

Forest Carbon Partnership Facility (FCPF)

Readiness Fund

Operationalizing Multiple Delivery Partners under the Readiness Fund

June 20, 2010

This note, which builds on FMT Note 2010-11 and draws on the relevant precedents for relying on multiple delivery partners, addresses the operational aspects of increasing the number of delivery partners under the Readiness Fund, including the responsibility of delivery partners, minimum standards, specific delivery partners for the Readiness Fund, the role of the Trustee and the Facility Management Team. It also proposes a draft resolution for consideration by the Participants Committee.

Introduction

1. When the FCPF was established in 2008, multiple roles were envisaged for the World Bank in administering the Readiness Fund. According to the FCPF Charter (Article 14), the Bank fulfills the following roles:
 - a. Trustee, receiving, holding, investing, disbursing and reporting on funds;
 - b. Secretariat of the Facility, performed by the Facility Management Team (FMT), providing administrative services and managing the day-to-day operations of the Facility; and
 - c. 'Delivery partner', providing technical support to REDD Country Participants, providing Readiness Fund grants to REDD Country Participants and supervising the activities under Readiness Fund Grant Agreements.
2. The two years of FCPF operations have shown that there are some limitations to having the World Bank act as the sole delivery partner under the Readiness Fund.¹ At the fourth meeting of the Participants Committee (PC), the FMT proposed to increase the number of the delivery partners under the Readiness Fund and, subsequently presented a note on this topic (FMT 2010-11) to the PC at its fifth meeting. The PC discussed the options to optimize delivery in the Readiness Fund and adopted Resolution (PC/5/2010/4), which recognized "the need to include other entities alongside the World Bank as delivery partners" and requested the FMT to:
 - a. Review and analyze relevant precedents for relying on multiple partners , such as the Climate Investment Funds (CIFs), the Global Environment Facility (GEF) and the UN-World Bank Partnership Framework for Crisis and Post-Crisis Situations;
 - b. Explore options for increasing the number of delivery partners, focusing on principles of economy, effectiveness, REDD Country Participants preferences, and minimum standards

¹ As described in the FMT note 2010-11, the World Bank is not necessarily best positioned to serve each of REDD Country Participant. Other institutions with relevant expertise and financial capabilities should be mobilized in a coordinated fashion to be able to provide the assistance at the scale needed by REDD Countries.

with respect to procurement, financial management and environmental and social safeguards; and

- c. Provide its findings and recommendations to the Participants Committee for its consideration at its sixth meeting and any future meetings.

3. This note, which builds on and updates FMT Note 2010-11, presents operational aspects of increasing the number of delivery partners. The first section addresses a number of key questions associated with operationalizing such an increase; the next section proposes action for the PC to take at its sixth meeting and next steps; Annex I contains a chart illustrating how multiple delivery partners could work under the Readiness Fund; Annex II describes precedents of other initiatives that rely on multiple delivery partners; and Annex III includes a draft resolution for consideration and adoption by the PC at its sixth meeting. This note should be read together with the original FMT Note 2010-11.

Operationalization of multiple delivery partners under the Readiness Fund

4. Expanding the number of delivery partners requires modifications to the current arrangement for the readiness services now provided solely by the World Bank. It is important for the PC to establish a common understanding on the responsibilities and operational services to be provided by the delivery partners. To this end, the following questions need to be addressed.

What would be the responsibility of the delivery partners for the Readiness Fund?

5. Based on the current experience with the World Bank serving as a delivery partner for the Readiness Fund of the FCPF, and the relevant experience with other funds administered by the World Bank, a delivery partner would be expected to carry out the following functions:
- a. Readiness preparation support: The delivery partner would provide the REDD Country Participant with advice and feedback on elements of its Readiness Preparation Proposal (R-PP) and its Readiness Package prior to and following discussion with the PC and the ad hoc Technical Advisory Panel; and
 - b. Providing grant funding including safeguard and fiduciary support for grant implementation: The delivery partner would conduct due diligence before readiness grant signature and supervise the grant during implementation of the readiness grant. The delivery partner would ensure compliance of the readiness activities with relevant standards, including environmental and social safeguards, procurement and financial management. As is the case with other funds such as CIFs and GEF, the respective delivery partner would be responsible for supervising the use of the funds in accordance with its own fiduciary framework, policies, guidelines and procedures subject to some minimum standards (please see below).

