

## Forest Carbon Partnership Facility (FCPF) Readiness Fund

### The Role of the Readiness Package in the FCPF and the Readiness Preparation Process

June 11, 2012

*The generation of a Readiness Package (R-Package) document is a major milestone in the REDD+ Readiness preparation process. This Note describes the role of the R-Package, summarizes key aspects that FCPF Participants and Observers have discussed and mostly agree on, and provides important additional considerations related to (i) purpose, (ii) scope, (iii) assessment process, and (iv) PC endorsement of the R-Package. This Note was background to a series of video-conference calls with REDD Country Participants prior to the twelfth meeting of the FCPF Participants Committee (PC12) in June 2012.*

Expected PC12 action: *The PC would agree on the purpose, scope and assessment process for the R-Package; and mandate the FMT to assist REDD Country Participants in developing a framework (methodology) for country REDD+ Readiness self-assessment.*

## Background

1. The FCPF operates two funds. The Readiness Fund provides grant funding for REDD+ preparation and the Carbon Fund provides performance payments for the piloting of Emission Reductions Programs (ER Program) that countries may implement after the initial REDD+ Readiness preparation phase.
2. As of April 2012, about 30 REDD+ countries have formulated a national REDD+ Readiness Preparation Proposal (R-PP), of which 23 had their R-PP formally assessed by the Participants Committee (PC) of the FCPF. Countries generally also receive funding from other sources to complement the implementation of the R-PP as the estimated costs for readiness preparation often exceeds the funding provided by the FCPF (and often the combined funding from the FCPF and UN-REDD Programme together).
3. The Readiness Package (R-Package henceforth) is a document generated by a REDD+ country towards the end of the Readiness preparation phase (i.e., at a stage when activities proposed in the R-PP are well advanced or completed). The R-Package is a major milestone and comes at the transition from REDD+ Readiness preparation to REDD+ piloting (i.e., the implementation of performance-based activities).
4. Per the FCPF's Charter, the production of an R-Package and its submission for PC review is voluntary and not a reporting requirement under the FCPF Readiness Fund (see Annex I). Reporting requirements are stipulated by the Preparation Grant Agreement<sup>1</sup> and include the submission of a mid-term progress report.<sup>1</sup> Also, the Charter gives the PC the role and mandate to endorse a country's R-Package.

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<sup>1</sup> See FMT Note 2012-7 on "Process for Submitting and Reviewing Mid-Term Progress Reports and Requests for Additional Funding by Participating REDD+ Countries".

5. The objective of this note is to help REDD+ countries understand the role of the R-Package. The information presented in this note reflects the progress made in the discussion on this topic among Participants and Observers since the tenth meeting of FCPF Participants Committee (PC10) in June 2011, and captures key points of general agreement and important additional considerations related to (i) purpose, (ii) scope, (iii) assessment, and (iv) PC endorsement of the R-Package.

## Purpose – why produce an R-Package?

6. The R-Package and the associated assessment framework can serve multiple purposes simultaneously. Specifically, they can

- Provide an opportunity to self-assess the progress on REDD+ Readiness components: this helps identify remaining gaps and further needs;
- Demonstrate that readiness preparation activities are performed within a transparent framework and social and environmental risks are mitigated: this provides confidence to national and international actors;
- Demonstrate a country's commitment to REDD+ readiness and credibility to donors: this helps attract funding and donors to direct resources; and
- Generate feedback and guidance to REDD+ countries through an international review process: this helps with continued readiness preparation and piloting of REDD+.

7. The experience in REDD+ countries shows that there is often, and justifiably so, overlap between the Readiness preparation and piloting phases. Early piloting activities may already be promoted while preparation activities are still ongoing. For example, the formulation and implementation of programs may generate useful lessons to be incorporated in the national REDD+ strategy.

