

Forest Carbon Partnership Facility (FCPF)

Readiness Fund

Strategic Direction of the FCPF: Activities to be supported through the Readiness Fund

June 19, 2012

In accordance with Resolution PC/10/2011/1.rev from the PC10 meeting in Berlin, this note is designed to (A) present a proposal for analytical and knowledge management activities and; (B) present the overall budget status of the Readiness Fund including activities provisionally approved by the PC at previous meetings and facilitate discussions on possible prioritization of activities to be supported through the Readiness Fund in FY13 and beyond.

Expected PC actions: The PC may wish to approve the budget for FY13, including some or all of the additional activities outlined in Table 1.

Introduction

1. The Participants Committee at its tenth meeting in Berlin (PC10) engaged in a strategic level discussion on the future direction of the FCPF, in particular the Readiness Fund, and suggested follow-up actions in Resolution PC/10/2011/1.rev.
2. Since PC10, the PC has accepted the following priority order in new budget allocations:
 - i. Higher priority:
 - (a) Standard allocation of \$3.6 million in Readiness grant resources to REDD Country Participants whose R-PP is assessed by the PC by PC14 (per Resolution PC/10/2011/1, paras.2-3);
 - (b) \$5.5 million for the period FY2012-2015 for the enhanced support for engagement of CSOs and Forest-Dependent Indigenous Peoples and Forest Dwellers in REDD+ readiness process, including up to \$1 million for participation of Southern CSOs in FCPF meetings and dialogues with the Indigenous Peoples on FCPF (per Resolution PC/10/2011/1, para.9);
 - (c) Up to \$13.4 million for enhanced capacity for dispute resolution (per Resolution PC/Electronic/2012/1, para.2, i-iii), including:
 - a. strengthening national feedback and grievance redress mechanisms for REDD Country Participants (incremental allocation of up to \$200,000 raising the total grant amount to \$3.8 million per REDD Country Participant);
 - b. enhancing preparation support, direct engagement, and monitoring by Delivery Partners (raising the notional administrative funds allocation to \$650,000 per REDD Country Participant); and

- c. reinforcing Delivery Partner capacity for dispute resolution (up to \$2 million).
 - ii. Lower priority:
 - (a) Additional grant funding of up to \$5 million to some countries at mid-term review (per Resolution PC/10/2011/1, para.5);
 - (b) Analytical work, knowledge management, South-South exchange and linkages between REDD+ and FLEGT (*presented below*) Resolution PC/10/2011/1, para.6; and
 - (c) Determine the process and criteria for selection of new REDD+ countries additional at PC14 (per Resolution PC/10/2011/4, para.4).
- (Note that a priority order for items ii (a) through (c) has not been agreed.)

Proposal for analytical work and knowledge management in FY 13

3. Recognizing the importance of scaling up the efforts to support the REDD Country Participants for effective implementation of REDD+ readiness processes, the PC through its Resolution PC/10/2011/1, para.6 requested the FMT to present a detailed proposal and budget estimate for analytical work, knowledge management, and centrally sourced activities, including South-South exchange and linkages between REDD+ and FLEGT, by PC12. Such a proposal would be based on a quick assessment of the REDD countries' readiness needs and take into account similar existing or planned activities undertaken by other initiatives including the Forest Investment Program (FIP) and UN-REDD Programme and the FMT's capacity to support the proposed activities.
4. As a follow-up to this request the FMT undertook a countries readiness needs assessment jointly with the UN-REDD Programme. The methodology for this assessment was presented by the consultants leading this work at the joint meeting between the FCPF PC and UN-REDD Policy Board in Asuncion in March 2012 (see <http://www.forestcarbonpartnership.org/fcp/node/484>).
5. The draft report presenting findings from this assessment is available on <http://www.forestcarbonpartnership.org/fcp/node/514>. Based on the draft report, the priority needs where countries have indicated request for assistance in the short term (in the next six months) are summarized in Annex 1 to this Note. The key points are summarized below:
 - i. Broad areas of REDD+ Readiness where several countries have expressed need for technical and financial support are Reference levels; Measurement, Reporting and Verification (MRV); Governance and REDD+ strategy and implementation frameworks, including benefit sharing, and support for safeguards, training on procedures for consultation and participation and on setting up grievance redress mechanisms.
 - ii. Support to increase awareness and capacity of CSOs, NGOs and Indigenous Peoples is also recognized as a priority area for support.
 - iii. The specific aspects within the broad areas of Readiness where support is requested are highlighted below:
 - a. The sense of urgency given to issues of *governance* and *REDD+ Strategies*. Within governance, strengthening capacities of sub-national structures such as provincial or district structures has been emphasized since this is where REDD+ programs will be implemented. Countries still need support for their national coordination structures,

seek cross-sector engagement on REDD+ programs and agreement on national REDD+ policies and policy frameworks. Preference is for financial support on governance.