Would minimum fiduciary and safeguard standards be applied across all the REDD Country Participants to ensure consistency?

6. Including multiple organizations as delivery partners adds complexity in a partnership, e.g., the difficulty of ensuring consistency in standards and procedures, but working solutions have emerged in the context of multilateral initiatives on environment and emergency situations, which might provide a basis to build on:

- a. In the case of the CIFs, each Multilateral Development Bank (MDB) follows its own policies and procedures in appraising and supervising operations. Programming, approval and supervision processes follow the implementing MDB's policies and procedures, including the relevant MDB's own disclosure policy. However, there is a high degree of convergence among the policies and procedures of the various MDBs. MDBs meet at regular intervals to harmonize their policies and procedures and take stock of progress. In the specific case of the Forest Investment Program (FIP), the Design Document also contains guidelines for consultations with Indigenous Peoples and local communities, which will apply to all MDBs;
- b. In the case of the GEF, the Council has defined "minimum fiduciary standards," which include safeguards, procurement, financial management, and accountability aspects. An independent report of progress made towards meeting these minimum standards in each of the ten agencies is available;
- c. In the case of crisis and post-crisis operations, the UN and the World Bank have entered into an overarching Partnership Framework that includes the Fiduciary Principles Accord (FPA), recognizing the regulations, rules, procedures and administrative practices of the Receiving Organization, including those relating to its environmental, social and resettlement policies (see annex II).

7. For the FCPF Readiness Fund, urgent discussions with new potential delivery partners would be needed to adopt minimum, fund-wide standards for provision of readiness preparation, fiduciary, and safeguard support to ensure consistency in delivery across the delivery partners. The FMT would work closely with the REDD Country Participants and the delivery partners to develop the minimum standards for consideration and adoption by the PC.

Which entities would serve as delivery partners for the Readiness Fund of the FCPF?

8. Under the CIFs, to which the FIP belongs, delivery partners are limited to the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, and the World Bank Group (collectively, the Multilateral Development Banks or MDBs).
9. In the case of the GEF, agencies include the MDBs and UN organizations, in an attempt to harness these agencies' comparative advantages.²
10. To follow precedents established under the CIFs and GEF, the FMT recommends that the entities that have similar operational policies and procedures and the expertise serve as the delivery partners under the Readiness Fund, which include the MDBs and UN agencies (in particular, FAO, UNDP and UNEP, which have together formed the UN-REDD Programme, and have already been active in assisting REDD countries with the REDD+ readiness needs).
11. In the future, and in light of experience, the Participants Committee may consider accrediting entities other than the MDBs and UN agencies, e.g., international, bilateral and national institutions, to

² The GEF Council is currently considering a proposal to expand the number of executing agencies beyond MDBs and UN organizations, including bilateral and national agencies. See "Broadening the GEF Partnership by Operationalizing Paragraph 28 of the GEF Instrument" GEF/C.38/8.

serve as delivery partners in accordance with a set of agreed criteria in line with the minimum standards applied by the MDBs and UN agencies.

How would a delivery partner be selected for a specific REDD Country Participant?

12. The Instrument for the Establishment of Restructured GEF lays out a broad division of labor among the three implementing entities (UNDP, UNEP and the World Bank). However, over time, as more executing entities have been added to have direct access to the GEF funds, it has become the recipient country's choice as to which implementing entity it intends to work with, based on specialized skills and capacities of the agencies in the relevant areas.

13. Once the Readiness Fund is restructured to have multiple partners, a REDD Country Participant may choose to work with a delivery partner on the basis of comparative advantages of the partners. However, the FMT recommends that the World Bank should continue as the principal delivery partner for those REDD Country Participants that have signed the readiness preparation Grant Agreements with the World Bank in order to ensure continuity and avoid transaction costs.

What would be the operational requirements to the delivery partners of the Readiness Fund?

14. The delivery partner will enter into an agreement with the Trustee of the Readiness Fund in form and substance that are mutually agreed by the delivery partner and the Trustee. As a matter of principle, each delivery partner would be responsible for the use of the funds in accordance with its own fiduciary framework, policies, guidelines and procedures. Each delivery partner would coordinate with the FMT and report to the PC on the status of implementation of the readiness activities for which it serves as the delivery partner.