8. Per the FCPF's Charter, a country needs to have its R-Package endorsed by the PC before an ER Program can enter into a contractual agreement with the Carbon Fund (a so-called Emission Reductions Payment Agreement or ERPA). It is important to note that

- The PC's endorsement of the R-Package is a necessary, but not sufficient requirement to enter into an ERPA with the FCPF Carbon Fund (the Carbon Fund Participants will be the ones deciding whether to select a program for inclusion in their portfolio);
- Specific criteria to accept an ER Program into the portfolio of the Carbon Fund are defined by the Carbon Fund Participants, not the PC, and are currently being developed<sup>2</sup>; and
- The R-Package provides Carbon Fund Participants with additional information to ensure consistency of an ER Program with national Readiness preparation (including the national REDD+ strategy) and that ER Program activities at the sub-national level are consistent with overarching safeguard requirements and the broader national REDD+ framework.

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<sup>2</sup> See FMT Note 2012-8: Recommendations of the Working Group on the Methodological and Pricing Approach for the Carbon Fund of the FCPF.

9. The view among Participants that has emerged is that the focus of the R-Package should be on the assessment of Readiness progress, rather than defining Readiness ‘targets’ that countries need to meet to be able to access further funding for implementation. Given that the R-Package is a product defined by the Participants of the FCPF, some Participants had raised the question whether it should be tailored more specifically to the Carbon Fund rather than Readiness more generally. The implication of a narrower focus would be that

- Only countries that intent to develop an ER Program for the Carbon Fund would have an incentive to produce an R-Package and submit it to the PC for endorsement;
- The R-Package may be limited to activities relevant to the proposed ER Program, at the expense of a broader view of REDD+ readiness (i.e., it may encompass only a sub-set of the key drivers of deforestation and forest degradation that are relevant for the ER Program);
- The R-Package may have limited geographic scope, since many ER Programs under the CF are expected to pilot REDD+ at the sub-national region level (especially in larger countries); and
- The R-Package would have less utility to pursue funding for piloting from other sources given that the Carbon Fund is only one of several possibilities for countries to pilot REDD+ going forward.

10. Thus, any country that chooses to produce an R-Package could benefit from the feedback and guidance of a comprehensive assessment and review process, regardless of whether it intends to develop an ER Program for the Carbon Fund or pursue other piloting activities with other sources of funding.

### **Scope – which Readiness preparation activities should be included?**

11. In many instances, R-PPs are not exclusively funded through the FCPF and a significant share of funding comes from other programs and partners. The general view among Participants has been that the R-Package’s scope is national and encompasses all major Readiness preparation activities. With such a scope, the R-Package

- Provides continuity with the activities proposed in the R-PP;
- Captures important relationships between different Readiness preparation activities (e.g., how the analysis of drivers of deforestation informs the REDD+ strategy and the development of reference emission levels) and helps to ensure consistency across components; and
- Ensures consistency across countries: the review and assessment process is performed on the same components for each country and therefore allows for meaningful comparisons.

12. The content of the R-Package would thus mirror the R-PP components and sub-components. Omitting any of the main Readiness components (e.g., the REDD+ strategy) because it is not funded through the FCPF, would not allow for a meaningful assessment. The following structure for the R-Package has been generally found to be sufficiently comprehensive and consistent with the R-PP:

- 1 - Readiness Organization and Consultation
  - 1a. National REDD Management Arrangements
  - 1b. Consultation, Participation, and Outreach
- 2 - REDD+ Strategy Preparation
  - 2a. Assessment of Land Use, Land Use Change Drivers, Forest Law, Policy and Governance
  - 2b. REDD+ Strategy Options
  - 2c. Implementation Framework
  - 2c. Social and Environmental Impacts
- 3 - Reference Emissions Level/Reference Level
- 4 - Monitoring Systems for Forests and Safeguards
  - 4a. National Forest Monitoring System
  - 4b. Information System for Multiple Benefits, Other Impacts, Governance, and Safeguards

13. There is a general understanding among Participants that these four main components (and corresponding sub-components) are also consistent with the concept and scope of REDD Readiness under the UNFCCC (though there is no perfect one-to-one match between Readiness 'elements' defined in the Cancun Agreements and the R-Package components). At the same time, the process under the FCPF has arguably led to a more operational notion of REDD+ Readiness and resulted in a relatively detailed R-PP framework that guides Readiness preparation activities under both the FCPF and UN-REDD Programme.

