



Forest Carbon Partnership Facility

Third Meeting of the Participants Assembly (PA3)

Washington, DC

November 1, 2010





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2b. Annual Report

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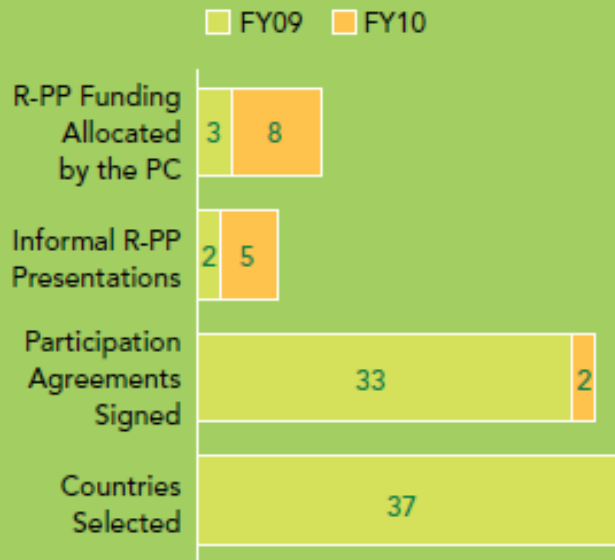
Overview

- Second full year of FCPF operations ended June 30, 2010
- 37 REDD countries, 14 financial contributors, stakeholders and observers:
 - Engaged in the REDD+ agenda to discuss opportunities, challenges, solutions
 - Refined the Readiness preparation process
- Significant progress has been made in moving from a planning stage to preparations for REDD+ “Readiness”

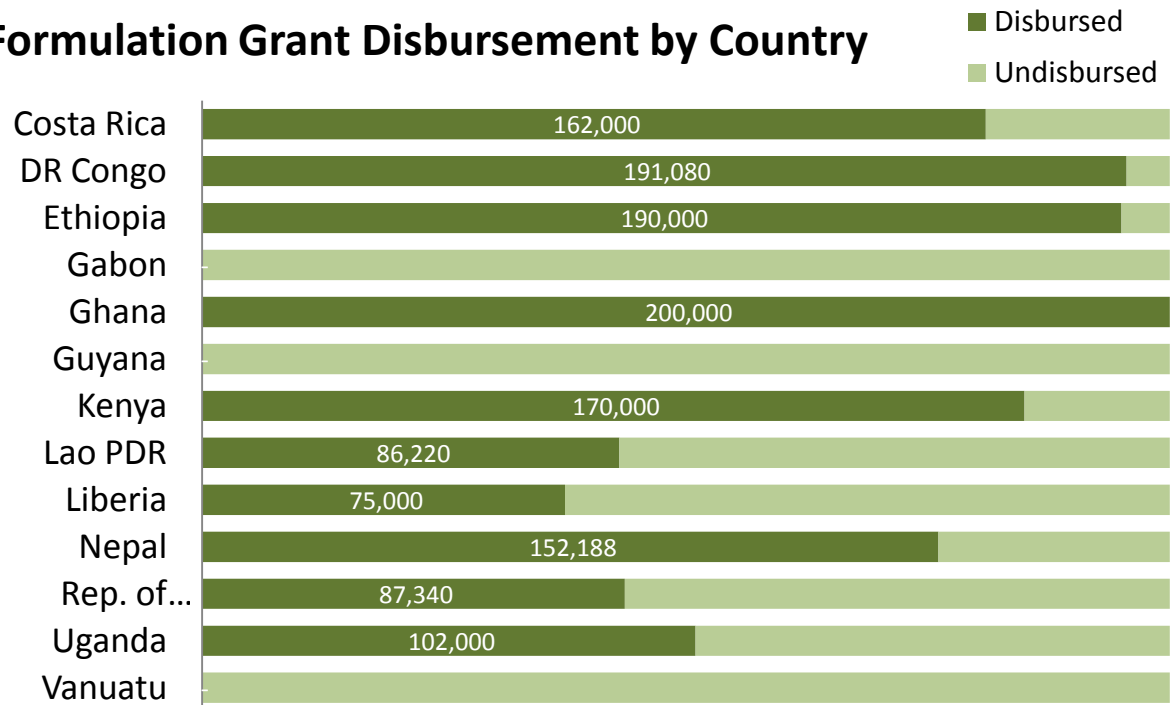
From Planning to REDD+ Readiness Preparation