What would be the role of Readiness Fund Trustee in the context of multiple delivery partners?

15. The role of the Trustee, under the arrangement of multiple delivery partners, would be limited to that of financial intermediary, i.e., it would be responsible for financial management of the Fund, transferring funds to the delivery partner, and reporting to the PC on the financial status of the Fund. The Trustee would have no responsibility for the use of funds once the funds were transferred to the delivery partner.

What would be the role of the FMT in the context of multiple delivery partners?

16. The FMT would continue to operate under the guidance of the PC. In addition to the role set forth in Section 14.01 of the Charter, the FMT would coordinate with the delivery partners to ensure effective implementation of the PC decisions and provide efficient and effective services to the REDD Country Participants. As is the case for the Administrative Unit for the CIFs, the FMT would be housed in the World Bank and provide secretariat services for the FCPF and the delivery partners.

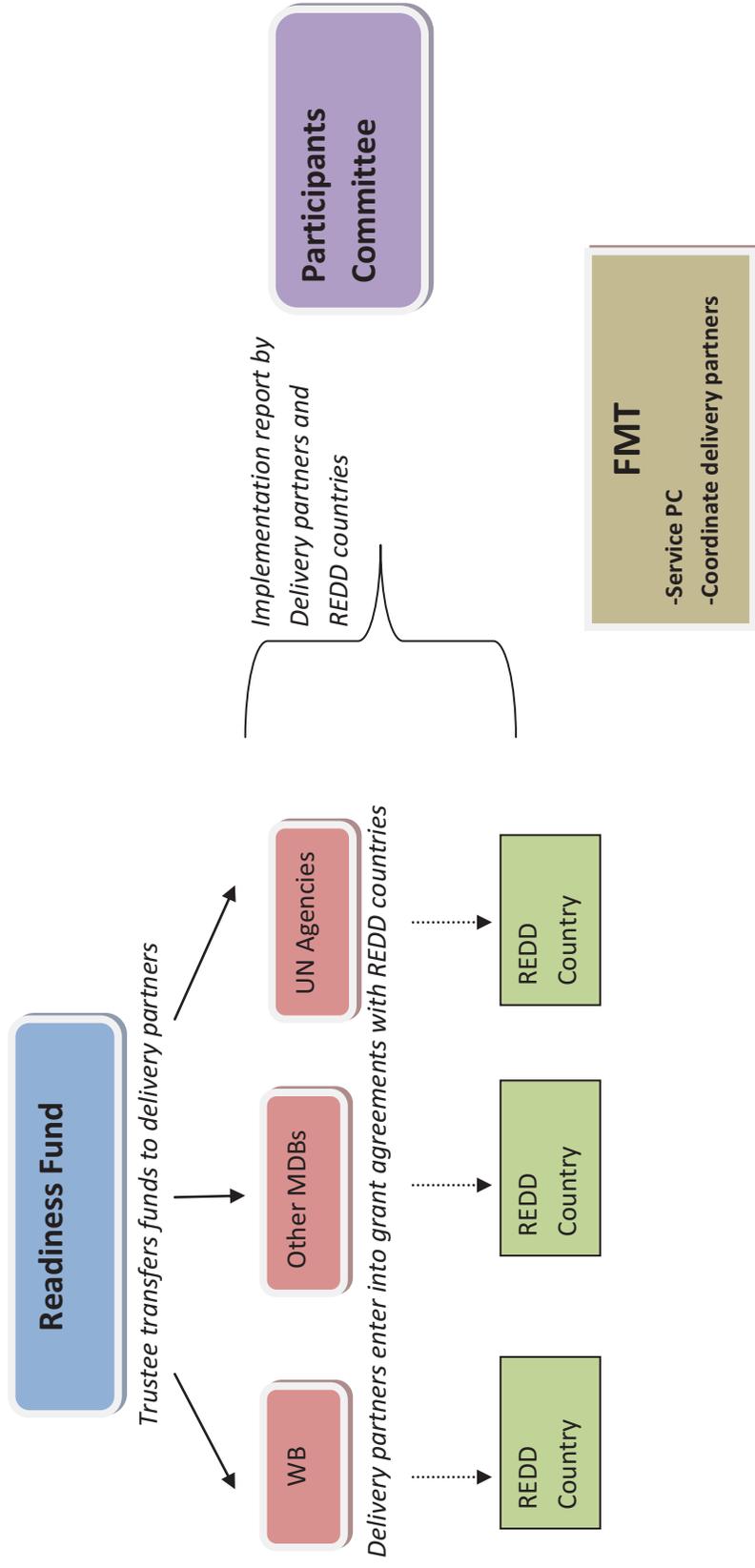
Action for PC6 and next steps

17. The FMT recommends that the PC consider the draft resolution contained in Annex III with a view to adopting the resolution at its sixth meeting. Upon adoption of such resolution, the FMT would initiate the Bank's internal approval process, including approval by the World Bank Board of Executive

Directors. Following the necessary the Bank's internal approvals, the FMT would circulate draft amendments to the Charter to all the FCPF Participants for consideration and adoption at the third meeting of the Participants Assembly, which is scheduled to take place in November 2010.

Annex I

Multiple Delivery Partners under the Readiness Fund



Annex II

Precedents: Multiple Delivery Partners

Climate Investment Funds (CIFs)

Established in 2008, the CIFs include two funds: the Clean Technology Fund (CTF), financing scaled-up demonstration, deployment and transfer of low-carbon technologies for significant greenhouse gas (GHG) emission reductions within country investment plans; and the Strategic Climate Fund (SCF), financing targeted programs in developing countries to pilot new climate or sectoral approaches with scaling-up potential. It serves as an overarching framework to support three targeted programs: the Forest Investment Program (FIP), the Pilot Program for Climate Resilience (PPCR) and the Program on Scaling-Up Renewable Energy in Low Income Countries (SREP).

