Forest Carbon Partnership Facility (FCPF) Readiness Mechanism Readiness Plan External Review Template

(interim, April 24, 2009, from Program Document FMT 2009-1, Rev. 2)

Panama R-Plan: Technical Advisory Panel Synthesis Review

Lead Reviewer: David Kaimowitz, + 5 TAP experts

May 26, 2009

Guidelines for Reviewers:

- 1) FCPF REDD Country Participant R-Plans will be reviewed and assessed by the FCPF Participants Committee, the FCPF's governing body, taking TAP comments into account. External (Technical Advisory Panel or other) and Bank reviewers may provide recommendations on how a draft R-Plan could be enhanced, using this template on a pilot basis until a process is approved by the PC.
- 2) Two sets of criteria should be used for review: a) Cross-cutting criteria, reflecting a general view of what an R-Plan should provide; and b) specific standards each of the current 9 components of an R-Plan should meet.
- 3) Your comments will be merged with other reviewer comments (without individual attribution) into a synthesis document that will be made public, in general, so bear this in mind when commenting.
- 4) Please provide thoughtful, fair assessment of the draft R-Plan, in the form of actionable recommendations for the potential enhancement of the R-Plan by the submitting country. A REDD Country Participant would be allowed three submissions of an R-Plan to the PC for consideration.

Objectives of a Readiness Plan (condensed directly from Program Document FMT 2009-1, Rev. 2)

The purpose of the R-Plan is to build and elaborate on the previous Readiness Plan Idea Note (R-PIN) or a country's relevant comparable work, to assist a country in laying out and organizing the steps needed to achieve 'Readiness' to undertake activities to reduce emissions from deforestation and forest degradation (REDD), in the specific country context. The R-Plan provides a framework for a country to set a clear plan, budget, and schedule to achieve REDD Readiness. The FCPF does not expect that the activities identified in the R-Plan and its Terms of Reference (ToR) would actually occur at the R-Plan stage, although countries may decide to begin pilot activities for which they have capacity and stakeholder support. Instead, the R-Plan consists of a summary of the current policy and governance context, what study and other preparatory activities would occur under each major R-Plan component, how they would be undertaken in the R-Plan execution phase, and then a ToR or work plan for each component. The activities would generally be performed in the next, R-Plan execution phase, not as part of the R-Plan formulation process.

Review of R-Plan of Panama May 26, 2009

a) Cross-cutting criteria

(reflecting a general view of what an R-Plan should provide):
Summary Comments of the Technical Advisory Panel Regarding the REDD
Readiness Plan (R-PLAN) submitted by the Government of Panama

Introduction and Overview: In principle, Panama is a promising candidate for embarking on a program of Reduced Emissions from Deforestation and Degradation (REDD). Its government has greater capacity to design and implement environmental policies than many developing country governments. It has a well-established system of Protected Areas. The government has officially recognized Indigenous Peoples' tenure rights and right to democratically elected self-government in a large portion of the

territory that Indigenous Peoples inhabit. Initial estimates suggest deforestation rates fell sharply in the period 2000-2008 compared to the period 1990-2000. Panama also probably has greater technical capacity to implement Monitoring, Reporting, and Verification (MRV) efforts than many developing countries.

Strengths of the R-Plan: The Environmental Authority of Panama (ANAM) has begun initial discussions regarding REDD with other government agencies, academics, environmental NGOs, and Indigenous Peoples, and has submitted a formal REDD Readiness Plan (R-PLAN). That R-PLAN reflects a substantial amount of work and thought. The R-Plan presents plans for many specific activities designed to increase the understanding of deforestation and degradation in Panama and put in place a system for MRV; consult with stakeholders about REDD; and improve understanding of REDD and other environmental issues among a range of stakeholders, among other activities.

Issues in the R-Plan: The R-PLAN does not present a clear diagnosis of the current situation regarding deforestation and forest degradation, nor a well-developed strategy for using policy instruments to improve forest cover and quality. Apparently the Panamanian government feels such a diagnosis will require additional research and a lot of training and communications efforts to increase awareness and understanding of the issues among key stakeholders before a comprehensive strategy can be developed that has strong buy-in from all relevant players. The Government has indicated that the additional work the R-Plan proposes to fund and accomplish would allow them to address these issues.

To the extent the R-Plan does present a strategy for reducing deforestation and degradation, it focuses largely on promoting environmentally friendly businesses and improving regulatory capacity, particularly as regards timber harvesting and encroachment into protected areas and indigenous territories. The current R-PLAN draft does not make very clear how the proposed measures would work and to what extent they could be expected to generate additional improvements in forest cover and quality and how. It would be useful if the government could provide more information and analyses that examines the situation from this angle and clearly explain how the activities proposed at the national level are likely to fit into the requirements for REDD at the international level. That being said, both the Panel and the R-Plan authors agree that deforestation and forest degradation rate have declined in recent years, so the government can make at least a reasonably plausible claim that its current approaches are working.

When the Review Panel went through each of the specific criteria and standards that we were asked to comment on in many cases we found that the R-PLAN the Panamanian government submitted did not meet the standards the FCPF had instructed us to base our conclusions on. The Government of Panama apparently believes that to produce something that would meet the requirements of many of those criteria and standards will require the additional activities they plan to implement using World Bank readiness funds and that they cannot reasonably be expected to meet those requirements until the funds are provided and the activities carried out. The Review Panel has no mandate to address that issue. However, the FCPF decides to handle the issue, we hope that the many specific comments we have provided on different aspects of the R-PLAN will serve as useful inputs for the Government of Panama and the FCPF.

Recommendations for Further Elaboration of the R-Plan: In any case, for REDD to fulfill its promise of generating additional improvements in net reductions in Green House Gas emissions related to forests, the Government of Panama will need to clearly identify the magnitude, location, and direct and underlying causes of changes in forest cover and quality-- and then design a REDD strategy focuses specifically on addressing those direct and underlying causes. This effort will probably have to involve many government agencies outside the traditional environmental sector. That task remains pending.