- 8 R-PPs submitted, allocated grant funding
 - Argentina, Republic of Congo, Costa Rica, DRC, Ghana, Kenya, Mexico, Nepal
- 5 draft R-PPs presented
 - Argentina, Madagascar, Peru, Suriname, Tanzania
- FCPF allocated about \$40 million in grant funding
- Countries' experiences teaching/clarifying what it means to be ready for REDD+

Figure 1. Status of REDD Countries



Formulation Grant Disbursement by Country



Total Formulation Grant Disbursement is \$1,415,828

New Needs Have Arisen

- REDD+ challenge requires intervention of all actors with experience and expertise in a coordinated fashion
 - Discussions on inviting other delivery partners (e.g., MDBs, UN agencies) to provide readiness services to countries under the FCPF
 - Coordination with UN-REDD, Forest Investment Program, other partners
- There is demand for opportunities to learn from countries' experiences in REDD+ Readiness
 - FCPF served as a platform for exchange of information and experiences
 - FCPF facilitated South-South knowledge exchange events (e.g., regional meetings, topic-specific workshops, multi-country dialogues)
 - FCPF supported capacity building activities among Indigenous Peoples
- To refine the Readiness preparation process based on country and stakeholder experiences, FCPF further developed the R-PP template

Other Key Achievements

- FCPF is now able to offer \$200,000 grants to all REDD Country Participants to support R-PP formulation, and all countries will be eligible to \$3.4 million grants subject to R-PP assessment
- PC took on a much more active role, e.g.,:
 - Each meeting is now co-chaired by two PC members
 - Working groups reviewed R-PPs and provided early feedback to countries before PC meetings
 - A working group was formed to discuss the proposal to expand to multiple delivery partners

Carbon Fund

- Series of discussions held on further design details for the Carbon Fund, which will pilot incentive programs for REDD+
- Starting work on the Carbon Fund now is critical because:
 - It sends a signal that there will be payments in the future
 - It gives forest countries another reason to carry out Readiness activities
 - It gives time to focus on the practicalities (procedures, standards, etc.)
 - It took roughly 1.5 years after the December 2007 launch in Bali, to get Readiness Fund processes and procedures fully underway (i.e., until the PC had called for R-PINs, set criteria to review them, and found its way to consensus on what constitutes an R-Plan/R-PP)
 - Thus no funding decisions likely considered by CF for at least a year
 - Countries already are facing pressing decisions domestically about how to deal with many emerging REDD+ projects, and how to manage them. This work can help them

Finances

- FCPF originally established with targets of \$100 million for the Readiness Fund and \$200 million for the Carbon Fund
- Readiness Fund target quickly surpassed, and, with stronger interest from REDD Countries, the 'bar was raised' to \$185 million
- With about \$124 million committed in donor agreements and about \$80 million of additional public pledges, Readiness Fund is on track to surpass the higher bar, with a potential for \$200 million
- Given United States CF Agreement for \$10 million was signed in September, the Carbon Fund has also surpassed its formal operational threshold of \$40 million