### **Assessment – how to measure progress on REDD readiness?**

14. There has been convergence among Participants that an assessment would meaningfully occur in two stages, notably a (i) a multi-stakeholder self-assessment performed by the country, and (ii) a review at the international level performed by the PC with the input from an independent Technical Advisory Panel (TAP). This approach was generally found to be useful. Specifically, a country self-assessment:

- Enhances country ownership and engages relevant stakeholders in the country;
- Identifies achievements, gaps and needs through a multi-stakeholder process; and
- Determines whether the national Readiness progress is found to be consistent with the emerging REDD+ framework and emerging guidance under the UNFCCC.

15. To facilitate and guide a country self-assessment, a framework that provides meaningful benchmarks of REDD+ Readiness for each of the components needs to be developed and tested together with REDD+ countries. Participants expressed the sentiment that a framework based on standards (as proposed by the FMT Note 2011-14) may be suitable in principle, but would require

further input from REDD+ countries to make it understandable, useful and practical for the purpose of a country self-assessment.

16. The output of a country self-assessment would be the R-Package. That is, R-Package presents the progress, gaps and needs – component-by-component – in a single document that is submitted to the PC for review and endorsement.

## Endorsement by the PC – what does it mean?

17. Based on the views expressed by Participants and Observers thus far, the endorsement by the PC needs to reflect and correspond to the purpose of the R-Package, namely assessment of Readiness progress (as opposed to more narrowly meeting the requirements for REDD+ piloting with support from the FCPF Carbon Fund or other sources).

18. With a focus of overall Readiness progress, the endorsement would mean that the PC has ascertained the completeness, accuracy, and validity of a country's self-assessment process (with input from a Technical Advisory Panel, as requested). With this notion of PC endorsement

- The focus of the review at the international level is on the overall quality of the self-assessment process;
- The PC (and TAP) are tasked to generate constructive feedback and guidance to the country for continued Readiness preparation or piloting of REDD+ on the basis of the gaps and needs identified in the self-assessment process; and
- Countries that have reached different levels of Readiness (due to different starting points or pre-existing capacities) can benefit from the feedback and guidance provided through the review process.

19. If Participants agree that it is more meaningful and useful to focus on overall readiness assessment then it is appropriate for the PC to review the R-Package and provide feedback and guidance to countries, and endorse on this basis. In this case, it would not be necessary to agree on a prescribed level of readiness, and ascertain whether the R-Package reflect this level prior to endorsement.

## Next steps

20. The FMT organized a series of video-conference calls (May 29-June 1, 2012) to discuss the role of the R-Package with REDD+ countries. The objective of these calls was to broaden and deepen the understanding of the R-Package and exchange views on the important considerations detailed in this note. The FMT address questions and answers (see Annex II).

21. On June 26, the day prior to PC12 in Santa Marta, Colombia, Participants and Observers have the opportunity to participate in an informal session to continue the exchange on this topic.

22. The exchange during the video-conference calls and the session on June 26 are expected to facilitate an informed discussion during the formal session on this topic at PC12 and allow the PC to adopt or prepare a resolution that defines the purpose, scope, and assessment process.

23. Details of the assessment process, including an assessment framework that guides a country's self-assessment (e.g., through practical progress indicators), and the R-Package review by the PC are to

be developed as input to PC13. The PC13 may wish to provide guidance as to how most effectively engage with countries in this process.

### ANNEX I: Additional Background

Per the FCPF's Charter, the implementation of the activities in the R-PP is followed by the submission of a Readiness Package (R-Package henceforth) to the PC. Specifically, the Charter states that *"a REDD Country Participant, based on progress in implementing its Readiness Preparation Proposal, may submit its Readiness Package to the Facility Management Team and request the Participants Committee to endorse it"*.<sup>3</sup> The PC shall be responsible for *"upon request by a REDD Country Participant, taking into account the recommendations of the Ad Hoc Technical Advisory Panel that may be established for this purpose [...], endorsing some or all elements of the REDD Country Participant's Readiness Package"*.<sup>4</sup>