Consultation with and respect for the rights of Indigenous Peoples is a particularly important issue in this case, since according to government figures 34% of all Panama's forests are in the five officially

recognized Indigenous Comarcas (territories), and an un-known additional percentage of forests is in areas with pending indigenous land claims.³ Panama has gone further than many countries in recognizing indigenous territorial rights and the right to self-government, and there have been several meetings about REDD between ANAM and a few Indigenous leaders. However, these discussions are still at a rather initial stage and most of the Indigenous Peoples' elected authorities recently signed a letter expressing strong dissatisfaction about how ANAM has handled the issue. For REDD efforts to fully succeed in Panama in indigenous territories, the government will have to seek active participation of Indigenous Peoples in the design and implementation of REDD strategies (and not just inform them of those strategies). They will also almost certainly need to address outstanding conflicts over land tenure and territorial rights, among other aspects. Indigenous Peoples have relevant rights under both Panamanian and international law and all possible efforts should be made to respect those rights.

Finally, the Review Panel notes that Panama has recently held a Presidential election and there will soon be a change of government. It will be important for the FCPF to consult with the in-coming authorities regarding how they would like to proceed once they are in place.

Criteria Number: (from Program Document FMT 2009-1, Rev. 2)

- Ownership, transparency, and dissemination of the R-Plan by the government and relevant stakeholders. Inclusiveness of effective and informed consultation and participation by major stakeholders could be assessed in three ways:
 - a. The consultation and participation process for R-Plan development thus far⁴, the extent of ownership within government and REDD coordinating body, as well as in the broader national stakeholder community, and the Consultation and Participation Plan included in the R-Plan (which looks forward in time);
 - b. The cross-cutting nature of the design and workings of the national working group on REDD, in terms of including major stakeholders and key government agencies beyond the forestry department; and c. Inclusion of elements in the R-Plan that adequately address the expressed concerns and recommendations of major stakeholders, and/or expressions of their support for the R-Plan.

Footnote 3: Did the R-Plan development include civil society, including forest dwellers and Indigenous Peoples representation? In this context the representative(s) will be determined in one of the following ways: (i) Self-determined representative(s) meeting the following requirements: (a) selected through a participatory, consultative process; (b) having national coverage or networks; (c) previous experience working with the Government and UN system; (d) demonstrated experience serving as a representative, receiving input from, consulting with, and providing feedback to, a wide scope of civil society/Indigenous Peoples organizations; or (ii) Individual(s) recognized as legitimate representative(s) of a national network of civil society and/or Indigenous Peoples organizations (e.g., the GEF Small Grants National Steering Committee or National Forest Program Steering Committee).

Reviewer's assessment of whole R-Plan for this criterion, and recommendations:

The Extent of Ownership Within Government and REDD Coordinating Body, as Well as in the Broader National Stakeholder Community

The National Environmental Authority (ANAM), a government agency, has clear ownership of the R-Plan. International environmental NGOs or external consultants did not excessively influence the plan's content.

The R-Plan refers to the future role of inter-agency mechanisms in REDD-related activities (e.g. Inter-Institutional Environmental System, National Climate Change Committee, National Forest Management Committee, National Committee for Integrated Watershed Management). It does not

³ According to government figures, Panama's territory is 75,717 kms2. Roughly 34,000 kms2 of that (45%) has forest. The five officially recognized Indigenous Comarcas have an area of 16,812 kms2, of which 11,612 kms2 has forest. That implies the five Comarcas contain 34% of Panama's forest.

provide evidence about the degree to which those mechanisms actually function; however, one reviewer felt the establishment of these mechanisms demonstrated there was significant government ownership across the breadth of relevant agencies.

The recent presidential election in Panama and resulting change in government might result in the new authorities not feeling ownership for the R-Plan, since it was prepared by their predecessors. Press reports suggest the new government will restructure the agencies dealing with REDD-related issues and that could significantly affect the relevance and implementation of the proposed plan.

In summary, it is clear that ANAM feels full ownership of the R-Plan, but less certain whether this applies to other government agencies and relevant stakeholders, or to the newly elected Panamanian authorities.

The Consultation and Participation Process for R-Plan Development Thus Far

Several Indigenous leaders are listed among the R-Plan's authors. It would be good to know what role they played in elaborating the proposal. Overall, Indigenous Peoples do not seem to have played a major role in designing the R-Plan or Panama's REDD strategies.

The R-Plan refers to several contacts with Indigenous Peoples, including meetings with two indigenous comarcas (officially recognized, traditionally governed and indigenously owned lands). No meetings have occurred so far with representatives of the other three officially-recognized indigenous comarcas.

The Smithsonian Tropical Research Institute and the ANAM also organized a REDD advisory workshop in Panama, where Indigenous Peoples organizations were given information about REDD.

Generally speaking efforts to disseminate the content of the R-Plan in Panama remain incipient, particularly among Indigenous Peoples.

In summary, some interaction with Indigenous Peoples and other relevant stakeholders has occurred but it has been limited. The R-Plan does clearly note the need for additional consultations.

The Consultation and Participation Plan Included in the R-Plan

The ANAM plans to consult most relevant stakeholders. The most important stakeholders that seem have been left out are non-Indigenous forest dwelling people such as small-scale mestizo loggers and agricultural colonists and Indigenous Peoples that do not form part of recognized Comarcas. Several Indigenous Peoples in Panama still do not have their own Comarca but the government has been reluctant to address the issue. The R-Plan makes few, if any, references to these groups.

The R-Plan also gives relatively limited attention to consultation with ranchers, loggers, urban developers, and other groups that play a major role in determining land use dynamics in Panama.

Democratically-elected, officially recognized, indigenous authorities represent most Indigenous Peoples in Panama and the authorities have well-trained professional indigenous experts to advise them. The R-Plan is not explicit about how ANAM proposes to interact with these authorities or their advisors.

The reviewers note that neither the National Climate Change Committee, nor the National Forest Management Committee, which the R-Plan mentions as important mechanisms for consultation, include any Indigenous Peoples representatives.

The nature of the proposed consultations remains unclear. They seem to emphasize informing

stakeholders, with relatively few mechanisms for collecting and incorporating input. The text notes that Panamanian and international laws recognize Indigenous Peoples' rights with regards to issues related to REDD, but does not make clear how consultations will help ensure those rights are respected.

To generate widespread support and legitimacy for the REDD proposals and policies it will be important to disseminate them widely. Indigenous Peoples and other stakeholders still do not have sufficient information about the government's proposed REDD strategy to make informed decisions about it.

In summary, it will be important to ensure the quality of consultation in addition to the quantity, to achieve meaningful participation of government agencies, Indigenous Peoples, and other stakeholders.