Financial Contributions to the Readiness Fund

Commitments and Pledges to the FCPF Readiness Fund as of October 31, 2010 (US\$m)					
	FY09	FY10	FY11	FY12	Totals*
AFD (France)	4.6	0.6			5.2
Australia	9.6		8.0		17.6
Denmark		5.8			5.8
Finland	9.0				9.0
Japan	5.0	5.0			10.0
Netherlands	5.0		15.3		20.3
Norway	5.0	15.2	10.0		30.2
Spain	7.0				7.0
Switzerland	8.2				8.2
United Kingdom**			5.8		5.8
United States	0.5	4.5			5.0
Committed Funding	53.9	31.1	39.1	0.0	124.1
Canada			39.2		39.2
Finland			5.6		5.6
Germany			27.8		27.8
Italy			5.0		5.0
Japan			4.0		4.0
Committed Funding plus Pledges	53.9	31.1	120.6	0.0	205.7

* Amounts may vary due to exchange rate fluctuations.

**United Kingdom's contribution is provided through the Strategic Climate Fund.

Financial Contributions to the Carbon Fund

Contributions and Pledges to the FCPF Carbon Fund as of October 31, 2010 (\$m)					
	FY09	FY10	FY11	FY12	Totals*
European Commission	6.3	0.4			6.7
Germany	7.8		5.6		13.4
Norway	10.0				10.0
The Nature Conservancy	5.0				5.0
United States			10.0		10.0
Committed Funding	29.2	0.4	15.6	0.0	45.1
Germany			33.4		33.4
Norway				50.0	50.0
United Kingdom**			18.3		18.3
Committed Funding plus Pledges	29.2	0.4	67.3	50.0	146.8

* Amounts may vary due to exchange rate fluctuations.

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Recent Commitments and Pledges

Signed in FY10		Contribution Currency
Readiness Fund		
AFD	EUR	400,000
Australia	AUD	9,100,000
Denmark	DKK	30,000,000
Since FY10		
Readiness Fund Pledges		
Canada	CAD	40,000,000
Finland	EUR	4,000,000
Italy	USD	5,000,000
Japan	USD	4,000,000
Carbon Fund Signed Agreement		
United States	USD	10,000,000
Carbon Fund Pledge		
Norway	USD	50,000,000

Expenses, Disbursements and Auditing

- FY09-11 PC approved budgets and FY09-10 expenditures detailed in Annual Report
- Since the end of FY10 and Annual Report, there has been a notable increase in grant disbursements (almost half of the FY10 level has been disbursed to date in FY11)
- Shift to World Bank Group Single Audit framework approved and finalized in FY10; audits of financial statements through June 30, 2010 are now publicly available
- Online access to Donor Center and quarterly financial reports is now available for Donor Participants

Accelerating Disbursements

- Pace of formulation grant disbursements has picked up since July, and will continue to increase in rest of FY11
- First \$3.4-3.6 million Readiness grants will be signed in FY11
 - E.g., preparation of first 3 grants (DRC, Indonesia and Nepal) is nearing completion
- **Actions that will make faster disbursements possible:**
 - Adoption of internal processing guidelines with vetting from Bank management, so that regional managers can proceed (e.g., treatment of risks involved in REDD+ Readiness requires clarifications in the way Safeguards Policies are applied → SESA, including ESMF). Guidelines package now being submitted to Bank senior management for endorsement and issuance
 - Increased familiarity of Bank staff with REDD+ issues, and first few examples of Readiness grants being available
 - Multiple Delivery Partners

Harvesting Knowledge on REDD+:

