

**The World Bank**  
**Forest Carbon Partnership Facility**  
**Technical Design Workshop, 12-13 November 2007**  
**Feedback from International Organisations from 9 November 2007 consultations**  
Presented by Tim Clairs, UNDP

I am pleased to report on the highlights of the consultation with international organizations on Friday, 9 November. Representatives of the following organizations attended the meeting: CIFOR, FAO, GEF Secretariat, ICRAF, ITTO, IUCN, CBD Secretariat, UNDP, UNEP, and Wetlands International. This summary has been prepared with my colleagues from FAO and UNEP, who are here today.

The participants in Friday's meeting welcomed the development of the FCPF and its overall goal of reducing atmospheric GHG emissions from deforestation and degradation. The international organizations expressed support for assisting the FCPF in reaching its four objectives and acknowledged the importance of including degradation.

We noted that two of the FCPF's four objectives refer to the co-benefits of REDD, including improvements in biodiversity and local livelihoods (section 3.1):

Objective (b) specifically refers to including co-benefits, where applicable, in performance-based payment systems for emission reductions generated from REDD activities

Objective (c) aims to build partnerships between participants and non-participants to test new financial mechanisms for forest management and biodiversity protection

There was strong support among the international organizations for these objectives and agreement that it is appropriate to give such emphasis to the issue of co-benefits and partnerships. Nevertheless, there was a concern that the draft Charter does not adequately set out how these two objectives are to be met.

Firstly on Partnerships

We recognize the complex challenges that countries face in their efforts to reduce deforestation and degradation, and are willing to participate in building the necessary partnerships. Specific areas where international organizations can assist include:

- Technical assistance and capacity building as part of the Readiness functions. We have already started discussing these functions with the Facility Management Unit.
- Support to REDD countries implementing their Emission Reduction Programmes and integrating them into national development processes
- Linking FCPF actions with other Payment for Ecosystem Services mechanisms being developed for non-carbon services (particularly biodiversity services)

- As knowledge management partners. A wealth of experience, tools and partnerships in sustainable forest management exists and should be tapped to address these challenges. As knowledge management partners, international organizations look forward to contributing our experience and expertise in policy, legal, institutional and technical support.

The Collaborative Partnership on Forests, consisting of 14 international organizations supporting forest-related action, may be a useful framework for organizing our cooperation and coordination with the FCPF and other complementary REDD activities.

#### Turning to the issue of Co-benefits

The achievement of co-benefits through the implementation of Emission Reduction Programs under the FCPF is not guaranteed. Although the World Bank safeguards may assure no net harm, there are opportunities for the FCPF mechanisms to more actively encourage positive outcomes. Given the objectives of the FCPF – and the fact the FCPF is a testing and learning pilot initiative - maximizing such opportunities is imperative.

For example:

- Consider including biodiversity values and potential livelihood outcomes as selection criteria for the Readiness Mechanism
- Develop tools for the bundling of payments for biodiversity conservation and sustainable use, and other ecosystem services with payments for reducing emissions
- Ensure REDD countries have access to tools to maximize co-benefits in Readiness Packages.

The timing of payments under Emissions Reduction Purchase Agreements was highlighted as a particularly important issue. While it is recognized that payment-upon-delivery may strengthen the incentive to achieve emission reduction results, it may also have other consequences:

- Most REDD country governments operate in cash-constrained environments and the opportunity costs of funding Emission Reduction Programs are likely to be high
- In cases where ODA will be drawn-in to help overcome constraints of up-front investments for Emission Reduction Programs, issues relating to ODA diversion may occur.
- Having to pre-fund the implementation of Emission Reduction Programs may reduce the incentive to equitably distribute the proceeds from Emission Reduction Purchase Agreements to forest-dependent stakeholders whose livelihoods may be impacted by the measures taken.
- There may be perceptions that the terms of the FCPF favour the buyers over local stakeholders impacted by the measures taken.

Delivery risks for national-level REDD emission reductions comprise a myriad of factors (such as effective policy, legal and institutional reforms) making the risk very complex and difficult to predict. It is recognized that buyers in the FCPF may not feel comfortable taking on a significant portion of this risk. Nevertheless, we recommend the FCPF developers consider this issue carefully, strengthen due diligence for this risk, and develop procedures to create an enabling environment whereby buyers are increasingly comfortable in providing advance payments for the implementation of Emission Reduction Programs.

Ensuring coordination and integration of Emission Reduction Programs within existing national development planning processes may be one way to mitigate the risk. International organisations have an important role to play in this regard (through donor coordination mechanisms at the national level and UN Country Teams).

We would like to thank the World Bank for its briefings on the FCPF provided to the international organizations in July and last Friday. We have welcomed the opportunity to contribute to the process and are pleased to be included here today and tomorrow as observers so as to be able to hear your views. We look forward to being further involved once the Facility is launched.

Finally, we welcome the recommendation made by Japan for greater representation of international organisations as observers.