Recommendations:

- a) The R-Plan should provide evidence about to what extent inter-agency environmental mechanisms currently function,
- b) The R-Plan should explain how the government will ensure ideas emerging from consultations are incorporated into REDD planning,
- c) The R-Plan should explain how the government will consult non-indigenous forest dwelling people, with indigenous peoples who do not form part of recognized Comarcas, and with private sector groups and representatives involved in activities with major impacts on land use.
- d) The R-Plan should explain how the consultations will effectively take into account Indigenous Peoples' rights with regard to REDD under Panamanian Law.
- e) Panama should incorporate indigenous and other civil society representatives in the National Climate Change Committee and the National Forest Management Committee.
- f) Consultations with the indigenous Comarcas should not be limited to participation in Comarcas assemblies. There ought to be a previous process of discussion and consultations prior to the assemblies.
- g) In some places the R-Plan refers to Indigenous Peoples; in others indigenous groups or aboriginal populations. The R-Plan should be consistent in its use of the term Indigenous Peoples, as that term has specific legal implications under both national and international law.
- Alignment of the proposed REDD strategy with the identified drivers of deforestation and forest degradation. Does the R-plan identify the major drivers of deforestation and forest degradation, and design its REDD strategy and R-plan to address those drivers with feasible programs and policies likely to alter land use incentives and behavior (and to avoid displacing deforestation and degradation from one area to another)?

Reviewer's assessment of whole R-Plan for this criterion, and recommendations:

The R-Plan identifies the major drivers of deforestation and forest degradation and has useful background information on the topic. It does not give a clear sense of the current magnitude of deforestation and forest degradation and has limited information about its geographic location, the relative importance of the drivers, or government policies that contribute to deforestation and degradation.

Some evidence suggests deforestation in Panama has declined sharply in recent years, as the agricultural frontier has become exhausted. A recent press report cited an ANAM study that found annual deforestation rates fell from 41,300 hectares between 1990 and 2000 to 13,600 hectares

between 2000 and 2008. (On the other hand, a TAP member working actively in Panama over the past few years has heard that deforestation is increasing in some provinces.) It is possible most forest loss and degradation currently is linked to tourism and urban development and the loss of small forest fragments and significant forest regeneration is underway in some parts of the country. If that is true it would have important implications for the R-Plan, but the plan makes no reference to the issue.

According to the R-Plan, 85% of deforestation between 1990 and 2000 was concentrated in: the Province of Darien, the Ngobe-Bugle Comarca, and Panama Province. Nonetheless, the plan does not concentrate on those areas. Nor does it mention how the geographic focus of deforestation and degradation changed since 2000. The R-Plan stresses the links between the proposed REDD strategy and Panama's existing national watershed management strategy, but it does not discuss whether the latter focuses on areas with high rates of deforestation and forest degradation.

The R-Plan identifies poverty as a cause of deforestation. This vision fails to recognize that in many cases Indigenous Peoples and other low-income groups in Panama have actually helped to conserve the country's forests and have a great deal of knowledge that needs to be considered if this strategy is to succeed. For example, if the government wants to limit slash and burn agriculture in the indigenous Comarcas, it first needs to understand the practice better and discuss the issue seriously with the communities and then work with them to develop options that maintain the communities' traditions and livelihoods.

The prospects for using small-scale environmentally friendly businesses to reduce deforestation and forest degradation related to small-scale farming are not very good. Integrated Conservation and Development Projects (ICDPs) have tried that strategy in many countries and in few, if any, cases did they significantly reduce pressure on forests. Academic studies and evaluations have shown that such approaches can only reduce pressure on forests when: a) small-scale farmers and loggers are the main source of forest loss, b) the alternative activities promoted are highly profitable and require capital and/or labor that would otherwise be used to damage forests, and c) the amount of labor and/or capital the small farmers have is highly constrained. Most of these conditions are unlikely to hold in Panama. It is always conceivable that such approaches will work in Panama nonetheless, but if that is the case the authors should explain why they think the approach is likely to work in Panama even though it failed elsewhere.

The R-Plan and other studies identify extensive cattle ranching, logging, mining, and poorly planned urban development as major causes of deforestation. The small-scale environmentally-friendly businesses the plan proposes to support are unlikely to affect deforestation linked to these drivers. If wealthy and powerful groups cause most forest destruction and degradation – as may well be the case - and most interventions focus on poorer groups than the interventions are unlikely to be effective.

The other main approach the R-Plan proposes to limit deforestation and forest degradation is Supervision, Control, and Law Enforcement. The plan proposes to focus law enforcement activities on logging and on protected areas and indigenous territories, but it provides little justification for these priorities. It does not discuss how important illegal logging is. It seems unlikely more effective enforcement of logging regulations and strengthening the Environmental Impact Assessment system would significantly reduce Panama's carbon emissions.

Nor does the R-Plan discuss how deforestation and degradation in protected areas and indigenous territories compares with the processes outside these areas. The available information suggests that the Nobe Bugle Comarca has had high deforestation rates, but the Kuna Yala Comarca has had very

little deforestation. It would be important to analyze why these outcomes are so different and take those lessons into account in preparing the R-Plan.

Proposed attempts to enforce existing laws could limit low income families' access to land and other resources they depend on for their survival. The R-Plan does not discuss how the proposed measures might affect Indigenous and non-indigenous families who rely on slash and burn agriculture, small-scale logging, and similar activities for their livelihoods. Many Indigenous Peoples in Panama do not support strategies that rely principally on protected areas in order to ensure that forests provide carbon sinks, and other environmental services.

The R-Plan proposes to use most additional funding to strengthen the ANAM's existing activities, rather than focusing on strategies with clearly articulated mechanisms for reducing deforestation and forest degradation. The strategy is broad and does not target interventions where the problem is greatest or there is the highest probability of success.

The fact that the R-Plan frames the REDD activities within a broader framework and vision of sustainable development is a strong point of the strategy, but that should not detract from clarity about exactly how the strategy will help to improve forest cover and quality.

In summary, the R-Plan does a relatively poor job of describing the current trends related to deforestation and forest degradation and how the proposed interventions are expected to significantly improve the situation. (However, one reviewer felt the R-Plan covered these aspects adequately.)