- b. Countries suggest that additional resources to initiate and support REDD+ pilot projects is one of the better ways to create buy-in from both communities, local and central governments.
 - c. Support to build national technical capacities to substantively participate in the setting of reference levels /reference emission levels, test models and build expertise in maintaining national forest and carbon databases is needed.
 - d. Capacity in MRV on specific aspects such as updating inventories, national forest cover mapping and inventory, forest carbon measurements and estimation of emission factors for greenhouse gas (GHG) reporting, strengthening capacity and /or compliance with national and international reporting systems, legally defined institutional arrangements with clarified competences.
 - e. In the context of safeguards, frameworks to monitor and manage risks of REDD+ strategy implementation, e.g., governance, multiple benefits; strategic environmental and social assessment (SESA), identification of risks of REDD+ strategy options.
 - f. Strengthen local NGOs and community groups, Indigenous Peoples, including support through trainings on consultation and participation processes, free, prior and informed consent (FPIC), awareness and education of stakeholders and formal procedures for stakeholder consultations.
 - g. Within the theme of REDD+ strategy development, assessment of how existing laws incentivize deforestation, identification, assessment and use of prior experiences, including payments for environmental services (PES) and REDD+ demonstration activities to inform REDD strategy design implementation, benefit sharing and national capacity to observe fiduciary standards and resolution of 'land tenure' and 'carbon rights' within REDD+, is needed in almost all existing and nascent REDD+ country Strategies. South-South exchange has been indicated as platform for exchange of knowledge from existing and evolving experiences to help design of REDD+ strategies.
 - h. Policy and legislative review and harmonization. Three countries specifically recognized support for legal framework review and revision as a critical area for support.
6. In developing the proposal presented in Table 1, the FMT has kept in view the needs expressed by countries as well as discussions on the strategic directions of the FCPF. The proposal focuses on technical aspects where support can be enhanced. Support for activities such as REDD+ pilots which are not eligible for support through the Readiness Fund and those activities that would be required to be implemented by the countries, such as institutional strengthening at sub-national and local levels, are not included in the proposal.
7. Topics such as land tenure are already being addressed by the UN-REDD Programme, and business models of investments, which will emerge through the FIP and the piloting under the Carbon Fund, have not been included in the proposal.
8. The allocation for capacity building of CSOs and Indigenous Peoples has already been approved by the PC and is not reflected in Table 1.

Table 1: Activities proposed for FY13 to support analytical work and knowledge management in REDD+ Readiness.¹

A. Activities to support REDD+ Readiness work (based on needs expressed by countries and FMT's own assessment)	Rationale	Key Activities to be supported	Estimated Budget (US\$000s)	Expected Output	
				FY13	FY14
I. Reference Levels	FCPF countries identified Reference Levels and MRV as high priorities for country capacity building. Standardized methods not yet available, so a decision support tool is being tested and further developed to meet country needs.	Capacity building by assessing country use of draft Winrock-FMT decision support tool via piloting in 3-4 FCPF countries; and training interested users. Analytical work improving the tool.	309 (combined with MRV)	3-4 countries using and improving common analytic tool. Improved tool for others.	Dissemination to other FCPF countries
II. MRV	FCPF countries identified MRV and Reference Levels as two of the highest priorities for technical support	Technical Assistance for Emissions Reductions and Forest Monitoring for 5 FCPF countries. Development of web-based technical and training materials for all FCPF countries.	See above	Technical assistance to 5 countries. Training/ Tutorial materials on web for all countries	

¹ These are summary needs collated by the FMT from the response matrix.

<p>III. REDD+ Country Capacity Building Safeguards (SESA, ESMF), Stakeholder consultations and grievance redress mechanisms</p>	<p>FCPF countries identified safeguards, training in stakeholder consultations as areas where support is required given the strong linkage to assessment of social and environmental risks of REDD Strategy Options, and for engaging stakeholders</p>	<p>Trainings at regional level (Africa (2), Asia (1) and LAC (1)) for Delivery Partners, CSOs, NGOs at national level, facilitators and other actors expected to lead SESA in countries</p>	<p>501</p>	<p>Preparation of training material Workshop Reports for broader dissemination and cross learning across regions</p>	<p>Fourth regional workshop</p>
<p>IV. Linking Local REDD+ initiatives to REDD+ Strategy</p>	<p>Several REDD countries are beginning to pilot REDD+ strategy implementation. Countries have expressed need to draw upon lessons from on ground experiences including opportunities and challenges with implementation frameworks and benefit sharing and impacts of activities to reduce deforestation. At the recently concluded regional exchanges on benefit sharing through videoconferences, REDD countries expressed the need for face to face South-South exchanges, on lessons from local REDD initiatives</p>	<p>The support through technical assistance and 2 regional workshops in Africa is intended to facilitate sharing of lessons drawn from local REDD+ initiatives (including REDD+ pilots) through synthesis of lessons from case studies and preparation of background notes</p>	<p>253</p>	<p>Synthesis of lessons from on ground implementation on key topics of REDD+ implementation frameworks and Benefit Sharing</p>	<p>Similar activity in other regions</p>
<p>V. Piloting Feedback and Grievance redress mechanisms, & Governance Diagnostics in</p>	<p>Participants Committee identified setting up national level grievance redress mechanisms as a priority area for REDD readiness and allocated</p>	<p>Piloting will be undertaken in 3 FCPF countries (2 in FY13) through a common workshop at the national level. Activities will</p>	<p>217 for FY 13 (Total FY13 & 14: 326)</p>	<p>Country approach paper for setting up grievance redress</p>	<p>Country report on governance diagnostic including</p>