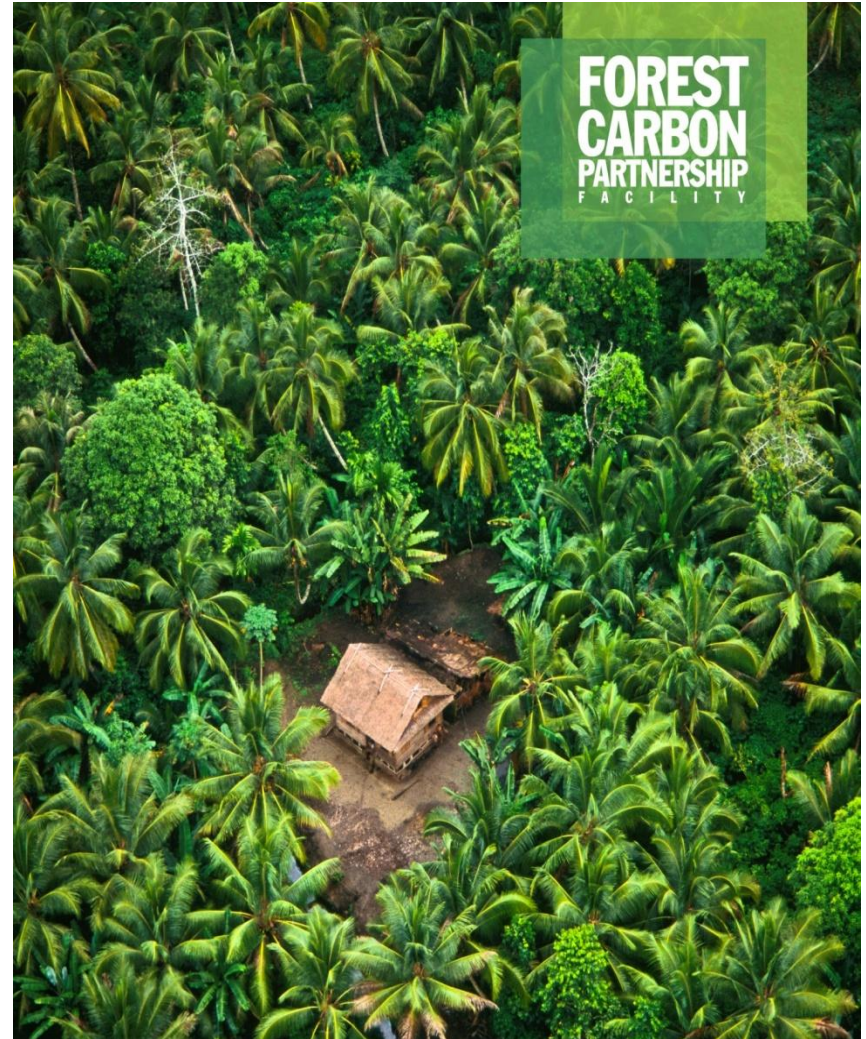
Early Lessons from the FCPF Initiative and Beyond

FCPF Working Paper #1:

Initial knowledge dissemination effort that builds on:

- FMT observations in first Annual Report of the FCPF
- Request by Participants Committee PC-4 October 2009;
- REDD-plus country Readiness Preparation Proposals (R-PPs) presented 2009-10.

Deeper knowledge management products based on wider outreach to FCPF community being considered by FMT.



1: Overall Lessons

- REDD+ is about well-targeted financial incentives and governance
- We have many solid building blocks, but need to start building
- Poverty matters
- National scope with sub-national and local implementation
- Timing and sequencing are important to piloting REDD+



Lesson 2: Partnership Lessons from the FCPF

“A partnership among often-contentious stakeholders in tropical land use can find ways to communicate and explore highly policy-sensitive topics, if it first builds trust and willingness to share new ideas.”

- Proactive role of indigenous peoples nurtured more open communication among stakeholders, World Bank
- Governance model of PA and PC necessitates challenging consensus building. But commitment to work through thorny issues keeps FCPF evolving.
- World Bank uniquely positioned to convene, do safeguards and due diligence. But, in some cases, other delivery partners may be needed.