Recommendations:

- a) The R-Plan should better reflect what is already known about the magnitude, causes, and location of deforestation and degradation.
- b) The R-Plan activities should be sequenced in such a way that a greater percentage of the activities are planned after there is an accurate understanding of the problem and the likelihood of success of different interventions.
- c) The R-Plan should give emphasize more interventions that directly make it more profitable to manage forests sustainably and less profitable to destroy or degrade them.
- Coherence between the proposed activities in the R-Plan (including early ideas on a potential REDD Strategy) and existing national and sectoral strategies: Does the R-Plan make clear reference to country sector strategies and governance arrangements (e.g., FLEGT), and identify major potential synergies or inconsistencies with REDD plans and process? Does the R-Plan discuss and propose to analyze the role and interests of forest-dependent and indigenous peoples and other forest dwellers, including land tenure and natural resource rights? Is there evidence that other government actors (e.g., finance ministry, agriculture ministry, land ministry) are committed to supporting implementation through enacting, implementing and/or funding supportive policies and actions within their own sectors?

Reviewer's assessment of whole R-Plan for this criterion, and recommendations:

Reference to Country Sector Strategies and Governance Arrangements

The R-Plan refers to most of the relevant national environmental policies, particularly those implemented by ANAM. The text implies that major synergies exist between existing environmental policies and those required to reduce deforestation and forest degradation. To the extent that deforestation and forest degradation have declined in recent years that makes sense.

Indeed, it seems likely that expanding protected areas and improving their management, recognizing indigenous territorial rights, and strengthening indigenous authorities probably reduced pressure on forests and will continue to be important. The R-Plan implies environmental education, environmentally-friendly enterprises, environmental impact assessments, and regulation of logging

also played important roles in that regard, but that seems less self-evident and the document does not explain why ANAM believes that is the case.

One key question will be how the REDD agenda will fit within the existing framework of ANAM for integrated watershed management.

Evidence Other Non-Environmental Government Agencies are Committed to Supporting Implementation

Government agencies besides ANAM do not seem to have been heavily involved in preparing the R-Plan, nor is there evidence to suggest they are committed to modifying their policies to meet the plan's objectives.

The R-Plan gives little attention to the impact of agricultural, tenure, infrastructure, energy, mining, urbanization, trade, or fiscal policies on forests cover and quality; despite strong evidence such policies have had major impacts on forests in the past. The R-Plan does not propose significant changes in these policies, nor processes likely to lead to such changes.

The plan does provide information about how sub-national governments and the social cabinet will participate in REDD activities.

Overall the R-Plan gives relatively little attention to extra-sectoral issues or the government agencies responsible for those aspects.

The Role and Interests of Indigenous Peoples and Other Forest Dwellers

The R-Plan makes no specific proposal to analyze the role and interests of indigenous peoples and other forest dwellers. The main activities involving Indigenous Peoples that it proposes are consultations, training about REDD, and support for environmentally friendly enterprises.

It remains unclear how much interest indigenous communities have in this type of enterprises. The government will need to think carefully about how to improve local organizations' capacity to administer the funds they receive.

Conflicts between non-indigenous colonists and Indigenous Peoples over land and other natural resources are a major problem in Panama and a significant cause of forest loss. The plan does not address this issue.

The plan explains some of Indigenous Peoples' rights under Panamanian and international law. Various aspects will require further clarification. For example, with regards to rights over carbon, the plan says the government owns the carbon, but recognizes Indigenous Peoples have certain rights related to the carbon in their territories.

The R-Plan provides some data on forest cover in indigenous territories, but little on how it has evolved over time and why.

As noted previously, the R-Plan makes little reference to non-indigenous forest dwellers.

In summary, the R-Plan is relatively weak with regards to extra-sectoral issues and agencies and the role of forest dwelling groups in the REDD strategy.

Recommendations:

- **a**) The R-Plan should explain what the government proposes to do regarding extra-sectoral policies that significantly impact forest cover and quality,
- b) The R-Plan should be more explicit about how indigenous communities can expect to benefit from

REDD and give some sense of possible magnitudes,

- c) The R-Plan should include proposals for addressing conflicts over natural resources between non-indigenous colonists and Indigenous Peoples.
- d) The R-Plan should explicitly make reference to the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and confirm that the REDD strategy will respect the Indigenous People's rights to free, prior, and informed consent regarding activities affecting their territories.
- e) The World Bank and Panama should consider the implications of possible conflict regarding property rights over carbon and propose a process to address such conflicts.
- Multiple benefits: Does the R-Plan propose to identify ways of seeking multiple benefits as part of national REDD strategies, including but not limited to biodiversity, poverty reduction and benefit sharing, and monitoring those impacts.

Reviewer's assessment of whole R-Plan for this criterion, and recommendations:

Poverty Reduction and Benefit Sharing

The R-Plan makes numerous references to the links between REDD and poverty reduction and mentions specific activities designed to monitor this and other social aspects.

The R-Plan says existing funding for environmentally friendly enterprises benefits 250 rural community organizations and that 12,600 individuals benefit directly and 71,000 more receive indirect benefits. For Panama that is a significant number of people, however, it seems unlikely that more than a small percentage of these obtained major benefits from these activities.

Since Indigenous Peoples own a large percentage of Panama's forest and have lower average incomes, REDD presents a potential opportunity to reduce poverty by compensating Indigenous Peoples for good forest management. The R-Plan does not address that. More generally, the plan says little about how families that are not involved in environmentally-friendly enterprises might benefit from REDD activities.

Biodiversity and Environmental Co-Benefits

The R-Plan also has many references to how the REDD strategy will benefit biodiversity and watershed functions and proposes activities to monitor those benefits.

In summary, the R-Plan makes many references to environmental and social co-benefits but its discussion of social benefits focuses exclusively on environmentally-friendly businesses.

Recommendations: The R-Plan should:

- a) clarify objectives, including specific targets if possible,
- b) explain what the government plans to do about deforestation and forest degradation caused by wealthy and powerful groups,
- c) focus more on compensating indigenous peoples and other forest dwelling peoples for sustainable forest management and less on developing small-scale environmentally friendly micro-enterprises.
- d) be more specific about the benefit-sharing arrangements it proposes with regards to Indigenous Comarcas.
- Completeness of information and data provided: Does the R-Plan review key information and studies available, and perform a gap analysis of what information or data or studies are needed to assess the potential for REDD? Are ToR or actual plans provided for all components, as well as the implementation budget and schedule?