3 FCPF countries	200k to REDD countries for this purpose. Forest Governance has been identified as an area requiring strengthening in the country needs assessment and FLEGT panels. Whilst the proposed governance diagnostic work will not address all needs reflected in the country needs assessment, it will help set up a systematic process with identified governance gaps and action plan relevant to REDD+	include : (i) redress mechanism: review of existing redress mechanisms at the national level, discussion with key stakeholders and preparation of approach paper outlining options for a possible redress mechanism at the country level. (ii) Governance: Preparation of background status paper on forest governance and application of PROFOR Tool on governance through a national level workshop		mechanisms in 2 FCPF countries. Guidelines on 'How to' set up Feedback and grievance redress mechanisms for REDD+	recommendations and action Plan at country level.
VI. Assessment of legal Readiness for REDD+ (Policy and legislative review)	Legal frameworks for REDD+ are potentially very complex and diverse. REDD+ comes against the background of existing laws and regulations, and will require adjustments in these frameworks. It is desirable to start this work early and seek to achieve economies of scale, also building on existing work already being done in this field, rather than waiting for ad hoc requests from specific country teams. Work is also relevant for work being undertaken on carbon rights at country level	Analytical work in 3 countries to assess adequacy of legislative framework for REDD+. Work will be carried out by IDLO	106	Review Report outlining preliminary results	Activity likely to continue in FY14 depending on results
VII. Private Sector Engagement	There is very little engagement of the	Consultant contract for country level assessment	150	2 country level	

in REDD+ (see Annex 2)	private sector in the REDD+ policy making agenda, and almost no consideration of the roles of the private sector by the countries in their preparation for REDD+. This shortfall is often noted in FCPF R-PPs and FIP Investment Plans. Without a good understanding and consideration of the private sector's role at the policy design stage, risks exist that strategic decisions may be made that do not foster future participation by the private sector (e.g., allocation of carbon rights, RELs, etc.).	of role of private sector in up to 4 countries (1 or 2 in FY13) followed by country level dialogue with targeted audience in up to 4 countries.	(Total including co-financing 249)	dialogues and Report including recommendations for enhancing role of private sector	
VIII. Registries for REDD+	Coordination and avoidance of duplication of work on national registries	Consultant contract to develop a basic initial framework for national registry systems which can then be adapted for individual country circumstances	88	Initial framework of national registry system (for use by all)	
Grand Total (FY13)			1,624		

9. The proposed activities can be grouped into two categories:
- i. The activities such as Reference Level, MRV, REDD+ strategy and safeguards have been supported in earlier years through the Readiness Fund and hence are not completely new activities. The nature and scale of support has been adapted based on the feedback received in the Country Needs Assessment. If the PC decides to fund them in FY13, these activities would be expected to continue beyond FY13; and
 - ii. Activities such as private sector engagement (see more detail on the FMT's proposal in Annex 2), piloting of grievance mechanisms in REDD+ countries and assessment of legal readiness for REDD+ are relatively new areas of support which have been included based on needs expressed. The scope of these activities in FY14 and beyond will be determined based on the progress that will be made in FY13. Activities that have been mandated by the PC and

Carbon Fund Participants such as the Carbon Fund Working Group on the methodological and pricing framework, and the preparation of an M&E Framework are included in the base budgets shown in the FY13 Readiness Fund budget presentation.

10. The estimated budget for each of the activities above includes FMT staff costs (time and travel) as well as costs to support the activity such as consultant contract, logistical support and costs of workshops.

11. The tentative schedule of events associated with each of the activities is presented in Table 2. The piloting activities at national level will be combined with country missions to minimize the transaction costs. Attempt has been made to combine events where possible to reduce the burden of inviting stakeholders frequently for different workshops. As an example, the regional capacity building workshop on SESA and stakeholder consultations for Asia is proposed to be held soon after the conclusion of the global dialogue for Indigenous Peoples in Asia. Further adjustments to the schedule, including the potential bunching of events, would be made as preparation advances.

12. The FMT will post the schedule on the FCPF website to allow PC members and partners such as the UN-REDD Programme and FIP representatives to join the workshops/missions as relevant.

13. Table 3 presents the sources and uses of Readiness funding, including for the additional IP and CSO program as agreed in Berlin, and enhancing capacity for dispute resolution as agreed subsequently. In terms of the priorities outlined in para.2 above, the higher priority activities outlined in para.2 (i) are included in the estimated long-term uses, whilst the lower priority activities outlined in para.2 (ii) are not.

14. Table 3 indicates a forecast reserve of about \$31 million. It is forecast that total additional funding of approximately \$70 million would be required if all proposed additional activities were to be supported (\$134 million if these activities were funded and 11 new additional countries were to be selected into the FCPF in 2013). Any reduction in the volume of proposed additional activities would reduce the need for additional funding accordingly. For example, the inclusion of fewer additional activities starting in FY13 would reduce the funding requirement, though not by a significant amount. The inclusion of fewer new countries in the FCPF in March 2013 would reduce the requirement by a much larger amount. Likewise, not granting the additional \$5 million to as many as 20 countries would significantly reduce the requirement.

15. Capacity on the side of the FMT to conduct or facilitate these additional activities is not expected to be a serious issue as FMT personnel have started working on a number of these topics, as explained in para.9 above, and increased reliance would be made on external consulting capacity specific to each of the other activities (thus incurring variable costs as opposed to fixed costs). FMT travel needs would likely increase, however.

