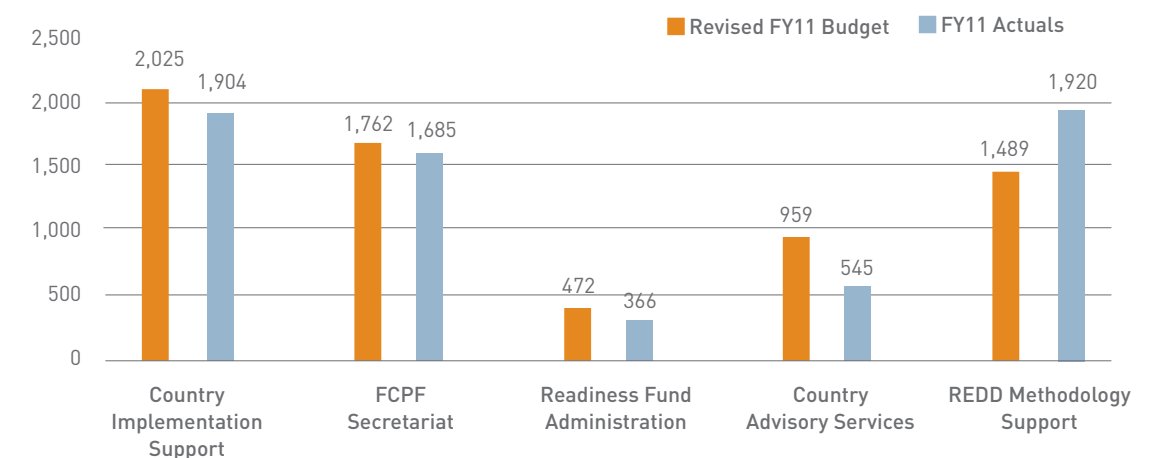
Activities	FY09 Revised Budget	FY09 Actual	FY10 Revised Budget	FY10 Actual	FY11 Revised Budget	FY11 Actual	FY12 Budget
Services to REDD Countries	3,732	2,037	4,226	3,719	4,473	4,369	5,660
Country Implementation Support	1,194	409	1,734	1,660	2,025	1,904	2,493
Country Advisory Services	873	801	827	793	959	545	1,543
REDD Methodology Support	1,665	827	1,665	1,266	1,489	1,920	1,624
<i>of which est. Readiness Share</i>							1,056
<i>of which est. Carbon Fund Share</i>							568
FCPF Secretariat	1,335	988	1,443	1,321	1,762	1,685	2,588
<i>of which est. Readiness Share</i>							1,682
<i>of which est. Carbon Fund Share</i>							906
Readiness Trust Fund Administration	306	471	484	362	472	366	421
<b>Total Readiness Fund</b>	<b>5,373</b>	<b>3,497</b>	<b>6,153</b>	<b>5,402</b>	<b>6,707</b>	<b>6,421</b>	<b>8,669</b>

**Table 8. FY11 Readiness Program Expenditures by Activity (in US\$ thousands)**

Activities	Original Budget	Revised Budget	Actual Expense	Variance	Expense Rate
Services to REDD Countries	4,473	4,473	4,369	104	98%
Country Implementation Support	2,025	2,025	1,904	121	94%
Country Advisory Services	959	959	545	414	57%
REDD Methodology Support	1,489	1,489	1,920	-431	129%
FCPF Secretariat*	1,735	1,762	1,685	77	96%
Readiness Trust Fund Administration	472	472	366	106	78%
<b>Total Readiness Fund</b>	<b>6,680</b>	<b>6,707</b>	<b>6,421</b>	<b>286</b>	<b>96%</b>

\* FY11 Revised Budget included US\$235,000 allocation for Task Force on Common Approach.

**Figure 2. FY11 Budget Performance (in US\$ thousands)**



**Table 6: Commitments and Pledges to the Readiness Fund as of June 30, 2011 (in US\$ thousands)**

Participant Name	FY09	FY10	FY11	FY12-16	Total
Agence Française de Développement	4,612	592		5,800	11,004
Australia	9,565		7,997		17,562
Canada			41,360		41,360
Denmark		5,800			5,800
Finland	8,956			5,750	14,707
Germany			25,956		25,956
Italy			5,000		5,000
Japan	5,000	5,000			10,000
Netherlands	5,000			15,270	20,270
Norway	5,000	16,398	8,802		30,200
Spain	7,048				7,048
Switzerland	8,214				8,214
United Kingdom			5,766		5,766
United States of America	500	4,500			5,000
<b>Committed Funding</b>	<b>53,895</b>	<b>32,290</b>	<b>94,880</b>	<b>26,821</b>	<b>207,886</b>
European Commission				5,800	5,800
Germany				14,500	14,500
Japan				4,000	4,000
<b>Committed Funding plus Pledges</b>	<b>53,895</b>	<b>32,290</b>	<b>94,880</b>	<b>51,121</b>	<b>232,186</b>