Reviewer's assessment of whole R-Plan for this criterion, and recommendations:

Review key information and studies and provide gap analysis

The R-Plan reviews existing legislation and government policies.

The plan provides some information about forest cover and quality and forest dynamics, but the most recent quantitative information is ten years old and the plan says little about how deforestation and degradation have evolved since then. There has apparently been a recent study of deforestation between 2000 and 2008, but the R-Plan does not mention it and the review team does not have enough information to assess its quality and coverage.

Panama seems to lack accurate information about forest degradation. The R-Plan does not give a sense of the relative importance of deforestation versus degradation.

The R-Plan makes little reference to the literature related to forest cover change in Panama, although it does include an activity designed to review that literature. It fails to take into account many, if not most, of the most relevant studies of deforestation and forest degradation in Panama. These include: Nelson, Harris, and Stone (2001); Hooper, Legendre and Condit (2004 and 2005) Ledec (1992); Kaimowitz (1996); Stallard (1999); Wright and Samaniego (2008); Sloan (2008), among others.

The R-Plan does not provide a gap analysis as described above.

TORs, plans, implementation budget, and schedule

ToRs and / or actual plans are provided for all components including budgets and in some cases schedules. These TORs could be further developed and the budgets could offer additional detail.

In summary, the R-Plan should do a better job of assessing existing information and preparing a gap analysis based on that.

Recommendation:

- a) ANAM should conduct a more thorough review of the existing information prior to making major decisions about the REDD approach to be adopted.
- **b)** The R-Plan should discuss whether the geographical framework and priorities used in the national watershed management strategy would be appropriate for a program focused on forest cover and quality.
- 6 Clear responsibilities for the execution of REDD activities to be financed: Is a clear, inclusive, and functioning national REDD working group process and set of institutional arrangements for executing the R-Plan studies and activities presented?

Reviewer's assessment of whole R-Plan for this criterion, and recommendations:

The R-Plan proposes to hire a consultant to develop a proposal for how the REDD working group process and related institutional arrangements would work. The text provides some initial ideas regarding these issues. Probably the greatest risk is that ANAM will dominate the process and other stakeholders will play relatively passive roles.

In summary, there is not sufficient information to assess this criterion (although one reviewer felt that ANAM had covered the issue relatively well.)

Recommendation:

a) The consultant who develops the proposal for how the REDD working group process will work

should design specific mechanisms to ensure that ANAM's coordination of this process does not
limit the effective participation of other stakeholders, including other government agencies, sub-
national governments, and indigenous peoples and forest dwellers.

Leveraging and coordination of international support: Does the R-Plan clarify how international support for R-plan implementation will be coordinated, including an assessment of initial funding needs and technical support requirements.

Reviewer's assessment of whole R-Plan for this criterion, and recommendations:

The R-Plan refers to the roles of the FCPF and UNREDD and gives a sense of the activities each will support and the funding they will provide. It also refers to sources of international technical support, such as the Smithsonian Tropical Research Institute and McGill University, and gives a sense of how REDD funding may compliment other existing programs with funds from other sources. The plan does not include other references to leveraging and coordinating international support.

In summary, the reviewers do not feel the R-Plan addressed this issue sufficiently.

Feasibility of proposed activities to achieve REDD Readiness, and their likelihood of success in achieving Readiness (once fully funded and implemented): Does the R-Plan include adequate description of a proposal for the design of an integrated system of measurement, monitoring and reporting of changes in deforestation, forest degradation, rural livelihoods, forest governance, and conservation of biodiversity? Does the R-Plan consider participatory approaches to monitoring that involve forest-dependent peoples? Full MRV design may occur at a later stage, informed by the needs of the policy process.

Reviewer's assessment of whole R-Plan for this criterion, and recommendations:

The R-Plan presents a relatively credible set of plans for Monitoring, Reporting and Verification (MRV), particularly with regards to forest cover. These plans still need to be filled out and specific technical aspects agreed on. The plan's MRV proposals could be stronger if they were more deeply grounded in a solid understanding of the underlying phenomena to be studied.

The R-Plan proposes MRV activities specifically related to livelihoods, biodiversity, and forest governance, although one reviewer noted that the discussion of forest governance was weaker than the other aspects.

The R-Plan mentions participatory methods of MRV but does not provide sufficient detail to assess what it being proposed.

In summary, generally speaking this is one of the stronger aspects of the R-Plan.

Recommendation:

a) The R-Plan should provide more detail and give greater emphasis to participatory approaches for MRV.

- Variety of approaches (defined as approaches that can contribute to the learning objective of the FCPF), that:
 - a. Propose innovative and/or comprehensive strategies or programs and approaches appropriate to a country's circumstances on how to tackle deforestation and forest degradation;
 - b. Focus on innovative and/or advanced concepts of monitoring, reporting and verification, including remote sensing, for forest degradation, biodiversity protection and social benefits, and/or the exploration of third-party monitoring or verification approaches;
 - c. Propose to test new mechanisms and distribution methods of REDD revenues and benefits; and
 - d. Provide regionally important leadership in addressing REDD or in certain technical areas relevant to REDD Readiness.

Reviewer's assessment of whole R-Plan for this criterion, and recommendations:

Innovative / comprehensive strategies for tackling deforestation and forest degradation

One could consider the emphasis on environmentally-friendly enterprises innovative in the context of REDD. However, it has been extensively tried in the context of Integrated Conservation and Development Projects (ICDPs). The reviewers have doubts about this strategy's effectiveness.

Innovative or advanced concepts of MRV

While the proposed MRV activities seem generally appropriate, none are particularly innovative or advanced.

Test new mechanisms and distribution methods for REDD revenues and benefits

The R-Plan says little about this.

Regional technical leadership

The R-Plan says little about this.

In summary, the reviewers felt the R-Plan addressed these issues but contained little that was particularly innovative or advanced.

b) Standards to be Met by Individual R-Plan Components

(from Program Document FMT 2009-1, Rev. 2:)

1. Land use, forest policy and governance assessment:

Prepare an analytic assessment of drivers of deforestation and/or degradation, and of past experience to reduce deforestation and/or degradation, to identify promising approaches and lessons learned for use in the R-Plan and in development of the REDD strategy. Analyze key governance and legal issues related to land use pertinent to REDD actions.