Table 2: Possible Schedule of Events for FY13

	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
CF meetings				W					W			W
CF Meth & Pricing Framework				W					W			W
Community-based MRV												
ERPA Term Sheet				W					W			W
Piloting Grievance redress & Governance			NW (Africa)				NW (Asia)					
IP Dialogues		RW (LAC)	RW (Asia)		W (global)							
PC meetings				W					W			W
Private sector								NW (Afr)		NW (LAC))		
REDD+ strategies and REDD+ pilots					RW, G (Fr. Afr)			RW,G (Ang. Afr)				
Reference levels & MRV									W			
R-Package WG				W					W			W
Capacity Building: Safeguards (SESA/ESMF), Common Approach, stakeholder consultation, grievance redress mechanisms					RW (Asia)			RW (Ang. Afr)		RW (LAC)		

RW=Regional workshop or other face-to-face event

NW=National workshop combined with country mission

G=GDLN or other group videoconference

C=conference call or webinar

W=workshop

**Table 3: Summary of Long-Term Sources and Uses of Readiness Funding
(in \$ million, planned as of June 19, 2012)**

Uses	June 2012	
Commitments (grants) to REDD+ Countries		133.0
Administrative, Operations and Country Support of which:		67.8
<i>FY09-11 Administrative & Country Support (actual)</i>	15.3	
<i>FY12 Administrative & Country Support (estimated)</i>	5.1	
<i>FY13-20 Readiness Fund Administration (projected)</i>	3.8	
<i>FY13-20 Operations and Country Support (projected)</i>	43.6	
Reserve for Delivery Partner capacity for dispute resolution		2.0
Additional IP and CSO Program (possibly part funded by CF)		5.5
Total Uses		208.3
Sources		
Committed Funding		235.4
Committed Funding <u>plus</u> Pledges		239.4
Estimated Reserve		
Reserve: Committed Funding less Total Uses		27.1
Reserve: Committed Funding plus Pledges less Total Uses		31.1
Possible Additional Activities		
Additional funding to countries that demonstrate progress on readiness (up to \$5 million per country), assuming 20 countries meet criteria in Berlin Strategic Direction Resolution by FY15	100.0	
Proposed Additional Activities in FY13 budget	1.6	
Total Resources required for Additional Activities	101.6	
Funding Gap (Total Resources required for Additional Activities less Reserve including Pledges)		70.5
Potential reopening of the FCPF to new countries (\$5.8 million per country ²), assuming 11 additional countries ³	63.8	
Funding Gap (Total Resources required for Additional Activities plus potential reopening to 11 new countries, less Reserve including Pledges)		134.3

Assumptions:

- 1) Expected grants to 35 REDD Country Participants. All 37 but excluding Tanzania (bilaterally funded) and Equatorial Guinea (PA not signed by February 1, 2012).
- 2) Steady operational budget through FY15 (including an estimate for continuing additional activities), with 20% annual cuts thereafter.

² This figure of \$5.8 million is calculated by simply spreading the total projected costs of the Readiness Fund (\$208.3 million) over 36 countries. It therefore includes both variable and fixed costs.

³ Decision to be made at PC14 (March 2013).

Annex 1: Summary of priority needs expressed by countries in overview questions

Needs	FCPF	UN-REDD	Suggested mechanism for support
Reference Levels (data and knowledge on priority deforestation processes and drivers, associated GHG emissions and methods for assessing future developments)	Honduras, Kenya, Argentina, Vietnam, Ghana, Cambodia, CAR, Indonesia, RoC, Tanzania	Bangladesh, Myanmar, Nigeria, Sri Lanka	Regional approach + national approach
MRV system (capacity building for monitoring, updating inventories, South-South exchange on MRV, National forest cover mapping and inventory, forest carbon measurements and estimation of emission factors for GHG reporting, monitoring approaches ,capacity and /or compliance with national and international reporting systems, legally defined institutional arrangements with clarified competences)	Honduras, Argentina, Costa Rica, Kenya, Liberia, Ghana, Cambodia, DRC, Indonesia, RoC	Bangladesh, Zambia, Philippines, Nigeria, Sri Lanka	South-South Exchange
Benefit Distribution Mechanism (capacity building on benefit sharing mechanisms, sharing of models, piloting benefit distribution, national capacity to observe fiduciary standards; Identification, assessment and use of prior experiences, including PES and REDD demonstration activities to inform REDD strategy design implementation)	Argentina, Honduras, Kenya, Ghana, Vietnam, Indonesia, Cambodia, RoC	Bangladesh, Nigeria	Regional approach including workshops
REDD strategy (Experiences of NRM, FM and Agriculture to help design of REDD strategies, REDD Strategy, Formulation of national REDD+ strategy, assessment and incorporating of multiple benefits of forests in REDD strategies, assessment of drivers of land use, Assessment of how existing laws incentivize deforestation, testing REDD strategy options)	Honduras, Cambodia, Indonesia, Kenya, RoC, Tanzania	Bangladesh, Myanmar, Nigeria, Sri Lanka	South-South Exchange, specific technical expertise
Needs	FCPF	UN-REDD	Suggested mechanism for support