Further, the basic scope and elements for the R-Package is defined as *"a package of activities designed to support a REDD Country Participant's capacity to participate in possible future systems of positive incentives for REDD, which includes the following elements: (i) a reference scenario; (ii) a REDD strategy; and (iii) a monitoring system"*. As an intermediary step *"a REDD Country Participant shall report to the Participants Committee on the progress made with respect to implementation of the Readiness preparation proposal in accordance with the timeframe and requirements set forth in the Grant Agreement or the REDD Country Participation Agreement, as the case may be."*<sup>5</sup>

Thus, the R-Package is an important milestone in the overall REDD+ readiness process and follows a logical sequence and process that began with a country's initial Readiness Preparation Idea Note (R-PIN), followed the drafting of the R-PP (formulation phase), and the implementation of R-PP (preparation phase). Producing an R-Package provides an opportunity for Participants to take stock, draw on early lessons learned, document early results, assess remaining gaps and identify actions for the way forward.

For a country to be ready to participate in a comprehensive system of measured, reported and verified emission reductions, components of this system need to be tested first (i.e., UNFCCC phase 2). Such testing requires continued capacity building and the design and implementation of pilot activities. The figure below illustrates the 3 phases as described in the Cancun Agreements, the relationship of the FCPF Readiness and Carbon Fund in relation to these phases, and the approximate stage at which countries would submit R-Packages to the PC.

Within the FCPF, the Carbon Fund is designed to pilot test emission reduction programs. The Charter states that the *"REDD Country Participants whose Readiness Package has been endorsed by the Participants Committee may submit one or more Emission Reductions Programs to the Facility Management Team for consideration by the Carbon Fund Participants"*.<sup>6</sup> The Information Memorandum states: *"Based on the advice rendered by the Technical Advisory Panel, the Participants Committee would*

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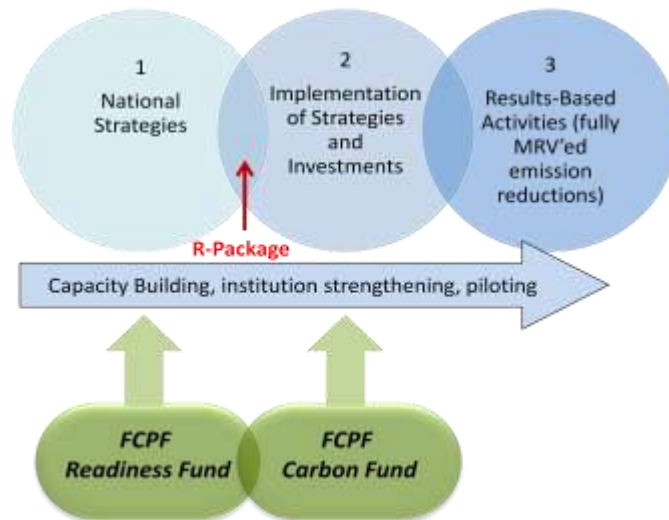
<sup>3</sup> Section 6.4 (a).

<sup>4</sup> Section 11.1 (e).

<sup>5</sup> Section 6.3 (b).

<sup>6</sup> Charter Section 6.4 (b).

*endorse the Readiness Package and declare the REDD Country “ready.” The endorsement would also clear the REDD Country for a potential purchase of emission reductions by the Carbon Fund”<sup>7</sup>.*



<sup>7</sup> From Issues Note: “The FCPF Participants Committee, based on the information available (Readiness Package and other relevant information such as readiness progress reports and the ER-PIN itself), and possibly using the assistance of a TAP, assesses whether the submitting country has made sufficient progress towards REDD+ Readiness to enter into an ERPA with the Trustee of the Carbon Fund;” (Section 2, Item 9).