Governance and organizational structure: The CTF and SCF each include a Trust Fund Committee, a Partnership Forum, a Multilateral Development Bank (MDB) Committee, an Administrative Unit and a Trustee. The Administrative Unit, MDB Committee and Trustee are shared by both Trust Funds. Each Fund has its own Trust Fund Committee, and the SCF designates Sub-Committees to govern each of the targeted programs. Each Trust Fund Committee and Sub-Committee is composed of equal representation by contributor countries and recipient countries.

Delivery Partners: The CIFs are implemented by the MDBs (African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter- American Development Bank and the World Bank Group).

Administrative Unit: The Administrative Unit supports the work of the CIFs, the Trust Fund Committees and other committees. It is housed in the World Bank Group's Washington, DC offices and is comprised of a small professional and administrative staff.

Trustee: The International Bank of Reconstruction and Development (IBRD) serves as the Trustee for the CIFs. In its capacity as Trustee, the IBRD established both the CTF and SCF Trust Funds to receive donor contributions. It holds in trust, as a legal owner and administrator, the funds, assets and receipts that constitute the Trust Fund, pursuant to the terms entered into with the contributors.

In accordance with the terms of the contribution agreements and the availability of funds, the Trustee will make commitments and transfers of CIF resources, with the approval of the Trust Fund Committees. Commitments and transfers of CIF resources to MDBs are made in the manner agreed on by the Trustee and MDBs. Each MDB is responsible for the use of funds transferred by the Trustee in accordance with its own policies, guidelines and procedures and the decisions of the Trust Fund Committees. The Trustee requires periodic financial reports from the MDBs, as agreed to by the Trustee and the Trust Fund Committees.

Forest Investment Program (FIP)

The FIP is one of the targeted program under the SCF to catalyze policies and measures and mobilize significantly increased funds to facilitate the reduction of deforestation and of forest degradation and promote improved sustainable management of forests, leading to emissions reductions and the protection of forest carbon stocks.

The FIP has its own Sub-Committee to oversee the operations and activities of the pilot programs and an Expert Group to make recommendations on selection of country or regional pilots for the FIP. Guidelines

and criteria for initiating transformational change have been developed to assess investment strategies and guidelines for consultations with Indigenous Peoples and local communities.

Global Environment Facility (GEF)

Established in 1991, the GEF provides grants to developing countries and countries with economies in transition for projects related to biodiversity, climate change, international waters, land degradation, the ozone layer, and persistent organic pollutants.