While spending and activities were generally on the levels anticipated at the start of FY11, the under run that did occur came from several REDD Country Participants being unable to access grant funding and direct assistance until arrangements for the Common Approach and new Delivery Partners could be agreed. That work progressed in FY11, and continues into FY12. Once agreements are formalized with the new Delivery Partners, the costs of Country Implementation Support will also reflect as well the costs incurred by partner institutions beyond the World Bank.

The related line item of Country Advisory Services came to about US\$545,000 or only 57 percent of the amount originally budgeted in FY11. The majority of these costs arise from FMT, forestry and social development staff advice and guidance to REDD Country Participants on their programs, including development of the R-PP, SESA and consultation processes. This relatively low level of spending (compared to about US\$793,000 in FY10) reflects in great part the fact that FMT staff worked beyond the FCPF during the year, to integrate across various initiatives closely related to the FCPF, including the Forest Investment Program, the REDD+ Partnership, and others, with appropriate allocations of costs to those initiatives.

Conversely, with the budget for REDD Methodology Support activities set at US\$1.489 million in FY11, and total expenditures at US\$1.920 million, this line item saw spending of 129 percent against FY11 plans. Costs reflected the expenses (consulting contracts, travel and meeting costs) of the independent TAPs supporting the FCPF, considerable work with other REDD+ institutions to coordinate and develop joint tools, such as the R-PP template and previously approved programs such as the IP Capacity Building Program.

FCPF Secretariat expenses were US\$1.685 million compared to the final revised budget of US\$1.762 million, or 96 percent of the revised budget. Expenditures included the standard costs for program management, organization of the annual Participants Assembly and PC meetings, and travel costs for REDD Country Participants to those meetings, in accordance with the FCPF Charter. Increasingly, knowledge and learning events on REDD+ as well as other key partner meetings (e.g., the UN-REDD Programme or REDD+ Partnership) are organized together with the FCPF Secretariat, to maximize the use of Participant time as well as to keep costs as low as possible. Typical FCPF Secretariat costs also include supporting the participation of the IP Observer, hosting and maintaining the FCPF website and general communications to FCPF stakeholders.

Readiness Fund Administration costs were US\$366,000 or about 78 percent of the US\$472,000 budgeted in FY11. These costs reflect the work of all World Bank staff involved in fund management, contributions management,



accounting, legal and other services required by the Readiness Fund Trustee. Given that they have remained relatively steady since the Fund's inception in FY09, the budget for these costs was reduced in the FY12 budget proposal of the FMT.

**4.2.3. End of Year Account Balance**

In summary, per Table 9, at the close of FY11, the balance of the Readiness Fund stood at US\$165.8 million. Total new funds into the account were about US\$95.6 million, including the donor contributions of US\$94.9 million and US\$0.7 million of investment income earned on the account balance. Total disbursements on a cash basis were US\$7.5 million, with cash expenditures of US\$6.4 million, and expenditures by REDD Country Participants against their own-managed grants of approximately US\$1.1 million.

**Table 9. FY11 Financial Statement for the Readiness Fund (in US\$ thousands)**

Item	Amount
Beginning Balance	77,695
Donor Contributions	94,880
Investment Income	732
Total Receipts	95,612
Cash Disbursements	6,421
Grant Disbursements	1,082
Total Disbursements	7,503
<b>Fund Balance</b>	<b>165,804</b>



**4.2.4. Accelerating Readiness Fund Disbursements**

An important aspect of the Readiness Fund from its inception has been that it makes available grant funding to countries—the grants of up to US\$3.6 million per REDD Country Participant—in support of country-led Readiness work. The REDD Country Participants manage and utilize the grants for REDD+ activities and expenses, which are ultimately reflected as disbursements in World Bank financial statements only once the REDD Country Participant completes reimbursement from the grant resources. By the end of FY11, 17 R-PP formulation grant agreements had been signed and eleven of the grants were actively disbursing in 2011, with about US\$1.1 million fully processed and expensed by REDD Country Participants during the fiscal year (see Figure 1 in Section 1). However, associated with these grant disbursements was a considerably higher level of grant commitments made by the FCPF to REDD Country Participants, along with associated country services and operational support that comes with FCPF participation. Table 10 provides a more complete picture of the level of these commitments to REDD Country Participants.