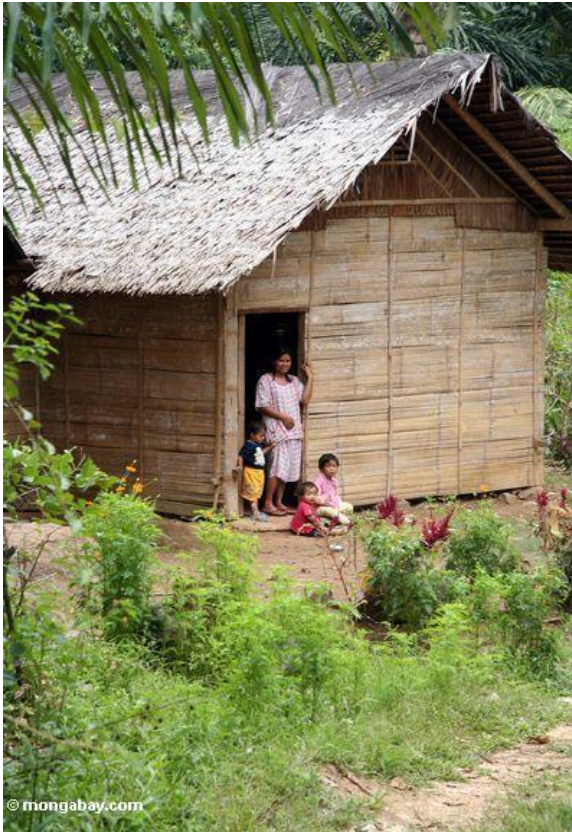
Lesson 3: Sectoral Coordination

“Cross-cutting nature of REDD+ presents new challenges in sectoral coordination that may be solved by embedding the REDD+ strategy in overarching policy frameworks (e.g. low carbon development strategy), and by mobilizing decisive political will.”

- REDD+ is essentially cross-sectoral
- Political will and a clear mandate are needed to ensure multi-sector representation in the national REDD+ structure

Lesson 4: Stakeholder Participation

“Countries are now grappling with how to operationalize the inclusion of stakeholders in REDD+ policy and implementation, raising new issues of control over resource management and the respective decision making processes.”