Component Standard S-1: A completed assessment is presented that identifies major land use trends, land tenure and natural resource rights and issues, and direct and indirect deforestation and degradation drivers in the most relevant sectors in the context of REDD. Provides insightful assessment of efforts to reverse these trends and their outcome, and identifies significant gaps, challenges, and opportunities to address REDD. The assessment sets the stage for development of the country's REDD strategy to directly address key land use change drivers.

Reviewer's assessment of how well R-Plan meets this standard, and recommendations:

Assessment of deforestation and degradation and past attempt at reducing it

This was largely discussed under cross cutting criteria 1 and 5. The R-Plan does not really assess the lessons from previous efforts to reduce deforestation and deforestation in Panama.

Analyze key governance and land use issues related to REDD

The R-Plan does a good job of describing some of the constitutional and other legal and institutional frameworks that relate to land use change in Panama.

As noted previously, the R-Plan does not sufficiently address the issue of encroachment of Indigenous territories by non-indigenous colonists / settlers.

In summary, most issues relevant to this topic were covered previously elsewhere in the review.

Recommendations:

a) The R-Plan should assess the lessons from previous efforts to reduce deforestation and degradation in Panama.

2. Management of readiness:

2a. Convene national REDD working group:

Present the design of a national working group to coordinate Readiness activities and ultimately REDD implementation, its methods of operation, and how REDD will be integrated into the existing land use policy dialogue. The working group process should include relevant internal and external stakeholders, ideally including representatives from forest dependent people, civil society and private sector, and the coordination of donor efforts supporting REDD or land use activities.

Component Standard S-2a: A clear description of the existing or proposed coordination of REDD activities nationally, adequately integrated with the existing land use policies and policy dialogue, that is inclusive of relevant government agencies and other major stakeholders that likely need to be involved in addressing REDD. The functions, membership, decision making process, and dissemination of information are adequately described, as well as procedures to ensure transparency and opportunities for public participation. Summarize a work plan to synthesize and manage the REDD program; and prepare the framework ToR for that work plan.

Reviewer's assessment of how well R-Plan meets this standard, and recommendations:

Proposed coordination of REDD activities

The R-Plan describes the general roles of the main government agencies and cross-sectoral platforms that to be involved in national coordination on REDD, particularly the ANAM and the Inter-institutional System for the Environment (SIA). It proposes to establish a REDD steering committee, in which the ANAM and the SIA would play central roles. That committee, in turn, is supposed to bring together the principal actors, including government agencies, scientific groups, indigenous groups, NGOs, and the private sector, as well as provincial and district authorities.

While the intent is to be fully inclusive, the next steps should pay careful attention to how the committee will operate, governance and consultation mechanisms, and ways to maximize public engagement on REDD. That would ensure transparency and accountability are built into the processes from the onset, increasing the likelihood of rapid absorption of the plans when they finally hit the ground.

ANAM plans to hire a consultant to formulate a more detailed proposal for REDD coordination and governance.

In summary, it is difficult to assess this standard as much will depend on the proposal the consultant produces.

Recommendations:

a) The consultant hired should explicitly look at ways to increase transparency and to incorporate Indigenous and civil society groups into the decision-making processes.

2b. Prepare a REDD consultation, participation, and outreach Plan:

Prepare a REDD consultation, participation, and outreach plan, to ensure continuous, inclusive consultation and participation of a wide range of non-government and government stakeholders during the development (and eventual implementation) of your REDD strategy, implementation framework, reference scenario, monitoring system, and other R-Plan components during the Readiness phases.

Component Standard S-2b: A full consultation, participation and outreach plan (not ToR) is presented that incorporates a reasonable process of continual consultation, participation, and outreach that ensures stakeholder involvement in REDD deliberations and implementation at both the national and relevant subnational scales.

Reviewer's assessment of how well R-Plan meets this standard, and recommendations:

The R-Plan presents an elaborate consultation plan that covers most, although not all, relevant stakeholders. It is difficult to determine from the existing plan the relative weight that ANAM expects to give to: informing stakeholders about REDD, requesting suggestions and acting on them, and negotiating agreements regarding benefit sharing that meet existing legal requirements.

Panama plans to use the Department for the Dissemination of Environmental Culture (DFCA) as then main channel for consultations and dissemination regarding REDD. The DFCA is currently involved in activities related to watershed restoration, climate change mitigation and adaptation, and sustainable land management. ANAM has agencies in every province and comarca and this potentially provides them with an excellent platform for disseminating information about REDD to local organizations.

The ANAM has given significant thought to the communications activities and has identified specific activities designed to communicate with policy-makers, researchers, indigenous communities, and land owners, among others. During the REDD preparatory phase ANAM will produce more detailed TORs for communication campaigns, public consultations, and capacity building workshops, which will presumably specific the number of participants, selection criteria, methods, detailed budgets etc.

In many cases in remains unclear how the proposed communications activities are expected to yield tangible results that contribute to the desired outcomes in the field.

In summary, the nature of proposed consultations still needs to be clarified and while substantial thought has gone into the outreach plan but more attention needs to be give to how communications activities can help to achieve tangible results.

Recommendations:

- a) For the communication efforts to be effective they will need to have clearer objectives and strategies for ensuring that the outputs produced contribute to the behavior transformations that the REDD strategy seeks to achieve.
- b) The outreach activities should ensure that the material is presented in a clear and simple fashion and take into account the need for translation in indigenous languages where appropriate.

3. Design the REDD strategy:

3a. Assess candidate activities for a REDD Strategy:

Summarize the outlines of a REDD strategy and candidate activities, building on and addressing the land use and policy assessment of deforestation and forest degradation drivers (in component 1), stakeholder consultations, and analytic work.

Component Standard S-3a: ToR or other information is provided to elaborate analytic work and studies needed to move from this preliminary assessment to the elaboration of a fuller, more complete and adequately vetted REDD strategy over time.

Reviewer's assessment of how well R-Plan meets this standard, and recommendations:

ToRs are presented related to costs and benefits of deforestation and degradation versus other activities, evaluation of forest carbon prices and their implication, development of reference scenarios, and other studies related to MRV. The proposed cost-benefits analysis for REDD implementation is well-thought out, and has an adequate emphasis on opportunity costs.

The relative weight that Panama's REDD strategies will give to regulatory activities, payment for environmental services, extra-sectoral policies, protected areas, strengthening of indigenous territories and their governance, training and education activities, and support for alternative economic options remains unclear. The design of appropriate analytical studies should take that into consideration. Thus, for

example, if regulatory approaches are considered a central element, analytical studies should be undertaken to determine what regulatory approaches are likely to be most effective.

In summary, the R-Plan represents a good start towards outlining candidate studies and activities that will be needed for a fully fledged REDD strategy, but the final selection of studies will require more information about the relative weight of the instruments Panama plans to use to reduce deforestation and forest degradation.

3b. Evaluate potential additional benefits of REDD, including biodiversity conservation, and rural livelihoods:

Conduct an assessment of potential benefits of the REDD strategy for biodiversity conservation, rural livelihood, and other benefits deemed important by a country (e.g., ecosystem services, water supply).

Component Standard S-3b: A set of ToR or a plan for how to more fully assess these potential benefits and potential adverse impacts is provided, that seem likely to adequately address the integration of major benefits and potential impacts (e.g., on livelihood, biodiversity, ecosystem services) and minimize adverse impacts over time in relation to the REDD strategy and evolving monitoring system.

Reviewer's assessment of how well R-Plan meets this standard, and recommendations:

The R-Plan provides elements related to all these aspects, but the relevant sections could be strengthened.

3c. Trade-offs analysis:

Assess the trade-offs across candidate elements of your REDD strategy in terms of your broader land use policy dialogue in the country, sustainable development policies, biodiversity impacts, and early estimates of benefits and costs, to help define an integrated REDD strategy.

Component Standard S-3c: ToR or a plan to further develop the capacity to conduct such a trade-off assessment is presented that seems likely to eventually ensure a reasonably robust and balanced assessment of such trade-offs (e.g., broader impacts on forests from planned developments in, inter alia, industrial logging, industrial agriculture, the energy and transportation infrastructure, and extractive industries).

Reviewer's assessment of how well R-Plan meets this standard, and recommendations:

The R-Plan includes a reasonably good ToR related to Costs and Benefits of Implementing REDD. However, is probably insufficient to address the broader issue of trade-off analysis. The R-Plan is relatively weak when it comes to discussing the links between deforestation, forest degradation, and ranching, industrial agriculture, mining, infrastructure, tourism, and logging.

In summary, the R-Plan does not seem to meet this standard.

3d. Risk assessment of your REDD strategy

Evaluate barriers to successful implementation of your REDD strategy, risks associated with the strategy elements you propose, and ways to reduce or compensate for those risks.

Component Standard S-3d: ToR or a plan to further elaborate such barriers and risks is presented that seems likely to allow their full evaluation and adequate incorporation into the eventual REDD strategy (e.g., capacity constraints, elite capture, perverse incentives, political economy considerations, biodiversity impacts, etc.).

Reviewer's assessment of how well R-Plan meets this standard, and recommendations:

The R-Plan does not really address these issues, and hence does not seem to meet this standard.

4. REDD implementation framework:

Assess the institutional arrangements and legal or regulatory requirements needed to implement REDD activities, including potential reform of specific elements of the policy framework for forest governance, and design of an

equitable and sustainable payment and benefit-sharing mechanism for REDD.

Component Standard S-4: ToR or a plan to further elaborate institutional arrangements and issues relevant to REDD in the country setting that identifies key issues, explores potential arrangements to address them, and offers a work plan that seems likely to allow their full evaluation and adequate incorporation into the eventual Readiness Package. (Plans in this component may depend in part on outcomes in international negotiations).

Reviewer's assessment of how well R-Plan meets this standard, and recommendations:

It is difficult to assess this. There are partial ToRs for consultancies to examine some related issues.

In summary, the R-Plan proposes to hire consultants to address some of these issues but does not clearly address them in the document itself.

5. Assess the social and environmental impacts of candidate REDD strategy activities:

Assess potential impacts by performing an impacts assessment, using the Environmental Strategic Management Framework or another analytic approach. Potential impacts may include, *inter alia*, effects on livelihoods and communities of forest-dependent peoples, and the environment.

Component Standard S-5: Identify potential key impacts, and present a ToR or plan to evaluate how to address those impacts via studies, consultations, and specific mitigation measures aimed at preventing or minimizing adverse effects.

Reviewer's assessment of how well R-Plan meets this standard, and recommendations:

The two main candidates for such assessments are the proposed support for small-scale businesses engaged in environmentally friendly activities and the strengthening of Panama's capacity to enforce existing environmental regulations. The R-Plan provides little detail into how the designers expect these activities to impact the environment and social aspects, and there is no discussion of potential negative impacts. There are few links in the document between the specific activities proposed and the broader MRV activities expected to look at forest cover and quality and livelihoods more generally.

In summary, the R-Plan does not provide sufficient information to adequately assess these aspects.

6. Assess investment and capacity building requirements:

Assess candidate REDD strategy elements and the REDD implementation framework, in terms of capacity requirements, financial support needed, and gaps existing with regard to potentially available resources.

Component Standard S-6: Summary of rough estimates of investment requirements, capacity requirements, and gaps for your major REDD strategy elements. Present ToR or a plan for how to estimate investment and capacity needs to eventually implement the REDD strategy.

Provide the spreadsheet in Excel, including the three sheets listed below:

- 1. Summary of R-Plan implementation, across Donors, including dates
- 2. Detailed Budget, across Donors

Reviewer's assessment of how well R-Plan meets this standard, and recommendations:

The R-Plan provides some initial estimates of the costs for all the proposed activities and explains the expected source of funds. It provides limited information about how the proposed budget was developed and the implicit assumptions about costs and priorities. The budget for the construction of reference scenarios is limited to salaries.

In summary, more information will be needed about the underlying rationale for the budgets provided.

7. Develop a reference scenario of deforestation and degradation:

Develop objectives; a work plan to realize those objectives during the R-Plan implementation phase; and prepare the ToR for the majority of that work plan.

Component Standard S-7: Present ToR or a first-order plan for how the reference scenario for deforestation, and for forest degradation (if desired), will be developed, including major data requirements, early ideas on which methods to use, and how a reference scenario would be presented for consultation. (FCPF recognizes that key international policy decisions may affect this component, so a staged approach may be useful. R-Plan states what is planned as early activities.)