## ANNEX II: Summary of five regional video-conferences on Readiness-Package

As requested by the participants at PC 11, a series of regional video-conference calls with REDD country participants was organized to continue the discussion of key aspects related to the Readiness-Package. A total of 18 countries provided feedback and discussed the R-Package in 5 regional video-conferences between May 29 and June 1 (Kenya, Ethiopia, Democratic Republic of Congo, Republic of Congo, Madagascar, Central African Republic, Mozambique, Liberia, Ghana, Mexico, Nicaragua, Guatemala, Costa Rica, Colombia, Indonesia, Lao, and Nepal; Vietnam and Thailand shared comments in face-to-face meetings during a mission visit).

National REDD focal points were asked to invite participants. In most countries there were 5-8 participants, including from government, indigenous peoples representatives, civil society representatives, and development partners. Participants appreciated the opportunity to interact with the FMT and other countries.

During the VC, the FMT briefly summarized key points in FMT Note 2012-6 related to i) purpose, (ii) scope, (iii) assessment process, and (iv) PC endorsement of the R-Package; and rest of the time in a 3-hour session was allocated for discussion.

The majority of questions were of a clarifying nature. The main points that emerged and were addressed by the FMT included:

*What is the difference between the R-PP, R-Package and country progress sheets?*

- The R-PP is a *proposal* for a set of activities on REDD+ readiness. At the time of the review by the PC, these activities are yet to be implemented and often require co-financing from other development partners (in addition to FCPF funding).
- The country progress sheets are short summaries (generally 1-3 pages) that are generally updated prior to PC meetings for countries whose R-PPs have already been assessed by the PC. They only capture key updates and don't provide a comprehensive assessment of readiness progress.
- The R-Package is a comprehensive document produced *after* the majority of activities proposed in the R-PP are implemented, i.e., at the transition from REDD+ readiness preparation to piloting of carbon finance (e.g., performance systems in the FCPF Carbon Fund but possible other sources as well).

*Is the R-Package submission voluntary or a requirement?*

- Per FCPF's Charter, the R-Package is voluntary and not a requirement by the FCPF Readiness Fund. However, as noted in this note, it can serve a number of purposes that allow countries to advance REDD+ readiness preparation.
- The Charter does provide the obligation for countries to report at mid-term, however.
- The FMT noted that the readiness preparation grant agreement requires countries to report on a regular basis, including at mid-term and at completion, on the grant itself. This is different from, but related to, the R-Package. The R-Package itself can build on these regular reports, including the required mid-term progress report.



- For countries that want to pursue piloting of emission reductions programs and receive performance payments from the FCPF Carbon Fund, having the R-Package endorsed by the PC is a required step, as per the Charter.

*What is the required effort to produce an R-Package? What are the costs?*

- Countries can draw on a number of outputs and sources of information to generate the R-Package, notably the (i) outputs from each of the R-PP components (e.g., a REDD+ strategy), (ii) the information generated by monitoring and evaluation activities (R-PP component 6), (iii) required progress reports to the Delivery Partner, and (iv) other independently performed assessments.
- Producing an R-Package is thus largely a synthesis and summary of completed and documented activities.
- An important focus of the R-Package is for the country to perform a self-assessment of progress towards REDD+ readiness.
- Given that the R-Package draws largely on outputs of funded activities (per the R-PP budget), the incremental cost of producing the R-Package should be relatively small and would be linked to the self-assessment process.

*What is the framework for a multi-stakeholder self-assessment?*

- The FMT explained that the objective of the present note is to clarify the purpose, scope, and assessment process for the R-Package to facilitate the discussion at PC12. The assessment framework (methodology) is to be developed in collaboration with REDD+ countries going forward.
- The methodology for readiness assessment may build on the 'standards' (FMT Note 2011-14) that Participants and Observers provided feedback on earlier, though these will need to be carefully reviewed and adapted to respond to countries' needs and circumstances.
- The self-assessment process is likely to be performed in a different fashion in each country (countries may use their own progress indicators, for instance) though it is desirable to have a common set of indicators that are applied by all countries in the self-assessment process.

*What is the relationship of the strategic environmental and social assessment (SESA) and the R-Package?*

- The SESA is an important component of REDD+ readiness preparation and, as previously discussed, the development and completion of an environmental and social management framework (ESMF) is an important benchmark of progress in this respect.