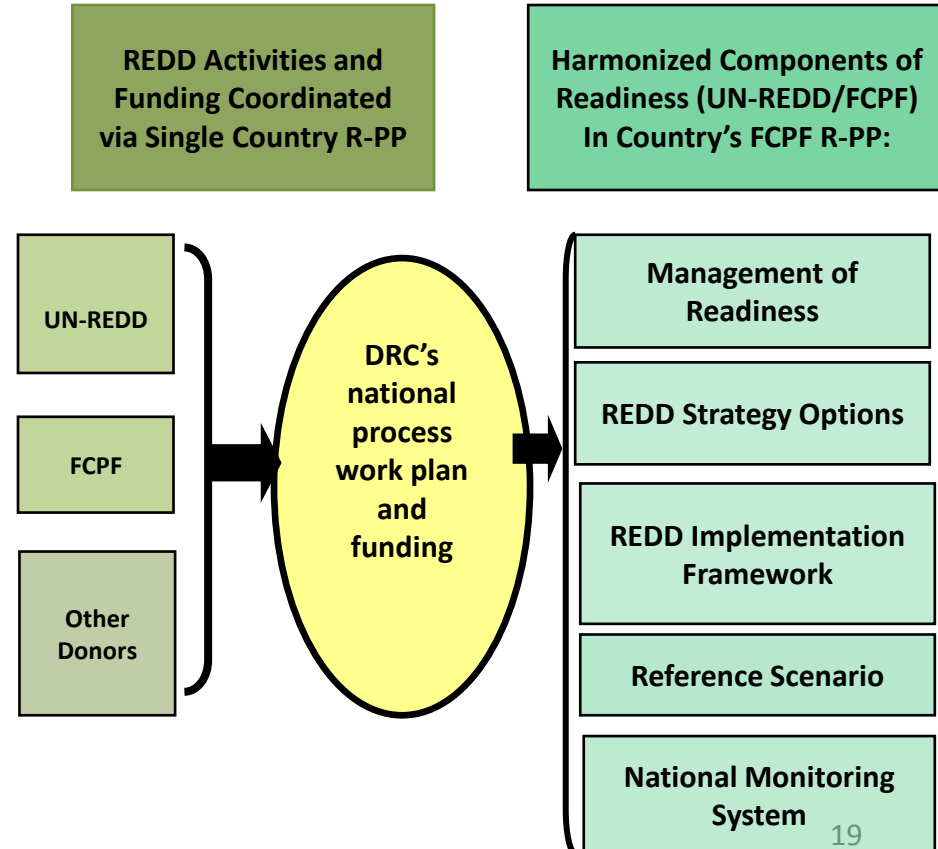


- Early information sharing builds trust for later consultations
- Establishing transparent, respectful dialog processes is key
- Civil society participation in decision-making bodies helps generate consensus.

Lesson 5: Country R-PP Preparation Process

“Political will is required to create highly qualified teams capable of resolving competing interests into a coherent national Plan for REDD+.”

- Countries now writing quality R-PPs. But implementing them will be more difficult.
- Evolution of a standard for each Readiness component helps raise quality of R-PPs
- Countries requiring specialized external support need to include capacity building in R-PPs.

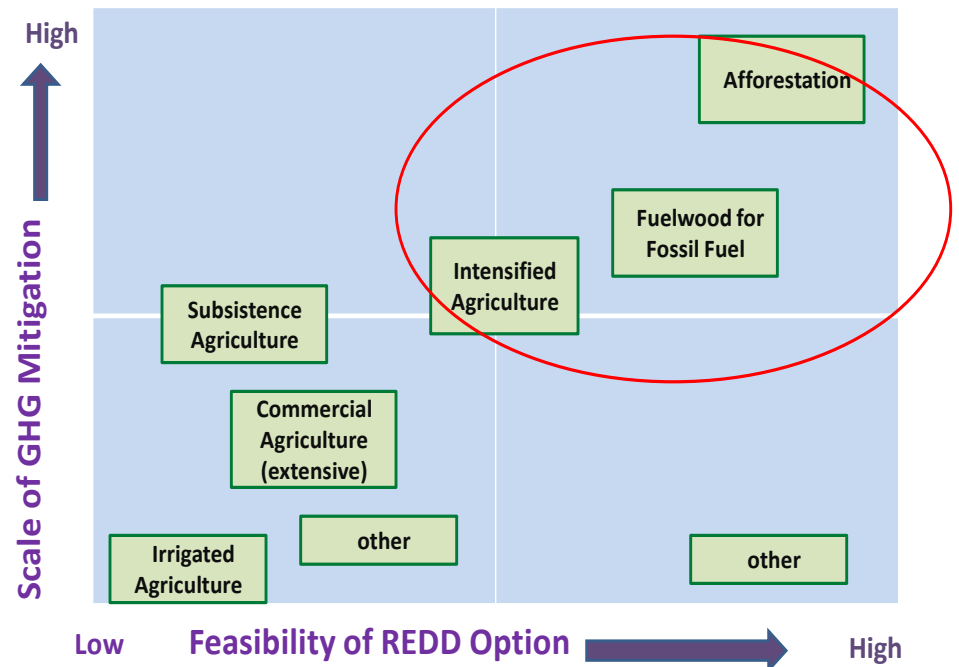


Lesson 6: New Techniques and Tools

“Promising results are emerging where countries are combining traditional evaluation of potential REDD+ strategy options with newer analytic tools that facilitate making choices among competing options.”

- Opportunity cost analysis helps evaluate options.
- REDD+ strategies need clear linkages with drivers of D & D, and vary by region.

Linking REDD to Low Carbon Development Strategy:
Finding Feasible Options (DRC example)



Lesson 7: Implementation of REDD+ on the ground

“A REDD+ bridge has not yet been built between the wealth of experience at the local level in managing forest resources and land use change, and ideas on REDD+ policy frameworks and incentive programs at the national level.”