At the same time, it is still evident that the disbursements to REDD+ countries need to be dramatically accelerated, in order to ensure that the available funding for Readiness is translated as quickly as possible to support for the ultimate FCPF goal of Readiness for REDD+. During the discussion of strategic issues scheduled for the October 2011 PC meeting, the PC is expected to consider a note with options for additional ways to accelerate disbursements across the Readiness Fund.

**4.2.5. Financial Commitments over the Longer Term**

The Readiness Fund was established to operate over the long term, with a closing date in the FCPF Charter of December 31, 2020. In order to plan resources over this longer time horizon, the PC issues resolutions from time to time that establish funding priorities and commitments for the coming years. These commitments are considered 'notional' when the PC has set aside or allocated financial resources of the Readiness Fund that are not yet signed into formal grant agreements or contracts. They are converted to 'full' commitments once the grant agreements (or vendor contracts) are signed by recipients and/or by the World Bank as Trustee of the Readiness Fund.

At the close of FY10, the long term notional commitments (use of funds) made by the PC were aligned with the total committed funding (sources of funds). Importantly, the long term business plan includes reserves for the operation of the secretariat by the FMT and the Trustee role of the World Bank over the full term of the Fund—reflecting the fact that the Facility is expected to be fully active through that time, when the Carbon Fund is supporting programs in select REDD Country Participants and making ERPA payments.

PC6 agreed to provide access to R-PP Formulation Grants of US\$200,000 and associated Country Implementation Support to all REDD Country Participants that do not yet have access to such funding through the FCPF or another donor, provided that the grant agreement is signed by December 31, 2011 and an appropriate delivery partner can be arranged (unless otherwise decided by the PC, for example, in the case of extenuating circumstances

**Table 10: Readiness Funds Notionally Committed to Grants and Services for REDD Country Participants (as of June 30, 2011)**

Grants and Country Services	Notional Commitments		
	Amount per Country (US\$ millions)	Number	Total (US\$ millions)
<b>Full Support through Readiness Package</b>			
Preparation Grants (up to US\$3.6m)	3.6	36 <sup>b</sup>	129.6
Associated Country Services <sup>a</sup>		36	31.8
<b>Total Notional Commitments to Grants and Country Services</b>		<b>36</b>	<b>161.4</b>

a. Country Services are comprised of an average per country share of REDD Methodology Support and Country Advisory Services, plus direct Country Implementation Support.

b. 36 REDD Countries, which may include all selected REDD Country Participants except for Tanzania, which is bilaterally funded.





or a delay that is not the fault of the REDD Country Participant). The PC also reiterated that all REDD Country Participants were equally eligible to receive a Readiness Preparation Grant of up to US\$3.6 million. The grants depend on the PC's decision regarding the R-PP, the availability of sufficient committed funding, and regional balance among grant recipients.

Total committed and pledged funding to the Readiness Fund as of 30 June, 2011 is approximately US\$232 million. This increased level of funding is adequate to cover the long-term fixed costs of the Facility and full Readiness Preparation Grants of up to US\$3.6 million to all 37 selected REDD+ Country Participants except for Tanzania, which is bilaterally funded, together with the costs of the estimated associated country services for those 36 countries.

As shown in Table 10, as of the end of FY11, notional commitments of full grants and the estimated associated country services to 36 countries amount to approximately US\$161 million.

For the discussion of strategic issues scheduled for the October 2011 PC meeting, the FMT will present for the consideration of the PC an updated long term business plan and options that aim to adjust these commitments, consider the use of additional resources being pledged for the Readiness Fund, and/or seek new ways to accelerate disbursements of existing commitments.

### 4.3. The Carbon Fund

#### 4.3.1. Funding Sources

As a major milestone of the Facility, the Carbon Fund's minimum threshold of US\$40 million, established in the FCPF Charter, was surpassed early in FY11, when the signed Participation Agreement of the United States was received in September 2011; since that time the Fund has received a steady flow of new funding and partners

adding to the critical early movers that have helped to shape the Fund from its inception. Table 11 presents the contributions and public pledges for the Carbon Fund by the end of FY11, amounting to US\$212 million overall, with fully committed funding (signed Participation Agreements) of about US\$174 million. This level of funding is a considerable achievement given the original target volume of US\$200 million for the carbon fund's capitalization.

