

NGO Statement on the World Bank's Proposed Forest Carbon Partnership Facility (FCPF)

We, the undersigned NGOs, welcome efforts by governments and other parties at the international, national and local levels to combat climate change and protect natural forests in the tropics and beyond. We believe that with an integrated sustainable development and rights-based approach, socially and environmentally sustainable REDD policies have the potential to bring about climate change mitigation, environmental conservation and social and livelihood benefits.

1. *Preconditions for sustainable REDD policies*

To ensure they do good, REDD policies at all levels must adhere to the principles of respect for human rights, including the rights of indigenous peoples, good governance, secure land and resource tenure, transparency, equitable benefit-sharing, biodiversity conservation, maintenance of ecosystem integrity and accountability to the public and affected forest peoples and forest-dependent communities. It is essential that global, national and local REDD policies are formulated with the free, prior and informed consent of indigenous and other forest peoples who live in and depend on the world's remaining forests. Failure to uphold these principles risks harming the environment and forest peoples and communities on the ground.

2. *Shortcomings in the World Bank's proposal for a Forest Carbon Partnership Facility*

Inadequate attention to the Bank's poverty reduction mandate: As the World Bank Group positions itself to become a lead agency on climate change mitigation and the central administrative body of the proposed FCPF, we are concerned that the Bank risks losing sight of its central mission of reducing poverty as it adopts a narrow focus on carbon accounting. We note also that the Bank continues to undermine its own climate change mitigation efforts by persisting in funding fossil fuel industries on a global scale and enabling deforestation.

Abbreviated timeline and lack of proper consultation: We are alarmed that to date the FCPF plans have been developed in a rushed way with little public discussion. Only weeks before it proposes to launch the FCPF at the 13th COP of the UNFCCC in Bali, potentially affected forest peoples in tropical and sub-tropical countries have not been properly consulted about the design and objectives of the FCPF. It remains unclear who benefits from this accelerated timeline.

Flawed governance structure: The proposed governance mechanisms confine decision-making to governmental and commercial participants. They do not allow opportunities for civil society and affected forest peoples to take part in decision-making regarding readiness plans, packages and implementation, eligibility, and REDD strategies and transactions.

Significant risks of conflict of interest: By assuming responsibility for assisting countries in the preparation of readiness plans and assessing their adequacy *and* acting as Trustee of the proposed FCPF, the Bank exposes itself to potential conflicts of interest. The lack of transparency in the selection and terms of reference of the technical advisory panels further diminishes the mechanism's public accountability.

Failure to publicly review and act upon lessons from Bank's forest and carbon sector experiences: Recent Inspection Panel investigations into Bank forest work in Cambodia and the DRC expose systemic failings in the Bank's safeguard, due diligence and incentives framework, and its continued promotion of a failed model of forest development based on industrial-scale logging. At the same time, the Bank has not enabled public debate on the critical findings of the mid-term review of its forest strategy implementation (nor conducted a transparent review of its

'Forest Alliance' with WWF), and has to date only provided for limited public scrutiny of the performance of its existing carbon funds.

Perverse incentives and risk of financing unsustainable activities: We are especially concerned that the continued use of euphemisms like “sustainable forest management practices and certification” in the FCPF documentation, without clear definitions or limits, may permit industrial-scale logging operators to benefit from REDD-related payments. There is insufficient evidence to demonstrate that such industrial practices promote the sustainable management of resources and poverty reduction.

Inadequate safeguards and verification system: The draft Charter does not guarantee that World Bank safeguard policies will apply to all Facility activities, including the “readiness” operations it would support. The proposed Charter lacks any requirements for independent third party verification of non-carbon related benefits and impacts. Crucially, the eligibility and readiness criteria do not feature good governance aspects nor do they require demonstrated compliance with social and environmental standards and respect for the rights of forest-dependent and other affected communities.

Over-reliance on market mechanisms: Draft FCPF documents reflect a clear bias toward future reliance on market-based mechanisms to pay for costs of implementing REDD strategies at the national level. The emphasis on carbon trading risks giving precedence to the delivery of emissions reductions over and above the vital social, environmental and poverty-reduction benefits of forest protection. We do not believe that market mechanisms have demonstrated adequate capacity to promote human rights or sustainable practices. It is not acceptable that the draft FCPF charter references only the rights of carbon buyers and sellers and not human rights.

3. Essential next steps and changes required

Given the seriousness and extent of the problems listed above, we believe the FCPF should not be formally launched in Bali at the 13th COP of the UNFCCC. At a minimum, the presentation of the proposed initiative in Bali should be downgraded to an information-sharing event that will start a much-needed, more inclusive global consultation process.

To address these shortcomings it is essential to ensure:

- immediate wider consultation on current FCPF plans, especially with potentially affected tropical forest peoples (including translation into appropriate languages)
- public scrutiny of and debate on the findings of the Bank's mid-term review of its 2002 Forest Strategy and the implications for the Bank's role in the proposed FCPF
- a full external and publicly-available evaluation of the Bank-WWF Forest Alliance as a critical part of the Bank's consultations on the FCPF and its plans for a Global Forest Partnership
- an independent and public review of the Bank's existing carbon funds and of ongoing Bank finance for fossil fuel industries
- more inclusive governance arrangements that provide opportunities for civil society organisations and potentially affected forest peoples to participate in decision-making
- additional measures to prevent conflicts of interest in governance, including transparency in the selection of independent members of the ad-hoc technical advisory panels
- prohibition of the allocation of REDD payments or related subsidies to industrial-scale logging operators and agro-industrial companies

- exclusion of REDD payments to any country that is not actively dismantling or constraining sectors that drive deforestation and risk fragmenting or destroying their forests
- guarantees that all Bank-supported REDD activities, including readiness operations, will be required to comply with World Bank safeguard policies
- compensation is not given to REDD activities that may encourage or result in the violation by States of their duties and obligations under international law or under relevant agreements to which they are a party
- guarantees that inclusion of forest lands in REDD activities and compensation will not diminish the legal or customary rights of other users or owners, without their free, prior and informed consent
- greater inclusion of social and good governance criteria in eligibility, readiness, and verification assessments, including effective recognition and protection of customary land and resource rights, land tenure systems and traditional land use practices
- independent third-party verification procedures to evaluate compliance with social and environmental standards and human rights, and assess non-carbon related effects of REDD activities, particularly poverty impacts
- inclusion of social as well as natural scientists in technical advisory panels and review committees
- more attention to non-market mechanisms to fund REDD activity implementation
- greater priority is given to securing the poverty, biodiversity and livelihood benefits of forest protection beyond strictly carbon-related gains in REDD activities (in accordance with the World Bank's mandate).

We have serious reservations about the capacity of the Bank's proposed FCPF to pilot and deliver sustainable REDD policies unless the above measures are taken. Until such time, we urge donor governments considering participation in the FCPF to refrain from any further commitment of financial resources and potentially eligible recipient governments to actively engage their own populations in a meaningful debate about the proposed FCPF design and mandate

This statement is endorsed by:

Bank Information Center

Down to Earth: the International Campaign for Ecological Justice in Indonesia (UK)

FERN

Forest Peoples Programme

Global Witness

Indigenous Peoples Links

LifeMosaic

Rainforest Foundation-UK

Sustainable Energy and Economy Network

Tebtebba Foundation (Indigenous Peoples' International Centre for Policy Research and Education)