Needs	FCPF	UN-REDD	Suggested mechanism for support
Information system for safeguards, (frameworks to monitor and manage risks of REDD strategy implementation e.g. governance, multiple benefits; SESA, identification of risks of REDD strategy options)	Costa Rica, Vietnam, Ghana, Cambodia, DRC, Kenya, Indonesia, Tanzania	Zambia, Bangladesh	Regional approach for SESA, others targeted
Trainings on consultation and participation processes, FPIC, trainings to increase capacity of indigenous peoples, Awareness and education, formal procedures for stakeholder consultations	Argentina, Costa Rica, Ghana, Liberia, Cambodia, CAR, Indonesia, RoC, Tanzania	Myanmar, Nigeria	Trainings, Direct support to IPs
Institutional framework, reforms and legislation for carbon ownership, (Institutional framework for REDD+ implementation)	Honduras, Argentina, Ghana, Cambodia, Indonesia, Tanzania		
Policy and legislative review and harmonization (policy adjustment to ensure social and environmental safeguards, legal framework review and revision)	Kenya, Vietnam, Tanzania	Myanmar, Nigeria	
Institutional capacity building, IC enhancement for better coordination, National REDD+ Information center, increasing capacity of REDD+ Technicians	Liberia, Ghana, Vietnam, Cambodia, CAR, DRC, ROC	Bangladesh	Trainings, Targeted expertise
Financial mechanisms	Costa Rica		Exchange of experiences
Protocols for integrated land use planning	Cambodia	Nigeria	
Formal recognized and applied mechanisms for conflict resolution	Cambodia, RoC, Tanzania	Nigeria	Financial
Set up REDD+ demonstration projects to reveal lessons and challenges, piloting of governance	Kenya, RoC	Myanmar, Zambia	
Gender aspects of REDD including Cancun, assessment of gender and rights based risks and benefits	Costa Rica	Philippines	

Annex 2: Country dialogues on the Role of the Private Sector in REDD+

This note proposes the organization of country dialogues on the role of the private sector in REDD+ and the conditions for this role to materialize. The objective is to better take into consideration the role of the private sector at the REDD+ policy design stage in REDD+ countries, by launching two government-private sector REDD+ dialogues in FY13 (beginning July, 2012) and two in FY14. A coalition of entities has been informally discussing this idea and seeks to cooperate on it, including the FMT, UN-REDD, WWF, the Coalition for Rainforest Nations, and CMIA, who would form an advisory group for the activity.

The activity has three objectives and steps: 1) Conduct a top-down analysis of the country context; 2) Complement with a bottom-up survey on the private sector's perception of and positioning towards REDD+; 3) Facilitate a dialogue between the public sector and the private sector in the country, based on the conclusions of steps 1 and 2. The FMT is seeking PC's approval to launch the proposed country dialogues and allocate a budget in FY 2013 of \$150,000 to undertake one full country dialogue or begin two dialogues. The FMT and partners would seek additional funding of \$450,000 from other partners outside of the FCPF budget to allow four country dialogues over FY13-14 (totaling \$600,000).

1. The Challenge

Most REDD+ financing today comes from public sources. However, the challenge of financing and implementing REDD+ will not be overcome by public resources only. Regardless of the outcome of the UNFCCC or other regimes, it is widely thought that the private sector will also be needed to provide the required capital and expertise to implement REDD+. While estimates vary on the annual investment needed to achieve REDD+ at the scale required to stabilize global climate change, several studies suggest that it is in the range of tens of USD billions.

The private sector's involvement in REDD+ to date has been mainly in the voluntary carbon markets, in demonstration activities as a project implementer (mostly in partnership with NGOs), or as a buyer of credits. Those activities were mainly driven by Corporate Social Responsibility (CSR) or pre-compliance motivations, were always performed at project level, and currently amount to tens of USD millions per annum.

The private sector is also linked to REDD+ as a driver of deforestation, either directly in land-use related sectors such as timber, agriculture, mining, energy and infrastructure, or indirectly when its operations involve commodity processing, distribution or finance.

REDD+ strategies and policies are being designed and will be implemented predominately by national and subnational governments. These large undertakings are likely to impact any direct or indirect land-use-related private company—as well as offering new opportunities for private sector roles in the delivery and monitoring of programs by providing a wide range of services, infrastructure, training, investments and best practices for forest or agricultural land management. Many companies are well-placed to provide such services and investments in many countries in which they now have operations.

The private sector needs to better understand these upcoming structural changes, and evaluate the new business opportunities and sustainability objectives that will arise. Private sector entities already

involved in REDD+ also may need to consider integrating their operations into emerging national systems, moving from project to national level.

The private sector can play several roles in REDD+, not only through the purchase of Emissions Reductions but also as a direct financier, a service and technology provider or a project developer, investor and implementer, potentially within Public-Private Partnership schemes. The private sector can also be a partner accompanying structural changes that will affect the land-use value chain.

On top of the legal and governance conditions needed to attract the private sector in general, there are specific issues relating to the private sector involvement in REDD+ in a country. These include the design choices for REDD+ architecture in the country and how the project level is linked to the national level, the benefit sharing schemes, the available risk management instruments and the incentives put in place in the country and internationally.

2. Reflections to date on the role of the private sector in REDD+

There have been a great deal of discussion and numerous analyses of the role of the private sector in REDD+ and in climate finance more generally to date. Much of the discussion has been general in nature, treating the private sector as a single entity, despite the heterogeneity of its activities.

Some analyses to date adopt top-down approaches and address the REDD+ design options that are most likely to attract the private sector. Others follow bottom-up approaches and analyze country or sector-specific conditions to determine options and enabling frameworks for the private sector's involvement. Table A1 below describes some of the most recent analyses:

Table A1: Recent analyses on the role of the private sector in REDD+

Initiative leading the analysis	Year	Topic	Countries covered	Process	Outcome
Conservation Finance Alliance / PwC	2010	<p><i>“National REDD+ funding frameworks and achieving REDD+ readiness - findings from consultation”</i></p> <p>A survey of REDD+ activity among Governments, private and public sector project developers, investors and NGO communities in 12 countries. The first detailed analysis of how REDD+ funding is currently, or could in the future be managed and disbursed within the intended recipient nations.</p>	Brazil, Cambodia, Colombia, Costa Rica, DRC, Ecuador, Peru, Tanzania, Uganda, Indonesia, Madagascar , Mexico	Consultation with a wide network of senior level contacts in 60 key organizations.	The study highlights the practical capacity and governance issues facing donor and recipient countries, and prospects for long term engagement with donors and private sector investors. It makes a series of recommendations for the steps needed to encourage REDD+ funding at scale to recipient countries, including specific proposals on how environmental funds could be used by the private sector, especially in geographic regions where high funding and investment risk is perceived.
World Economic Forum/PwC and others	2010	<p><i>“Financing Sustainable Land Use Project (FSLU)”:</i></p> <p>Convened businesses from across the value chain of land use with Government officials, civil society and scientific experts to identify concrete actions to accelerate private sector</p>	Brazil, Colombia, Tanzania	Workshop format in three countries	Presents a number of policy options that would enable greater private sector engagement in two selected countries, taking into account current barriers to private sector participation and key risk factors, and to transfer the learning from

Initiative leading the analysis	Year	Topic	Countries covered	Process	Outcome
		engagement in sustainable land use and REDD+ activities and address the financing gap.			these pilot studies to other countries.
UN-REDD	2011	<i>“Private sector strategy for the UN-REDD Programme. LAC regional Outlook”</i> : Look into the main drivers of deforestation in LAC (including agriculture, timber, mining, oil and gas and infrastructure development). Identify the main private stakeholders in each sector and their negative impacts as well as their sustainability commitment. Bring forth a strategy to incorporate the private sector into REDD+ initiatives.	UN-REDD Pilot and Partner Countries in LAC.	Country based approach focused on drivers of deforestation in LAC. No stakeholders’ dialogue. Desk review and a case study in Paraguay.	Recommendations on strategy orientations in each sector to encourage private sector participation in REDD+ initiatives.
Prince's Rainforest Project	2010	<i>“REDD+ and Agriculture Proposed Solutions from the Private Sector”</i> : How Agricultural production could be expanded without further deforestation and how emerging REDD+ frameworks and finance could help achieve this goal .	Brazil, Indonesia, Malaysia, West African Countries including Ghana, Ivory	Country based approach focused on Agriculture with stakeholders’ dialogue. Focus on certain commodities (Palm Oil, Soy, Cocoa and Cassava). Meetings amongst large	Consensus that it is technically feasible to increase agricultural production in these regions without further deforestation, while generating positive economic returns for the private sector. While some public intervention may be required to

Initiative leading the analysis	Year	Topic	Countries covered	Process	Outcome
			Coast and Nigeria.	agricultural companies operating in rainforest countries followed by eight regional meetings in Brazil, Ghana, Malaysia and Indonesia bringing together private sector representatives, NGOs and Governments.	reduce upfront risks, to stimulate the flow of credit and to create the right enabling conditions, major public subsidies would not be required. A set of proposed generic interventions linked to specific drivers of deforestation were proposed, potentially as part of integrated low carbon development plans for each country featuring complementary activities to reduce deforestation.
Commodity Roundtables	Since 2011, willingness to build bridges with REDD+.	- Agricultural Commodities (Palm Oil, Sugar Cane, Cocoa, Soy, Cattle): The role of commodity roundtables in promoting solutions to increasing yields without agricultural expansion is explored. A workshop was organized on the topic in September 2011. ⁴	Worldwide	Certification/ Encouraging best practices and promoting better supply chain commitments and tracking (through sustainability standards).	Workshop's outcome: Commitment to explore the degree to which commodity roundtables could be more closely aligned with REDD+, such as how climate finance could help reduce barriers to certification. Explore options to apply tools in

⁴ <http://ccafs.cgiar.org/blog/updates-workshop-commodity-roundtables-avoided-forest-conversions-subnational-redd>

Initiative leading the analysis	Year	Topic	Countries covered	Process	Outcome
		- Other Commodities (Timber, Oil & Gas) may have interest in adopting similar approaches		Workshops and consultations to build bridges with REDD+.	tandem, including REDD+, payments for environmental services, voluntary commitments, standards, regulations, and lending policies, and tailor them to each unique situation.
World Economic Forum	2010/2011	<p><i>“Proposals from the Private Sector for Engagement at Scale in REDD+”</i>: The project examines how to:</p> <ul style="list-style-type: none"> • Use private sector resources and capabilities across the value chain to quickly build an effective REDD+ mechanism and implement ongoing REDD+ action at scale, • Raise private sector finance to do so, including but not limited to carbon finance and carbon markets, • Increase the impact of public sector fast start funding through private sector engagement. 	Worldwide	Desk review and consultations with public and private sector representatives, NGOs and experts.	Set of recommendations and proposals from the private sector. Engaging stakeholders’ dialogues identified as an immediate next step.
Philippino-	2011	<i>“Towards Building a Governance</i>	Worldwide/	Desk review and	Workshop in October 2011 in

Initiative leading the analysis	Year	Topic	Countries covered	Process	Outcome
Swiss Initiative		<i>Framework for REDD+ Financing</i> ": The initiative aims to identify, through facilitated discussions among key stakeholders, the critical elements for a governance framework that presents sustainable and secure financing options for REDD+ results-based activities.	partnership with the Philippines.	bringing together different REDD+ stakeholders, including negotiators, private sector, and non-governmental organizations to discuss 1) current state of REDD+ financing, 2) present case studies on forest governance with special attention to finance and 3) potential elements of a governance framework for REDD+ financing.	Panama + Report in December 2011 analyzing the sources of financing for REDD+.
DFID/Winrock/Climate Focus	2010	<i>"Engaging the private sector in the potential generation of REDD+ Carbon Credits"</i> : Design options (incentives and risk sharing schemes) and instrument for reducing risks and raising finance.	Worldwide	Theoretical analysis of options	Proposal of design options. Mainly focused on the private sector involvement with a view of purchasing or acquiring carbon credits (for compliance, CSR objectives or for financial return)
WWF/	2011	<i>"Unlocking Forest Bonds: A High Level Workshop on Innovative Finance for</i>	Worldwide	Consultation with private sector finance	Workshop in February 2011 in London discussing the necessary