#### 4.3.2. Funding Uses

Within the context of the Organizational Meeting of the Carbon Fund in late May/early June 2011, the first budget approval of the Carbon Fund Participants took place, along with initial planning for the future directions of the Fund. In practice, the Carbon Fund Participants have already been working closely with the many stakeholders of the Readiness Fund and the Facility overall, to ensure that the FCPF works effectively to achieve its dual objectives of preparing for REDD+ Readiness, as well as piloting and testing performance-based payments. Hence the Carbon Fund FY12 budget provides a snapshot of the work underway across both funds, including the shared activities of the Readiness Fund and the Carbon Fund, comprising the Shared Costs. Table 12 details these costs as they affect the Carbon Fund pre-FY12 (before full operations) as well as the budget plan going forward.

#### 4.3.3. Financial Commitments over the Longer Term

The Carbon Fund only became fully operational in May 2011 so the FMT intends to prepare a long-term business plan for the Carbon Fund meeting to be held in October 2011.

**Table 11: Commitments and Pledges to the Carbon Fund as of June 30, 2011 (in US\$ thousands)**

Participant Name	FY09	FY10	FY11	FY12-16	Total
Australia			12,735		12,735
BP Technology Ventures			5,000		5,000
CDC Climat			5,000		5,000
European Commission	6,347	362			6,709
Germany	4,009	3,819	21,125	17,400	46,353
Norway	10,000			55,000	65,000
The Nature Conservancy	5,000				5,000
United Kingdom			17,940		17,940
United States of America			10,000		10,000
<b>Committed Funding</b>	<b>25,356</b>	<b>4,181</b>	<b>71,800</b>	<b>72,400</b>	<b>173,737</b>
Germany				29,000	29,000
Switzerland				9,600	9,600
<b>Committed Funding plus Pledges</b>	<b>25,356</b>	<b>4,181</b>	<b>71,800</b>	<b>111,000</b>	<b>212,337</b>

**Table 12: FCPF Carbon Fund Annual Budgets (in US\$ thousands)**

	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Budget
Shared Costs (paid by the Readiness Fund)*	635	1,728	1,262	
Shared Costs (paid by the Carbon Fund)**				1,474
Carbon Fund Administration		183	366	490
Marketing to Private Sector				45
Meeting Logistics				50
Program Development				60
<b>Total Carbon Fund Costs</b>		<b>183</b>	<b>366</b>	<b>2,119</b>

\*Per PC Resolutions: PC/3/2009/6, PC/6/2010/8, PC/9/2011/4 and not included in Total Carbon Fund Costs figures.

\*\*Per PC Resolutions: PC/9/2011/4.



## Conclusions and the Road Ahead

FY2011 was a crucial year for REDD+, culminating in the adoption by the Conference of the Parties of Decision 1/CP.16 in Cancún, which included a strong chapter on REDD+. Looking at Durban and beyond, a lot of work remains to be done, ranging from the regulatory aspects, including the necessary guidelines on MRV and reference levels, the guidance on information systems for safeguards, and determining sources of finance for the so-called “third phase” of REDD+.

With respect to the FCPF, FY11 was a very rich year, too. REDD Country Participants have made major contributions to the international thinking on REDD+ by laying out, in their R-PPs, how they would go about getting ready for REDD+.

The attention now shifts to disbursing FCPF Readiness Fund proceeds to support the implementation of these R-PPs. The work will be challenging as there are no cookie-cutter approaches and each country has to work out the right balance of activities and follow the right process to become ready for REDD+. There is a multiplicity of national and international actors with different, sometimes conflicting, views on what needs to be done first, how fast, and with what level of financial and human resources.

In FY12 the FCPF will turn its attention to measuring progress towards REDD+ Readiness through the design of a Readiness Package and monitoring reports for Readiness grants under implementation. This will prove challenging, as Readiness is as much a process as it is a state. The crucial question for the PC therefore becomes how far in

the process a REDD Country Participant should have gone before it can be considered ready, and how much progress it should give evidence of before it can be deemed to have made sufficient progress to access further funding, including performance-based payments, e.g., through the Carbon Fund of the FCPF.

In the next few years the global community will assert its understanding of what is necessary to significantly expand from small but ingenious forest protection projects of a few thousand hectares to the visionary infrastructure and delivery mechanisms at the country level that are needed to impact global emissions. The work program on REDD+ for the near future features daunting challenges. These include establishing national institutions capable of asserting influence over lands, and organizations and economic incentives that have been stubbornly intractable in many developing countries; fashioning technical methods to measure and monitor REDD+ activities relative to reference levels without REDD+ policy interventions; and advancing governance at the local and national levels.

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**Carbon Finance**  
AT THE WORLD BANK

**Carbon Finance Unit**  
The World Bank  
1818 H Street, NW  
Washington, DC 20433, USA

[www.carbonfinance.org](http://www.carbonfinance.org)  
[www.forestcarbonpartnership.org](http://www.forestcarbonpartnership.org)