Experience and ideas:

- Payment for environmental services
- Endowments for biodiversity conservation
- National tracking system or registry for REDD+



Lesson 8: Governance aspects of REDD+

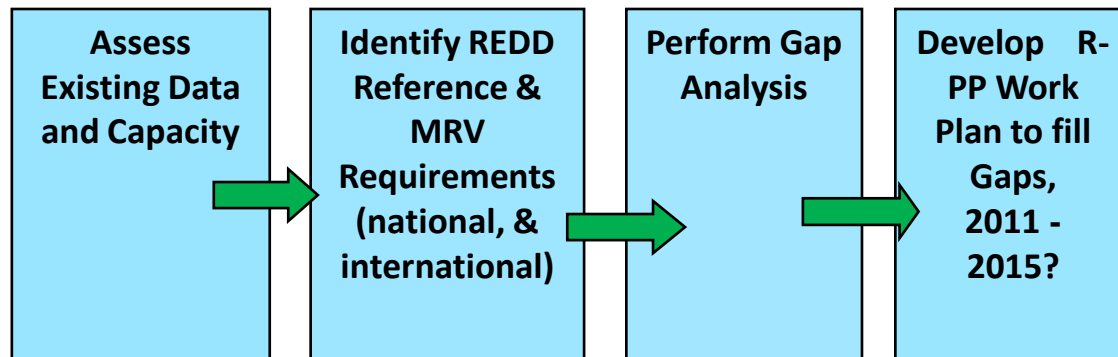
“Early cooperative development of a first set of rules of the game for REDD+ transactions and benefit sharing is an essential prerequisite for the broad legitimacy and support of REDD+ programs.”

- Advancing governance is essential for REDD+ implementation...
- ... as stakeholders begin to express long-contested resource use tensions
- In Mexico, Pro-Árbol program teaches how to combine payment for environmental services with good governance practices in resource allocation and administration

Lesson 9: REDD+ Methodological Issues

“Addressing methodological issues such as reference level and monitoring, reporting and verification is a key entry requirement for REDD+ programs. In the absence of clear policy guidance from the international level and price signals for REDD+, countries could embark on a no-regrets stepwise approach to begin building capacity.”

Gap Analysis Approach Can Define Interim Steps on MRV and Reference Level



Lesson 10: REDD+ Financing (1)

“Early initiatives to finance REDD+ have illuminated a paradox: In spite of the high level of international commitments to REDD+ funding, the mechanics of multilateral programs to move resources to REDD+ partner countries require due diligence and safeguards that have slowed the flow of funds to countries.”

- The complexities of moving REDD+ funds have been underestimated
- Solutions are urgently needed to:
 - Efficiently meet due diligence requirements
 - Find the right conditions for private sector participation

Lesson 10: REDD+ Financing (2)

Solutions are urgently needed to: *(continued)*

- Move funding for early Readiness activities
- Improve donor coordination
- Estimate and fill funding gaps
- Experiment with performance payments for proxy actions (until REDD+ systems are in place)

Components of R-PPs	FCPF 2008 (in '000)	Eliasch 2008 High ('000)	FCPF 2010 11 R-PPs ('000)
REDD management, consultations	\$890	\$2,000	\$2,301
Develop REDD strategy	\$450	\$1,000	\$4,062
Implementation framework	\$341	\$1,500	\$877
Environmental, social impacts	\$50	-	\$377
Reference scenario	\$516	\$4,000	\$1,457
Design MRV system	\$1,008	-	\$5,740
TOTAL	\$3,250	\$8,500	\$13,661

Sources: Countries included in the FCPF 2010 estimate are :Argentina, Costa Rica, Panama, Mexico, Guyana, Indonesia, Nepal, Ghana, Republic of Congo, Kenya, and Democratic Republic of Congo.

Lesson 11: REDD+ Requires Evolution

“If REDD+ is to evolve and achieve its promise..., it needs time, space and flexibility to be fairly experimented with over the next few years.”

- REDD+ cannot be cast as a potential solution to every problem

Final Remarks: “There are many more steps to take together.”





THANK YOU

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