Initiative leading the analysis	Year	Topic	Countries covered	Process	Outcome
Global Canopy Programme/ Climate Bonds Initiative		<i>Tropical Forests</i> ⁵		experts	conditions for bonds to become a useful large-scale financing mechanism in the effort to save tropical forests
World Bank PROFOR/PwC	2012	<p><i>“Making Benefit Sharing Arrangements Work for Forest-Dependent Communities”</i></p> <p>A review of over 30 benefit sharing mechanisms around the world, currently being used by public and private sector entities to incentivize sustainable forest management.</p>	Cameroon, Ecuador, Uganda, Brazil, Tanzania, Uganda, Cambodia, Indonesia, The Philippines, Brazil, Mexico	Desk based review and interviews with organizations establishing and benefiting from these benefit sharing mechanisms	Produced a detailed options assessment tool for use by FCPF governments to put in place the building blocks for those mechanism types best suited to their level of REDD+ readiness, and country context. Many enabling actions within these building blocks could help facilitate greater private sector investment in REDD+ projects.

⁵ http://awsassets.panda.org/downloads/unlocking_forest_bonds_low_res.pdf

These analyses provide useful outcomes for a better involvement of the private sector in REDD+ and were widely shared with -if not emerging from- a variety of stakeholders, including policy makers. However, there is still very little actual engagement of the private sector in the REDD+ policy making agenda at the national level, with almost no consideration of the roles of the private sector by the countries in their preparation for REDD+. This shortfall is often noted in FCPF R-PPs and FIP Investment Plans.

Although RPPs often do evidence engagement with domestic business associations, this has not been at the depth that could occur to underpin the beginnings of true cross-sectoral REDD+ strategies. In particular, the perspective of local and international companies engaged in ethical investment or existing investors in forestry or commodities open to adjusting their investment strategies is limited. There could be greater engagement with the private sector, including both the private sector that is involved in deforestation drivers and “impact investment” oriented private sector entities that could form part of a country’s implementation strategies. Without a good understanding and consideration of the private sector’s role at the policy design stage, risks exist that strategic decisions may be made that do not foster future participation by the private sector (e.g., allocation of carbon rights, RELs, etc.).

3. The proposed activity

3.1. Objective

The FCPF is a partnership aiming, inter alia, to support REDD+ countries in building their capacity to benefit from possible future systems of positive incentives for REDD+. As such, it should contribute to a better understanding of the issues by each of the private and the public sector, in order to enable the design of policies and frameworks that are attractive to the private sector.

The FMT conducted informal discussions with interested initiatives, *including the FMT, UN-REDD, the World Wide Fund for Nature (WWF), the Coalition for Rainforest Nations, and the Climate Markets & Investment Association (CMIA)*, to define the best way to achieve this goal, building upon and complementing existing or ongoing studies. In parallel, the FMT discussed the topic with FIP who is a natural partner, also willing to catalyze private investments. The proposed activity results from these discussions and the expressed will among these entities to form an advisory group for the activity (the Advisory Group⁶).

The project involves conducting about four in-depth country specific analyses of the potential roles for the private sector and the conditions for its involvement through initiating country dialogues between policy makers and private sector stakeholders. The objective is to achieve increased consideration of the role of the private sector in the design of REDD+ strategies and policies. The project would also provide concrete conclusions which could feed in other countries’ experiences and help initiate the same kind of

⁶ Other entities could join the Advisory Group in the future. These could include initiatives such as the World Business Council for Sustainable Development, (WBCSD), the World Economic Forum (WEF), the Climate Bond Initiative, etc.

dialogue. It is considered that such a country-specific approach, building upon existing initiatives is more likely to provide pragmatic lessons learned and help design enabling frameworks.

3.2. Country selection

It is important to select countries that are represented in fora where REDD+ strategies are elaborated, since the objective is to achieve a better consideration of the role of the private sector in REDD+ policy designs. The FMT proposes that countries to be selected be covered by at least three of the initiatives associated with the project which form the Advisory Group, to ensure coordination across these efforts and to provide leverage among them. These initiatives are the FCPF, UN-REDD, FIP, the Coalition for Rainforest Nations, WWF and CMIA⁷.

Countries which meet this criterion of involvement in at least three Advisory Group initiatives include:

- Latin America and the Caribbean: Argentina, Columbia, Costa-Rica, Guatemala, Guyana, Honduras, Mexico, Panama, Paraguay, Peru.
- Africa: DRC, CAR, Congo, Gabon, Ghana, Kenya.
- Asia and the Pacific: Indonesia, Nepal, Papua New Guinea, Vietnam.

In addition, the following criteria have been suggested in Advisory Group discussions to date: (i) to increase the chances that the country dialogue will have an actual impact on the policy design and (ii) to maximize the usefulness of the lessons learned from the 4 country dialogues in other similar country contexts:

1. Representative forest conditions, with a view to the various forest conditions being represented in the selected countries.
2. Potential to build on a major existing initiative on the role of the private sector in REDD+ in the country, which could be led by a member of the Advisory Group (but not necessarily);
3. Existing dialogue on private sector and REDD+ to build on (for example through agriculture commodity roundtables) ;
4. Potential for co-financing for country dialogue from other initiatives;
5. Government started outreach to the Private sector on REDD+, as publicly stated or announced by the Government, or contained in their R-PP or REDD+ strategy.

The countries to be selected will not necessarily meet all these conditions, but those that meet most of them can be considered relevant candidates. The table below analyses the fulfillment of the criteria for the countries that are covered by at least three of the involved initiatives:

⁷ The countries to be considered are: (i) FCPF's REDD Country Participants, (ii) UN-REDD's Partners and Pilot Countries, (iii) FIP Pilot Countries, (iv) The members of the Coalition for Rainforest Nations and (v) the countries where WWF has an active REDD+ policy dialogue. CMIA is a thematic association with a global coverage.

Table 2: Country Selection Criteria

Country	1. Representative Forest conditions <i>(to help ensure diversity amongst the 4 selected countries)</i> <i>(e.g. High/Low Forest, High/Low deforestation, Dry Forests,...)</i>	2. Potential to build on a major existing initiative on the role of the private sector in REDD+	3. Existing dialogue on private sector and REDD+ to build on <i>(e.g. through agriculture commodity roundtables)</i>	4. Potential for co-financing for the country dialogue with other initiatives <i>(High, Medium, Low + source)</i>	6. Government started outreach to the Private sector on REDD+
Latin America					
Argentina					
Columbia					
Costa-Rica					
Guatemala					
Guyana					
Honduras					
Mexico					
Panama					
Paraguay					
Peru					
Africa					
DRC					
CAR					
Congo					
Gabon					

Ghana					
Kenya					
Asia-Pacific					
Indonesia					
Nepal					
Papua New Guinea					
Vietnam					

3.3. Proposed methodology

Early ideas on the organization of the country dialogue include the following three steps:

- **Step 1: Conduct a top-down analysis of the country context.**
 This analysis will cover the national REDD+ policy documents and assess on the public sector’s understanding and perception of (i) the current private sector involvement in REDD+ and (ii) what the role of the private sector should be. It will also describe the private sector structure in the country and its current involvement in or relation to REDD+ (also as a driver of deforestation). This first step should also identify the key initiatives on the role of the private sector in REDD+ in the country, and analyze the reasons why there was little consideration of the private sector’s role in the policy documents.
- **Step 2: Complement with a bottom-up survey on the private sector’s perception of and positioning towards REDD+.**
 The major private sector stakeholders in the country whose operations could be affected by REDD+ policies by creating new opportunities or constraints will be identified. They will be consulted /interviewed to assess on their level of knowledge and understanding of REDD+.
- **Step 3: Facilitate a country dialogue between the public sector and the private sector in the country, based on the conclusions of Steps 1 and 2.**
 The objective is to raise awareness (i) from the private sector’s side on the policy implications and the new opportunities offered through the implementation of REDD+ policies and (ii) from the public sector’s side on the facilitating conditions for the private sector to play a role in REDD+ and be prepared for the new policy orientations.

The dialogue would be organized through a workshop where major public sector and private sector stakeholders as well as local communities and Indigenous People would be represented. A set of recommendations and proposals would be made following the workshop with a clear identification of next steps to engage the private sector in REDD+ in the country context, including potential immediate actions.

4. Proposed Budget and Timeline

The objective is to conduct two country dialogues in FY 2013 according to the timeline below. The two other country dialogues would be conducted in FY 2014 (subject to financing), and will learn from the experiences of the initial ones.

Country dialogue process steps	Proposed timeframe
1. Prepare ToRs and seek additional financing	July – September 2012
2. Launch the two country dialogues by selecting the countries and consultant(s) involved, and securing pledges of additional co-funding	September 2012
3. Deliver conclusions of Steps 1 (analysis) and 2 (private sector survey)	October 2012
4. Conduct Step 3 (country dialogue #1)	November-December 2012
5. Deliver draft preliminary report	December 2012- January 2013
6. Deliver final report reviewed after comments of the Advisory Group	February 2012
7. Present final report to the PC	PC 14 – March 2013
8. Present the conclusions of the first study to a larger venue: regional and international private sector players, other countries, stakeholders, Government and Donors.	April 2013
9. Conduct country dialogue #2, if so agreed and funding is available	May – August 2013
10. Use the lessons learned from the first country dialogues to initiate and conduct the two other studies.	FY 2014

The cost associated to each country dialogue is estimated at US\$ 150,000. The proposed activity, which would cover four country dialogues, is therefore anticipated to cost US\$ 600,000.

5. Decision by the PC

The FMT is seeking PC's approval to launch the initial two country-studies proposed project and to allocate a budget of US\$ 150,000 for FY 2013. These funds would be used to either: a) fully finance one country dialogue; or b) or partly finance two country dialogues in FY13.

The FMT and the Advisory Group for this activity would:

- Discuss selection criteria of the initial pilot country or countries for FY13; and identify a set of four countries for country dialogues over two years;
- Discuss co-financing opportunities for the studies to be conducted in FY 2013 and in FY 2014 for the balance of the proposed \$600,000 total budget (four countries at \$150,000 each). Discussions would be held with Advisory Group partners, including UN-REDD; and with other potential partners who could join the Advisory Group via a commitment of funds to the activity; and
- Report back to the PC at PC13 on progress to date.