Governance and organizational structure: The Assembly is the governing body of the GEF in which representatives of all member countries participate. It meets every three to four years, and is responsible for reviewing and evaluating the GEF's general policies, the operation of the GEF, and its membership. The GEF Council is the main governing body of the GEF. It functions as an independent board of directors, with primary responsibility for developing, adopting, and evaluating GEF programs.

Delivery partners (GEF Agencies): The GEF partnership currently includes ten agencies: the UN Development Programme; the UN Environment Programme; the World Bank; the UN Food and Agriculture Organization; the UN Industrial Development Organization; the African Development Bank; the Asian Development Bank; the European Bank for Reconstruction and Development; the Inter-American Development Bank; and the International Fund for Agricultural Development. The Scientific and Technical Advisory Panel provides technical and scientific advice on the GEF's policies and projects.

GEF Secretariat: The GEF Secretariat is administratively supported by the World Bank but operates in a functionally independent and effective manner. The Secretariat reports directly to the GEF Council and Assembly, ensuring that their decisions are translated into effective actions. The secretariat coordinates the formulation of projects included in the work programs, oversees its implementation, and makes certain that operational strategy and policies are followed.

Trustee: The World Bank serves as the GEF Trustee. As the GEF Trustee, the Bank is accountable to the GEF Council for the performance of its fiduciary responsibilities. It administers the GEF Trust Fund in accordance with the applicable provisions of the Instrument and decisions of the GEF Council. It mobilizes resources for the Fund and manages the Fund, including the investment of its liquid assets, the disbursement of funds to the Agencies as well as the financial reports regarding the investment and use of the Fund's resources.

Minimum Fiduciary Standard: In order to strengthen accountability for Agencies eligible for implementing GEF assistance, the GEF Council requested that the Trustee develop – in consultation with the Agencies – minimum fiduciary standards consistent with international best practice including, for example, the following areas: independent oversight, audit and evaluation and investigation functions; external financial audit; financial management and control frameworks; project appraisal standards, including environmental assessments and other safeguards measures, as appropriate; monitoring and project-at-risk systems; procurement; financial disclosure; hotline and whistleblower protection, and codes of ethics. The Council requested the GEF Agencies to implement the recommended standards or equivalent procedures or policies, and each of the Agencies to present reports to the GEF Secretariat on their compliance with the fiduciary standards and, as necessary, on plans to remedy any shortfalls.

Adaptation Fund

The Adaptation Fund has been established by the Parties to the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC) to finance concrete adaptation projects and programs in

developing countries that are Parties to the Kyoto Protocol. The Fund is financed with 2% of the Certified Emission Reduction (CERs) issued for projects of the Clean Development Mechanism (CDM) and other sources of funding.

Governance and organizational structure: The Adaptation Fund Board was established as the operating entity of the Adaptation Fund with the mandate to supervise and manage the Adaptation Fund under the authority and guidance of the Conference of the Parties serving as the meeting of the Parties of the Kyoto Protocol. The Board has established two committees: the Ethics and Finance Committee (EFC), which is responsible for providing advice to the Board on issues of conflict of interest, ethics, finance and audit, and the Project and Programme Review Committee (PPRC), which is responsible for assisting the Board in tasks related to project/program review.

Delivery partners: The Board has established an Accreditation Panel to accredit implementing entities, which include the national legal entities and multilateral organizations. In order to get accreditation, those entities shall meet the fiduciary standards adopted by the Board to access funding to implement concrete adaptation projects and programs supported by the Fund. As of June 1, 2010, three entities, including a national entity, have been accredited as the implementing entities for the Adaptation Fund: the *Centre de suivi écologique du Sénégal*, UNDP and the World Bank.

Secretariat: The GEF Secretariat provides secretariat services to the Adaptation Fund Board on an interim basis in order to support and facilitate its activities. Additionally, a dedicated team of officials provides these services to the Adaptation Fund Board in a functionally independent and effective manner. The head of the secretariat is accountable to the Adaptation Fund Board.

Trustee: The World Bank is the trustee of the Adaptation Fund, on an interim basis. As trustee, the World Bank performs two core functions: sales of CERs, and management of the Adaptation Fund trust fund.