Reviewer's assessment of how well R-Plan meets this standard, and recommendations:

This is one of the better sections of the R-Plan, including the general approach and activities they plan to undertake to develop a reference scenario (RS). It would benefit from reflection about how deforestation and forest degradation may have evolved over the last decade and the implications of that for the reference scenario. Panama may well be undergoing a forest transition, in which deforestation and degradation are already declining even before implementation of an explicit REDD strategy. That has important implications for what a reference scenario should include. It implies, among other things, that the reference scenarios will have to propose a methodology for assessing the added value of the REDD strategy and may want to give greater attention to reforestation and natural regeneration.

It would be useful to include a section on the main causes of deforestation with respect to proportion of total emissions for forest—what is forest land converted to? If there is degradation, what are causes and drivers? It is difficult to develop a RS without tying it to the drivers/causes. They have done a nice analysis of existing data bases for forest cover and satellite imagery available and have two nice products that could help them in developing a historic RS (change in forest cover for 1992-2000-2008), but there is no indication of what definition of forest they used to map these changes and if the definition would meet the requirement for REDD. They identified some forest inventory data that could possibly be used for C stock assessment, but it is of limited scale, and the last national inventory was done in 1970 (too old). Given the high interest in commercial reforestation programs, such inventory data would be important to note when discussing steps for developing a RS—reforestation could come under "enhancement of forest C stocks" in forests remaining as forests or other lands converted to forests (in IPCC nomenclature). No TORs are included in this section (acknowledged in plan, but not yet be prepared).

Given that Panama is on its second national communication on greenhouse gas emissions to the UNFCCC—it seems that this information could be used to perform a key category analysis both for significant causes of emissions and significant pools. This would help them plan how they will develop their historic emissions.

The seven activities that they propose for completing a RS are well thought out. However, little to no mention is given to how they will obtain data on carbon stocks for forests undergoing change—a national forest inventory, often designed to assess timber stocks, can be used, but no mention of how or how it would link to approaches given in the IPCC GPG for assessing carbon stock change, for example.

Partially met this standard, although TORs are missing.

Panama has made reasonable progress towards creating a plan for producing a reference scenario.

Recommendation:

- a) The reference scenario discussion should discuss the implications of the possibility that Panama is already undergoing a forest transition, and assess deforestation trends.
- b) Needs to describe how changes in carbon stocks would be assessed via a forest inventory that

would need to be established, or another method?

8. Design a monitoring, reporting and verification system for REDD: Provide the capacity to monitor:

- 1. deforestation, forest degradation (if desired), and forest sector carbon emissions over time, in relation to the Reference Scenario, and leakage or displacement of deforestation or forest degradation elsewhere within the country; and
- 2. impacts of the REDD strategy in the forest sector (including, for example, rural livelihoods, social and environmental impacts, forest sector governance, and biodiversity).

Component Standard S-8: ToR or a first-order, draft plan for how the monitoring, reporting and verification system will be developed, including major data requirements, the need for transparency of the monitoring system and data, early ideas on which methods to use, and how the system would be presented for consultation. Early ideas on how the system could incorporate periodic monitoring of:

- 1. deforestation and forest degradation (if desired); and
- 2. impacts of a REDD strategy in the forest sector, as described above,

into an evolving REDD monitoring system. (FCPF recognizes that key international policy decisions may affect this component, so a staged approach may be useful. The R-Plan should state what early activities are planned to begin development of the forest and forest sector monitoring system.)

Reviewer's assessment of how well R-Plan meets this standard, and recommendations:

The R-Plan proposals for monitoring deforestation and forest degradation are more developed than its proposal for monitoring the specific impacts of the REDD strategy. The draft describes in some detail the frameworks needed for establishing a system to monitor and verify forest carbon, fires and other types of forest degradation, forest cover change, and some aspects of forest biodiversity. More details are needed, including the TORs or first-order draft plans.

Overall, however, this section was weak and did not seem to respond to the requirement needed. For monitoring, there first needs to be an analysis of where deforestation/degradation and other REDD activities are occurring, and where future threat is likely to come from. Highly diverse landscapes and 12 life zones are noted, but are all these life zones really under threat? Also the key category analysis suggested under component 7 that is missing would help identify which pools to consider and where to focus monitoring efforts. The plan includes monitoring leaf litter and dead wood and soil C—but why they would undertake the expense and challenge of these C pools is not clear-- why? Are they a key category of emissions?

Much of this component reads more like a research plan rather than a national, practical, and cost-effective plan for monitoring emissions. There is little indication of an awareness of internationally accepted reports and documents that provide guidance on how to establish a monitoring plan for emissions/removals—this is a weakness. It is not clear what the goal of the permanent sample plots is—this is potentially one approach (but has a high cost to maintain), but there are other approaches for monitoring emissions/removals with remote sensing data and ground data. Also they plan to protect and control the permanent plots to prevent changes by human disturbance—surely this defeats the purpose of such plots for monitoring changes in land use and in emissions, since a country needs to monitor gains and losses in a national monitoring plan in order to estimate emissions/removals of GHGs.

They also plan to do detailed, and costly, collection of climatic variables—for what reason it is not clear in relation to REDD activities. Though nice to have such data to assess impact of climate change on local climate and forest ecosystems, it is not needed for REDD program.

There are other sections in this component that seem to not be relevant such as forest structure indices,

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assessing biomass of forest by NDVI (shown not to work for forest biomass except for general trends across large heterogeneous landscapes), and monitoring climate change.

In conclusion, this section was poorly prepared and focuses on monitoring only, and monitoring pools and other indicators that are likely not relevant, is not tied to any international frameworks that could form the basis of their plan, says nothing about their plans for reporting on accuracy, uncertainty and completeness, nor mentions any detail on how they plan to have their monitoring results verified before submission for more formal approval (how to set up an internal verification system). More work also will be required, with regards to monitoring the specific impacts of the REDD strategies.

In summary, the R-PLAN does not currently seem to meet this standard.

9: Design a system of management, implementation, and evaluation of readiness preparation activities (Optional):

The REDD management system is **optional**, but beginning one is recommended, to develop a means to synthesize and manage the REDD program, including evaluation of progress at regular intervals.

Component Standard S-9: (Optional): Present a summary of your thinking on how to develop a REDD management system to keep track of REDD activities, responsibilities, funding, funding needs, and evaluation of activities to date.

Reviewer's assessment of how well R-Plan meets this standard, and recommendations:

The R-Plan only minimally develops this aspect.

End -