UN-World Bank Partnership Framework for Crisis and Post-Crisis Situations

The Framework affirms the commitment of the UN organizations and the World Bank to work together more effectively in countries affected by conflict and or natural disasters. The Frameworks recognizes the critical and complementary support the two institutions offer and the importance of integrated political, security and development frameworks in support of countries in crisis. It provides common guiding principles for working with national authorities and partners to support crisis prevention, stabilization and recovery strategies while being cognizant of humanitarian principles of neutrality, impartiality and independence. It also calls on the World Bank Group and UN system organizations to improve inter-agency communications, strengthen joint planning, increase collaboration on funding mechanisms, and foster a culture of greater collaboration through joint training, evaluation and research.

The Framework was signed in 2008 as a consequence of growing experience of the UN and the World Bank operating together for coordinated post-crisis responses. The two organizations have signed a Fiduciary Principles Accord (Accord) to improve the mobilization and disbursement of financial resources in particular from donor-supported trust funds during crisis and post-crisis and to provide assurance to each other on sound fiduciary framework and accountability and oversight framework. The Accord sets standards for financial management including audit, procurement policies and procedures, project/program design, preparation, implementation and monitoring, and addressing fraud and corruption. In addition, the Accord also provides a template for grant agreement letters, which include recognition of the regulations, rules, procedures and administrative practices of the Receiving Organization

including relating to its environmental, social and resettlement policies as well as those relating to direct and indirect costs (including indirect program support costs) and interest. Both the UN and World Bank agree to use the funds in a manner that is consistent with standards and template set forth in the Accord.

Of particular relevance is the experience of the Multi-Donor Fund for Aceh and Nias (MDF), which was established in March 2005. The MDF was established in March 2005. With the WB as trustee, the MDF pioneered the concept of Partner Agencies (PAs) and Financial Intermediary Fund (FIF) modality in the World Bank. A number of independent reviews have documented the evolution of the MDF:

- From a trust fund initially designed with the expectation that the World Bank would be the PA for all projects;
- To the engagement of UN agencies as PA for off-budget projects;
- To the application of project-specific Fiscal Agency Agreements (FAAs) whereby the PA assumed full fiduciary and performance management responsibilities;
- To the Financial Management Framework Agreement (FMFA) which formalized the principle that UN accounting and audit principles were accepted as equivalent to those of the World Bank in terms of fiduciary standards. The FMFA also respected the UN agencies' status as inter-governmental bodies that could only be audited by the UN's own internal audit body;
- To the UN-WB Partnership Framework, including the Fiduciary Principles Accord.

Sources:

<http://www.climateinvestmentfunds.org/cif/>

<http://www.thegef.org/gef/>

<http://www.adaptation-fund.org/>

<http://www.undg.org/index.cfm?P=1027>

<http://www.multidonorfund.org/index.html>

<http://www.scanteam.no/filestore/MDFMTR2009VolumeOnefinal.pdf>

Annex III

Draft Resolution on Multiple Delivery Partners under the Readiness Fund

Whereas:

The Participants Committee (PC), through its Resolution PC/5/2010/4, recognized the need to include other entities alongside the World Bank as delivery partners,

The Facility Management Team (FMT) presented operational aspects of multiple delivery partners under the Readiness Fund at the sixth meeting of the PC.

The Participants Committee:

1. Recognizes the need to increase the delivery partners to include other multilateral development banks and the UNDP, UNEP and the FAO³ alongside with the World Bank;
2. Recognizing that each delivery partner will follow its fiduciary framework and policies, guidelines and procedures in supervising the use of the funds transferred by the Trustee of the Readiness Fund, and taking account of relevant precedents, requests the FMT to collaborate with relevant delivery partners and REDD Country Participants to develop the minimum standards for provision of readiness preparation, fiduciary, and safeguard support to ensure consistency in delivery across the delivery partners, and report to the PC on the progress in the future meetings of the PC;
3. Requests the FMT to circulate, at least thirty days prior to the third meeting of the Participants Assembly, the draft amendments to the relevant provisions of the Charter related to changing from the arrangement of the World Bank acting as sole delivery partner to multiple delivery partners under the Readiness Fund and any related changes.

³UNDP, UNEP and FAO together form the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD).