

# FY2010 Annual Report



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# Partners in REDD+

**Demonstrating activities  
that reduce emissions from  
deforestation and forest  
degradation**

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# Letter from the FCPF Chair

In the process of working together since we started designing the FCPF in 2006, all the parties involved—forest countries, donor countries, indigenous peoples, civil society, the private sector and international organizations—have learnt a lot from one another. The FCPF has provided a forum for discussions both at international and country levels, where governments, traditional rights holders and various stakeholders come together to discuss REDD+ strategies.

The FCPF and other programs and initiatives focused on REDD+ are gathering precious experience and developing new approaches to tackle the drivers of deforestation and forest degradation.

Over the past year, the FCPF has accelerated the assessment of proposals prepared by forest countries on how they intend to prepare themselves for REDD+ (the so-called Readiness Preparation Proposals) and has allocated about US\$40 million in grant funding to implement these. Many more countries will be formulating and presenting their proposals in the coming year. We know disbursements from the FCPF have been slow but World Bank teams are working with government counterparts to address the issues and clear the way for fund disbursement.

We are keen to invite other delivery partners, including multilateral development banks and UN Agencies, to provide readiness services to countries under the FCPF. REDD+ poses tremendous development challenges and requires that the capacity of all partners be harnessed using common fiduciary and safeguards approaches.

In the year ahead, we also look forward to seeing the complementary roles of the FCPF and its partners, the UN-REDD Programme, the Global Environment Facility and the Forest Investment Program, crystallize in particular at the country level. We encourage forest nations to tap into the support offered by these various initiatives in

ways that will benefit them the most, not in isolation but in combination with each other. The forum and processes set up by the FCPF help make this possible.

The next six months will bring important developments in a number of areas, including the start of operations of the Carbon Fund. It seeks to

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demonstrate how performance-based payments can incentivize fundamental changes in the way countries manage their forest heritage. These payments will complement investment finance for REDD+, providing another good reason for countries to get ready for REDD+.

**Inger Andersen**

Vice President, Sustainable  
Development, World Bank  
October 2010



# Acronyms

<b>AFD</b>	Agence Française de Développement	<b>M&amp;E</b>	Monitoring and Evaluation
<b>AusAid</b>	Australian Agency for International Development	<b>MRV</b>	Measurement, Reporting and Verification
<b>CF</b>	Carbon Fund	<b>NGO</b>	Non-Governmental Organization
<b>COICA</b>	Coordinadora de las Organizaciones Indígenas de la Cuenca Amazónica	<b>PA</b>	Participants Assembly
<b>COONAPIP</b>	Coordinadora Nacional de Los Pueblos Indígenas de Panama	<b>PC</b>	Participants Committee
<b>CSO</b>	Civil Society Organization	<b>REDD</b>	Reducing emissions from deforestation and forest degradation
<b>DRC</b>	Democratic Republic of Congo	<b>REDD+</b>	Reducing emissions from deforestation and forest degradation, and through conservation, sustainable management of forests and enhancement of forest carbon
<b>FCPF</b>	Forest Carbon Partnership Facility	<b>RF</b>	Readiness Fund
<b>FIP</b>	Forest Investment Program	<b>R-PP</b>	Readiness Preparation Proposal
<b>FMT</b>	Facility Management Team	<b>SESA</b>	Strategic Environmental and Social Assessment
<b>FY</b>	Fiscal Year (World Bank fiscal year, July 1 to June 30)	<b>TAP</b>	Technical Advisory Panel
<b>GEF</b>	Global Environment Facility	<b>UNEP</b>	United Nations Environment Programme
<b>GTCR</b>	Groupe de Travail Climat REDD	<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>IPs</b>	Indigenous Peoples	<b>UN-REDD</b>	The United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
<b>IP Program</b>	Indigenous Peoples and other Forest Dwellers Capacity Building Program	<b>WBI</b>	World Bank Institute
<b>IPACC</b>	Indigenous Peoples of Africa Coordinating Committee		
<b>Lao PDR</b>	Lao People's Democratic Republic		

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# Executive Summary

In the past year, the Forest Carbon Partnership Facility (FCPF) has strengthened its partnership of countries and stakeholders working together to reduce emissions from deforestation and forest degradation, and foster conservation, sustainable management of forests, and enhancement of forest carbon stocks (REDD+). Significant progress has been made in moving from a planning stage to preparations for REDD+ “Readiness” in forested developing countries.

Eight “REDD countries” submitted formal REDD+ Readiness Preparation Proposals (R-PPs) and five submitted draft proposals, providing a wealth of experience and information from which the international community is learning about REDD+. The eight countries that submitted R-PPs were allocated funding for their proposals in Fiscal Year 2010 (FY10), and are looking ahead towards their implementation.

As the second year of the FCPF draws to a close, it is clear that the issues of deforestation and forest degradation are on the minds of most parties when discussing climate change, and that REDD+ will be relied upon as a key element in fighting climate change. The FCPF has served as a platform for bringing together 50 countries and a broad representation of stakeholders, and for engaging these parties in the REDD+ agenda. This unique partnership has not only allowed participants to discuss opportunities and challenges to implementing REDD+ in their respective countries, but has also given them a neutral and innovative space to put forward different solutions with the rich input of colleagues and forestry experts outside of the climate negotiations.

As the FCPF has developed, new needs have arisen. With countries rapidly gaining experience in preparing for REDD+, there is an increased awareness of what the greatest challenges are and a growing demand for opportunities where countries can learn from one another’s experiences,

leveraging the lessons from other countries to collectively address challenges. In response to this demand, the FCPF facilitated a number of regional meetings and workshops in FY10 where countries were able to discuss the technical issues most relevant to them. It has been a useful,

**Deforestation and forest degradation are on the minds of most parties when discussing climate change.**

hands-on approach and has helped strengthen the formulation of R-PPs. The FCPF’s Facility Management Team (FMT) has also tackled other issues in the past year, such as further developing the R-PP template and collaborating with partners to provide services to countries that are getting “ready for REDD+.”

The FCPF Readiness Fund welcomed Denmark as a new donor in FY10 and is also now able to offer \$200,000 grants to all REDD Participant Countries to support the formulation of their R-PPs. Looking ahead, many FCPF partners and stakeholders are awaiting the results of the first independent evaluation of the FCPF, which will provide valuable lessons learned, along with the possibility of increasing membership in the future.

# 1. Achievements in Fiscal Year 2010

The Forest Carbon Partnership Facility (FCPF) advances a mission with global significance: to help tropical countries build capacity to reduce greenhouse gas emissions from deforestation and forest degradation—by conserving forest carbon stocks, sustainably managing forests, and enhancing forest carbon stocks (commonly known as “REDD+”)—while supporting and testing performance-based financing approaches that demonstrate how REDD+ can work.

On June 30, 2010, the FCPF completed its second full year of operation. FY10 is notable for the transition from the previous year’s efforts to lay the groundwork for FCPF operations, to a year of dynamic, collaborative development of REDD+ proposals and strategies in a number of forested countries.

The FCPF’s diversity of activities in FY10 bolstered the global effort to realize REDD+ in two key areas. First, through refining the FCPF framework and sup-

porting the development of Participant countries’ REDD+ proposals, the FCPF helped to clarify what it means for a country to be “ready for REDD+.”

8–9, and Table 4, page 21). It is also providing a framework for the engagement of key stakeholders within forested countries, including indigenous peoples, other forest-dependent peoples, and local non-governmental organizations (NGOs), as well as global stakeholders such as international NGOs. These interactions facilitate development of equitable REDD+ strategies, and also inject valuable knowledge and experience into the Readiness preparation process.

Highlights from FY10 include:

The FCPF’s diversity of activities and achievements in FY10 added significant value to the global effort to realize REDD+.

- Active participation and collaboration of REDD countries, FCPF financial contributors, stakeholders and observers drove continuous improvements in the Readiness preparation process.
- Eight countries submitted R-PPs and were allocated grant funding (Argentina, Republic of Congo, Costa Rica, the Democratic Republic of Congo (DRC), Ghana, Kenya, Mexico and Nepal), and five countries presented draft R-PPs (Argentina, Madagascar, Peru, Suriname and Tanzania).
- A wealth of lessons has been learned about REDD+ Readiness, based on countries’ experiences in the past year.
- Several fora supported by the FCPF facilitated South-South transfer of knowledge among REDD countries.
- The FCPF supported a number of capacity building activities among Indigenous Peoples (IPs).

Second, the FCPF has created a platform for exchange of information and experiences on REDD+ among forested countries and other global stakeholders. The FCPF is providing 37 REDD Country Participants and 14 Donor and Carbon Fund Participants space to learn from one another’s efforts, share innovations and accrue expertise (see map of REDD Countries participating in the FCPF, pages



## 1.1 FCPF Secretariat Services

Secretariat services for the FCPF are provided by a Facility Management Team (FMT), housed in the World Bank. In FY10, the FMT took on a range of activities, from organizing meetings of the Facility's governing body, to promoting knowledge exchange and, most importantly, fostering cooperation amongst diverse stakeholders and with other REDD+ initiatives.

### 1.1.1 Meetings of the Participants

During FY10, the FMT coordinated the FCPF's second Participants Assembly (PA) meeting in October 2009, as well as the Participants Committee (PC) meetings in October 2009 ("PC4"), March 2010 ("PC5") and June 2010 ("PC6"). These meetings, including the participation of eligible REDD Country Participants and key stakeholders such as the Observer for Forest-Dependent Indigenous Peoples and Other Forest Dwellers, were made possible through financial support from the

FCPF Readiness Fund. Each of these four meetings strengthened the process of preparing for REDD+, helped advance the REDD+ agendas of participating countries, and improved the operation of the FCPF. Key outcomes of each of the meetings are discussed in detail in Section 1.4.2.

Two of the three PC meetings were held in REDD countries—Gabon and Guyana—helping to expose FCPF Participants directly to the experiences of these countries in preparing for REDD+. They also provided an excellent opportunity for forest stakeholders and other civil society groups in REDD countries to engage with members of the partnership. For example, on June 26, 2010, in advance of the PC meeting in Georgetown, the FMT hosted an information exchange session for Guyana's civil society stakeholders. More than 60 people attended to learn about the FCPF and engage in a lively discussion focused on consultations with indigenous peoples. Participants recognized differences and challenges, but also expressed optimism

# REDD Country Participants



## REDD Country Participants

The 37 tropical and sub-tropical developing countries thus far selected by the Participants Committee of the Forest Carbon Partnership Facility to be assisted in their efforts to reduce emissions from deforestation and degradation—called REDD—by providing value to standing forests.

Argentina	Gabon	Nicaragua
Bolivia	Ghana	Panama
Cambodia	Guatemala	Papua New Guinea
Cameroon	Guyana	Paraguay
Central African Rep.	Honduras	Peru
Chile	Indonesia	Suriname
Colombia	Kenya	Tanzania
Congo, D.R. of	Lao P.D.R.	Thailand
Congo, Rep. of	Liberia	Uganda
Costa Rica	Madagascar	Vanuatu
El Salvador	Mexico	Vietnam
Equatorial Guinea	Mozambique	
Ethiopia	Nepal	

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*This map was produced by the Map Design Unit of The World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.*

and willingness to work together. The FCPF plans to continue organizing some of its governance meetings in REDD countries in FY11 and beyond.

## 1.1.2 Building International Partnerships and Fostering Institutional Cooperation

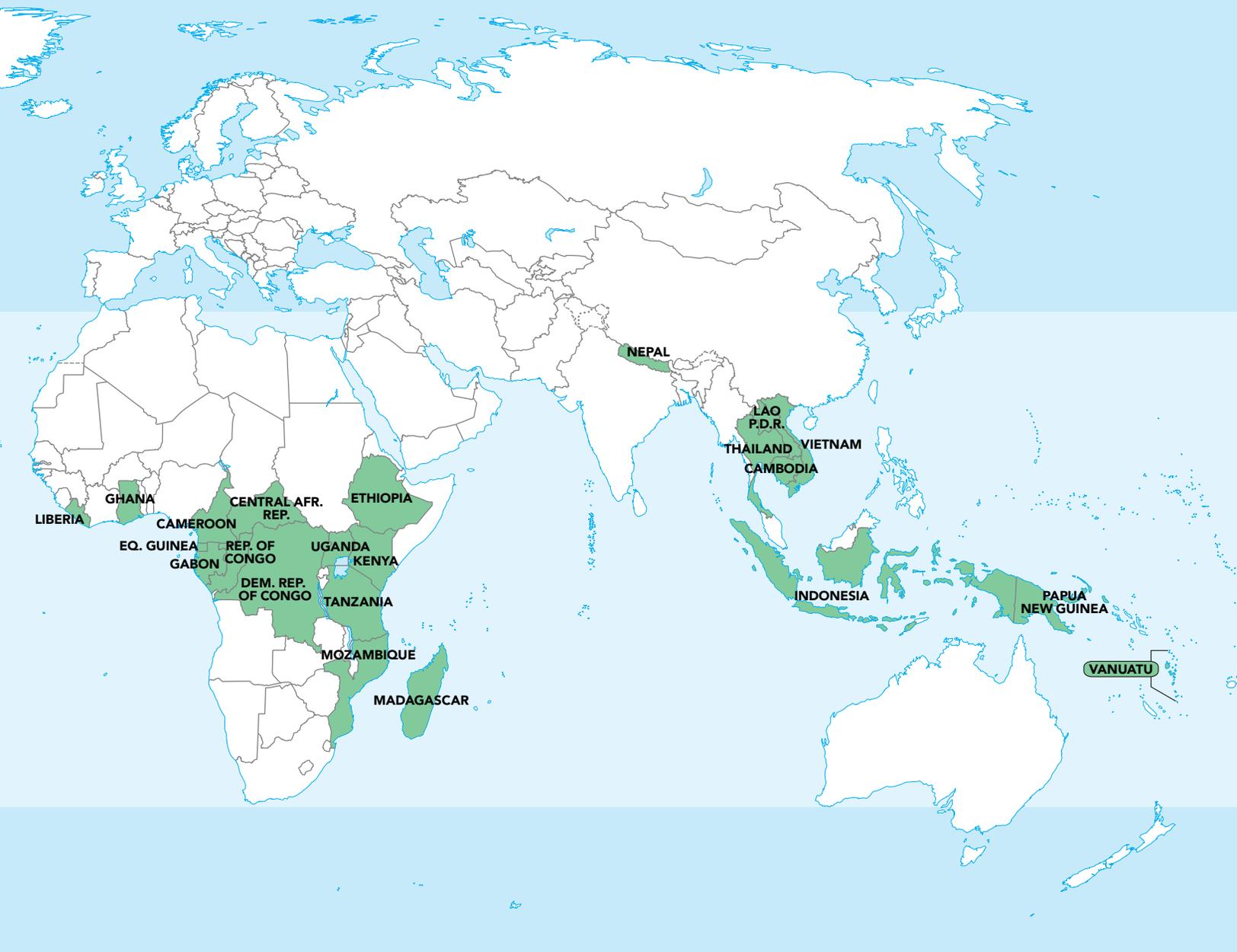
A major focus of the FCPF during FY10 was on building greater cooperation and closer partnerships among international institutions working to advance REDD+. To start, at PC4, the PC revised

the FCPF's definition of REDD to match language adopted by the UNFCCC<sup>1</sup> and harmonize with other major REDD+ initiatives, as follows:

“REDD” means REDD plus [REDD+], i.e. reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks, as may be modified to be consistent with the UNFCCC Guidance on REDD.

In addition, the FCPF, the UN-REDD Programme and the Forest Investment Program (FIP) developed

1. United Nations Framework Convention on Climate Change (UNFCCC). 17 February 2009. “Report of the Subsidiary Body for Scientific and Technological Advice on its twenty-ninth session, held in Poznan from 1 to 10 December 2008.” FCCC/SBSTA/2008/13 <http://unfccc.int/resource/docs/2008/sbsta/eng/13.pdf>



a joint paper entitled *Enhancing Cooperation and Coherence Among REDD+ Institutions to Support REDD+ Activities*,<sup>2</sup> which explored financing and support under the three initiatives; the context and options for enhanced collaboration at the country level; and suggestions for strategic collaboration on REDD+. As a result, the FCPF has endeavored to coordinate support to REDD countries that are participants to both the FCPF and the UN-REDD Programme and, to the extent possible, plans to coordinate future FCPF governance meetings with those of the other initiatives in order to create a

joint platform for sharing country experiences and lessons.

Another key achievement in enhancing cooperation in FY10 was the collaborative work undertaken with the UN-REDD Programme to develop a common template for countries developing REDD+ Readiness proposals for both initiatives. The objective of this work has been to align processes in an effort to reduce country transaction costs and improve country proposals through complementary support. DRC, which helped pioneer this joint submission process, was noted as

2. The draft presented at PC6 is available at [http://www.forestcarbonpartnership.org/fcp/sites/forestcarbonpartnership.org/files/Documents/PDF/Jun2010/2b\\_REDD%2BCooperation\\_06-22-10.pdf](http://www.forestcarbonpartnership.org/fcp/sites/forestcarbonpartnership.org/files/Documents/PDF/Jun2010/2b_REDD%2BCooperation_06-22-10.pdf).

benefitting significantly from review by both the FCPF and the UN-REDD Programme.

### 1.1.3 Services to the Interim REDD+ Partnership

At the Oslo Climate and Forest Conference on May 27, 2010, more than 50 countries launched the new interim “REDD+ Partnership.” Approximately \$4 billion was pledged to support developing countries in their efforts to reduce emissions from forest loss during 2010–2012. The partnership is intended to allow developing and developed countries to act now to implement REDD+, building on the political momentum from Copenhagen.

Ultimately the partnership would be replaced by, or folded into, a future UNFCCC mechanism including REDD+.

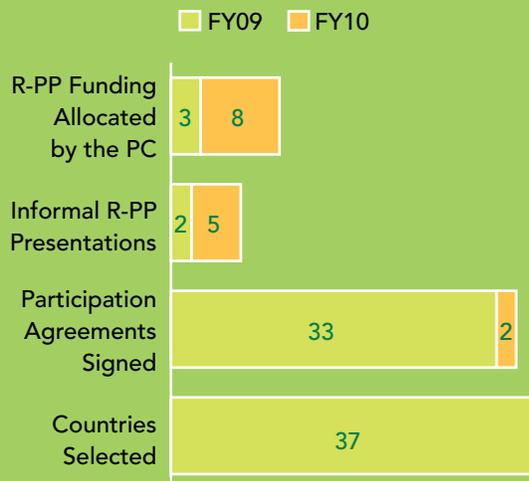
The World Bank and the UN were requested to jointly provide secretariat services to the REDD+ Partnership, building on the extensive cooperation between the organizations through initiatives like the FCPF, FIP and the UN-REDD Programme. At PC6, the PC authorized the FMT to provide some secretariat services—shared with the UN-REDD team—to the REDD+ Partnership, with the caveat that these additional services should be differentiated from the usual work of the FMT and not detract from the FCPF itself. The FMT is being strengthened to take on these added tasks.

## 1.2 Country Implementation Support and Advisory Services

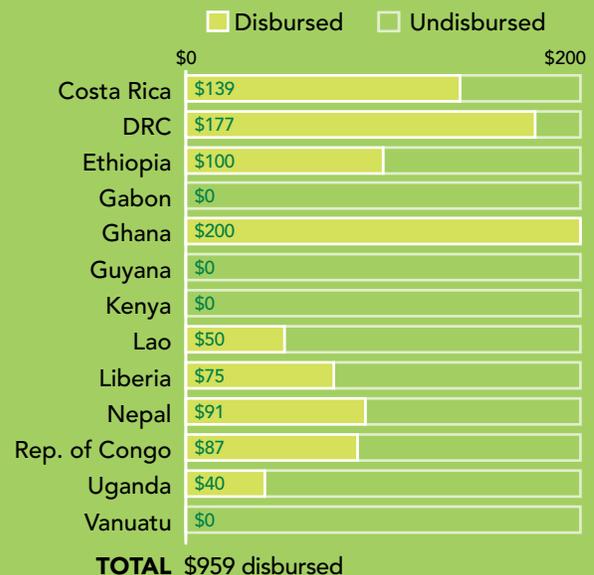
Technical assistance to REDD countries is the core product of the FCPF Readiness Mechanism. The FCPF provides two types of country level technical assistance: (1) Country Implementation

Support, comprised of Readiness preparation support and fiduciary and safeguard assistance from World Bank country teams; and (2) Country Advisory Services, comprised of the coordination

**Figure 1. Status of REDD Countries**



**Figure 2. Formulation Grant Disbursement by REDD Country Participant (in US\$ thousands)**





and feedback of FMT staff and World Bank forestry experts on country documents and other aspects of country readiness work. Visits to REDD+ countries have been vital to these efforts, because they provide direct, multidisciplinary technical support to REDD+ countries “onsite” as they formulate their unique R-PPs. In addition, in an effort to provide closer technical assistance to countries, the FMT has posted a staff member in the World Bank’s Country Office in Kinshasa, DRC. This has allowed the FMT to intensify interactions with the governments of Congo Basin countries and other national and regional forest stakeholders, and has also facilitated World Bank support to the national REDD+ Readiness preparation processes.

### **1.2.1 Status of REDD Country Participation in the FCPF**

In FY10, the emphasis in FCPF country services shifted away from selecting REDD Country Participants and signing new Participation Agreements to the next important phase: developing R-PPs. This shift is evident in the data on R-PPs presented in Figure 1. The chart lists the key milestones and the number of REDD Countries that have achieved

In FY10, the emphasis in FCPF country services shifted away from selecting REDD Country Participants to developing R-PPs.

them, with cumulative numbers from the inception of the FCPF through June 30, 2010.

Many of these REDD Participant Countries were also awarded Formulation Grants of \$200,000 to support the development of their R-PPs. As presented in Figure 2, of the 13 countries with signed Formulation Grant Agreements, nine were actively disbursing the funds as of June 30, 2010.

More of this information is available on the FCPF “dashboard,” a reporting tool that was developed during FY10 and contains country-by-country information on Readiness preparation progress. After presentation by the FMT and PC discussion of the dashboard, it has been agreed that the dashboard will be updated regularly and made available to all on the FCPF website.<sup>3</sup>

3. The FCPF dashboard can be viewed at <http://www.forestcarbonpartnership.org/fcp/node/283>



### 1.2.2 Collaboration with Partners in REDD+ Countries

In FY10, the FCPF took steps to further broaden the global partnership of the FCPF, with new interested REDD countries as well as international organizations and institutions.

At PC5, the PC noted expressions of interest to observe FCPF governance meetings by several countries not currently participating in the FCPF—including Bhutan, Guinea, Nigeria and Sudan—and in FY11 will consider options for including new observers in the FCPF process. In addition, to foster cooperation among the international REDD+ initiatives, the PC invited FIP pilot member Burkina Faso<sup>4</sup> to observe future PC meetings, as a step toward inclusion of all five FIP pilot members in the FCPF.

The FCPF has also been fostering cooperation on REDD+ Readiness with various organizations from different sectors, including financial and technical partners to REDD+ countries, civil

society organizations and the private sector. The R-PP is serving as a tool to coordinate different interventions by such organizations in support of REDD+.

As an example, in FY10, the PC allocated funding to DRC to implement its R-PP, and the FCPF and UN-REDD Programme have been coordinating their support to the country in its Readiness efforts. As part of the preparation of its national REDD+ strategy, DRC will implement a series of seven pilot projects tackling the main causes of deforestation in different regions of the country so as to generate initial lessons to feed into the strategy. These projects will be financed by the Congo Basin Forest Fund, which has expressed strong interest in aligning its assistance to DRC with the ongoing Readiness process. A grant from the International Tropical Timber Organization for capacity building on carbon stock measurement will directly support the early efforts to implement the country's measurement, reporting and verification

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4. See the Climate Investment Funds "Summary of the Co-Chairs Forest Investment Program Sub-Committee Meeting," March 17, 2010, at <http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Summary%20of%20Co-Chairs%20FIP%20SC%20March%202010%20FINAL.pdf>.

(MRV) system. A strong partnership has also been forged with national civil society, organized around the *Groupe de Travail Climat REDD*, which has been participating in the implementation of all components of Readiness, including the plan for consulting with stakeholders on the national REDD+ strategy, and analytical studies (such as the study on causes of deforestation).

### 1.2.3 National Stakeholder Participation and Consultation for REDD+

The FCPF strives to convene and balance the diverse interests involved in REDD+ activities in order to ensure that REDD+ is implemented in a sustainable way. Engaging the participation of stakeholders—including indigenous peoples, other forest-dependent communities, civil society organizations, the private sector and other REDD+ initiatives—is a crucial element of FCPF-supported activities. Because these stakeholders often have unique knowledge and understanding of tropical forests, and of the drivers and underlying causes of deforestation, their inclusion also adds value

Many of the FCPF countries began to engage indigenous peoples, ensuring that their needs and realities are taken into consideration in REDD+ Readiness processes.

to country preparation efforts. Accordingly, the FCPF provides financial and technical support to ongoing stakeholder participation in the design, formulation, review and implementation of REDD+ strategies.

In FY10, many of the FCPF countries began to engage indigenous peoples, ensuring that their needs and realities are taken into consideration in planning for REDD+. Some countries, including DRC, Kenya, Panama and Uganda, have included representatives of indigenous peoples and civil society organizations in their National REDD+ Technical Working Groups as formal elements of their management framework for designing and implementing activities.

## 1.3 Global REDD+ Methodology Support

Building on the advances of the previous year, in FY10 the FCPF continued to:

1. finance and coordinate the independent Technical Advisory Panels (TAPs) to provide multi-disciplinary, expert review of REDD countries' R-PPs;
2. develop the fundamental elements of REDD+ Readiness preparation, and incorporate these elements into templates and guidance documents to organize and facilitate the Readiness preparation process;
3. ensure consistent cooperation and information exchange with other global forestry and REDD+ programs, and with entities developing methodologies; and
4. build REDD+ capacity among forest-dependent indigenous peoples and forest dwellers.

### 1.3.1 Technical Advisory Panels: Early Lessons Learned and Emerging Good Practices in R-PPs

Considerable work to support development of REDD+ methodologies among FCPF member countries was carried out by the multidisciplinary group of scientific and technical experts constituting the TAP. The FCPF relies on an extensive roster of experts—nominated by FCPF Participants, Observers, and the FMT—from which it assembles teams to review and provide technical guidance for country R-PP submissions.

In FY10, eight REDD+ countries developed and submitted final R-PPs for review by the TAP and five REDD+ countries submitted draft R-PPs—an acceleration of process under the FCPF. A total of 15 countries have submitted draft and/or final R-PPs

since the FCPF's start. An important innovation during FY10 is that each R-PP was also reviewed by a working group of PC representatives in advance of PC meetings, to provide early feedback to countries and also streamline the meetings. Table 1 summarizes this evolution and the role the TAP and the PC working group reviews played, and the decision by the PC meeting regarding funding.

Although every country addresses REDD+ within unique environmental, social, economic and institutional circumstances, with 15 R-PPs now developed, the FCPF participants and TAP experts are beginning to see early lessons and "good practices" about what a country needs to incorporate



in its R-PP to launch itself into credible, equitable REDD+ Readiness preparation. These lessons and good practices are summarized below for each R-PP component, to help guide upcoming work by REDD+ countries.

## Box 1: Early Lessons Learned and Emerging Good Practices in R-PP

### COMPONENT 1: Organize and Consult, Stakeholder Consultation and Participation

- R-PPs should foster the emergence of continuous multi-stakeholder engagement processes that begin with widely sharing basic information about REDD+ and the R-PP process, and then move into full consultation and participation by stakeholders over time. These processes need clear objectives and outputs that are widely communicated and incorporated into R-PP development.
- Information needs to be communicated to stakeholders in ways they understand, including meetings with oral communication, translation into relevant languages, and explanations of terms.
- Many R-PPs (e.g., Nepal, Tanzania, Ghana) now list meetings and consultations, who attended, outcomes from the consultations, and next steps.

### COMPONENT 2: Prepare REDD+ Strategy

#### Subcomponent 2a: Assessment of Land Use, Forest Policy, Governance

- Both historical and contemporary dynamics of the principal drivers of deforestation and forest degradation, and their underlying causes, should be explained, by region. This should be holistic, incorporating

agriculture, infrastructure, regulatory policies, and investments in forestry/conservation if possible.

- Review of the country's existing forest law, and relevant legal and regulatory aspects, should clearly identify any unresolved issues with respect to land tenure rights.

#### Subcomponent 2b: REDD+ Strategy Options

- REDD+ frameworks are now being designed within a national vision for sustainable resource management, protection of ecosystems and biodiversity, low-carbon development, and climate change adaptation.
- REDD+ policy actions should be identified by linking land use factors driving deforestation/degradation, and changes in land use, policy or program incentives that would reduce the impact of these drivers.
- Regional approaches/programs may be needed in a country with diverse land use practices, drivers of deforestation, or local institutional arrangements for managing natural resources. e.g., Nepal's R-PP.

#### Subcomponent 2c: REDD+ Implementation Framework

- The strengths of established, functioning social and legal institutions should be leveraged wherever feasible, rather than relying on the creation of new ones.



### 1.3.2 Development of FCPF REDD+ Readiness Instruments

The R-PP has emerged as a framework for national REDD+ Readiness development. The experience gained by participants, the TAP, and the FMT through the many R-PP reviews, as well as through continued exchange of information within the FCPF and with other REDD+ initiatives, has greatly improved the quality of the R-PPs.

Throughout the year, based on experience

to date, FCPF Participants, Observers, and UN-REDD Programme staff provided feedback on ways to improve the R-PP template, with an eye toward developing a single, common format for use by both FCPF and UN-REDD countries. In addition, considerable effort and progress were made to mainstream the World Bank's Strategic Environmental and Social Assessment (SESA) instrument into the R-PP. In the context of the FCPF, the SESA can help to incorporate environmental and social considerations into the Readiness process by assessing the underlying causes of deforestation and identifying environmental and social risks associated with a country's REDD+ strategy.

- Many countries are assessing whether current laws and regulations pertaining to land tenure and ownership rights to lands and carbon adequately clarify these issues for REDD+ actions.
- Many countries are evaluating use of a national tracking system to manage data on sub-national and national REDD+ activities, ownership and exchange of REDD+ benefits, and integration with the eventual MRV system.

#### Subcomponent 2d: Assessment of Social and Environmental impacts

- At PC6, Ghana and DRC presented helpful illustrations of how they are undertaking SESA activities to assess social and environmental impacts. R-PPs of Mexico and Nepal also offer ideas.

#### COMPONENT 3: Develop a Reference Scenario

- Most countries are developing reference scenarios based on future reference projections as well as historical data. Consensus on methods is urgently needed.
- Construction of reference scenarios for multiple ecological or political regions within a country allows tailoring to deforestation drivers and linking to the monitoring of REDD+ policies specific to sub-national circumstances.

#### COMPONENT 4: Design a Monitoring System

- Design and implementation of national MRV systems are likely to take several years, so a stepwise approach may be needed.
- Independent monitoring of national forestry governance can be a valuable element of a country's overall monitoring framework. Verification should be the responsibility of an independent third party. e.g., Tanzania's R-PP calls for substantial independent monitoring activities that will need to be blended with government-led MRV programs.

#### COMPONENT 5: Schedule and Budget

- R-PP budgets are well above previous estimates—averaging \$13 million for the first 11 R-PPs—but are less clear about how much funding has been secured and how funding gaps would be closed.

#### COMPONENT 6: Design a Program Monitoring and Evaluation (M&E) Framework

- A good M&E framework is likely to include: schedule, activities to be conducted and results/outputs to be achieved in each time period, and allocation of funds and personnel to be assigned for each activity.
- R-PP implementers could monitor their own performance and ensure adherence to funding levels and schedules. An independent third party may be valuable for verifying M&E schedules and goals are met.

**Table 1: TAP and PC Working Group Reviews of Country R-PPs during FY10**

REDD+ Country		FY09		FY10	
		PC3 (in Switzerland)	PC4 (in Washington)	PC5 (in Gabon)	PC6 (in Guyana)
Latin America & the Caribbean	Argentina			Reviewed by TAP	Reviewed by TAP, PC working group; allocated funds
	Costa Rica				Reviewed by TAP, PC working group; allocated funds
	Guyana	Reviewed by TAP; allocated funds			
	Mexico			Reviewed by TAP, PC working group; allocated funds	
	Panama	Reviewed by TAP; allocated funds			
	Peru				Reviewed by TAP, PC working group
	Suriname		Reviewed by TAP	Reviewed by TAP, PC working group	
Africa	DRC			Reviewed by TAP, PC working group; allocated funds	
	Ghana		Reviewed by TAP	Reviewed by TAP, PC working group; allocated funds	
	Kenya				Reviewed by TAP, PC working group; allocated funds
	Madagascar			Reviewed by TAP, PC working group	
	Republic of Congo				Reviewed by TAP, PC working group; allocated funds
	Tanzania				Reviewed by TAP, PC working group
Asia & Pacific	Indonesia	Reviewed by TAP; allocated funds			
	Nepal				Reviewed by TAP, PC working group; allocated funds



PHOTO BY RANJITH MENON

### 1.3.3 Advancing and Exchanging Knowledge on Key REDD+ Issues

Knowledge exchange activities among REDD+ countries continued to gain momentum in FY10. The FMT and World Bank staff organized a variety of REDD+ workshops, and the FCPF also co-financed several collaborative South-South discussion opportunities through a \$1 million grant from the Global Environment Facility (GEF) for REDD+ capacity building that was approved in FY09. These activities emphasized South-South knowledge exchange to help countries strengthen their R-PPs and prepare for REDD+ Readiness, as well as fostering longer term South-South collaboration in building capacity for REDD+ readiness.

The FMT also continued its partnership with the World Bank Institute (WBI) Carbon Finance Assist program and the Alternatives to Slash and Burn Program of the World Agroforestry Centre to develop training modules for analysis of the opportunity costs of REDD+ and to train trainers.

### 1.3.4 Building REDD+ Capacity among Forest-Dependent Indigenous Peoples and Forest Dwellers

In FY09, the PC allocated a total of one million dollars (\$200,000 per year for FY09–FY13) to an Indigenous Peoples and Forest Dwellers Capacity Building Program (“IP Program”) to help inform forest-dependent peoples about REDD+ and

The FMT and World Bank staff organized a variety of REDD+ workshops, and the FCPF also co-financed several collaborative South-South discussion opportunities.

enable their organizations to have a strong voice in REDD+ Readiness preparation strategies and programs.<sup>5</sup> The IP Program has aimed to support more inclusive and accountable national Readiness processes, and in FY10, supported REDD+ capacity building activities to:

**Telapak (Indonesia):** Document the problems IPs in Indonesia face in managing forest lands, and analyze how REDD+ would affect their lands and livelihoods (see box 2, page 19).

**Groupe de Travail Climat REDD (DRC):** Enhance capacity of forest-dependent populations to participate in consultations on the national REDD+ strategy.

**Organización de Naciones y Pueblos Indígenas en Argentina (Argentina):** Organize workshops to disseminate information on REDD+, basic concepts of the R-PP, forest management, and the UNFCCC.

5. More information on the FCPF’s Indigenous Peoples Capacity Building program is available at <http://www.forestcarbon-partnership.org/fcp/node/248>.



**Table 2: FY10 Knowledge Exchange Events Financed by the FCPF**

Event	Description
Workshop on <i>REDD+ Readiness: Forests for Climate Mitigation in the Context of National Development Policies</i> (Bonn, Germany, August 2009)	Organized by the Coalition for Rainforest Nations, co-financed by FCPF with funding from a GEF grant. Focused on addressing current financial and technical needs for REDD+ Readiness in forested countries.
Four global dialogues (17 REDD countries, <sup>a</sup> throughout FY10)	Connected REDD country representatives via video conference to share their experiences, opportunities and challenges, with the aim of helping countries strengthen their R-PPs and Readiness preparation.
Workshop on SESA (Nairobi, Kenya, February 2010)	Trained representatives of ten African and Asian REDD countries <sup>b</sup> on the SESA framework <sup>c</sup> as it relates to REDD+ Readiness preparation.
<i>Technical Workshop on REDD+: South-South Cooperation</i> (Bogor, Indonesia, March 2010)	Organized by the Terrestrial Carbon Group, co-financed by the FCPF through GEF grant. Senior staff from governments of Indonesia, Brazil and DRC met to develop a framework for mutual cooperation among the three largest forest countries. Created “Action Plan for Cooperative Action,” including intentions for technical exchanges on community forestry, the Amazon Fund, and monitoring activities, and a program to facilitate the South-South partnership.
Workshop on <i>Forests Communities and Climate Change: Contributions from Mexico to the REDD+ Initiative</i> (Washington, DC, April 2010)	With GEF financing, supported participation of DRC in a workshop on Mexico’s experiences in community forestry and REDD+, to explore the role community forestry could play in a national strategy.
Workshop of <i>Latin American Countries in the REDD+ Process</i> (Cartagena, Colombia, May 2010)	World Bank and FMT staff and representatives from nine FCPF REDD countries in Latin America met in the first of a planned series of four regional workshops, to share experiences and build capacity in both the procedural and technical aspects of Readiness preparation.

a. Argentina, Cameroon, Colombia, Costa Rica, DRC, El Salvador, Gabon, Ghana, Guyana, Kenya, Liberia, Madagascar, Mexico, Republic of Congo, Suriname, Tanzania, and Uganda  
b. DRC, Ethiopia, Kenya, Ghana, Indonesia, Liberia, Mozambique, Nepal, Tanzania, and Uganda.  
c. See Section 1.4.2, R-PP Template, below for detailed discussion of SESA and its role in the FCPF and Readiness preparation process.

## Box 2: FCPF-Financed IP Capacity Building Program in Indonesia

According to the Indigenous People Alliance of Archipelago (AMAN), an estimated 50-70 million of the 210 million Indonesians are IPs. However, there is no systematic database that profiles the IP population, their land and territories as well as their customary rights and use of forest resources.

In FY10, the FCPF's IP Program supported Telapak—an Indonesian NGO involved in REDD+ discussions—to (i) collect data on, analyze, and document the existence of IPs in Indonesia, (ii) scope out their land and territories as they relate to rights and livelihoods, (iii) conduct an analysis of the implications of REDD+, and (iv) identify the problems they face in managing the customary forest territory in climate change adaptation and mitigation processes, specifically REDD+.

Telapak worked in collaboration with other networks of IPs such as AMAN and Forest Watch Indonesia to

carry out this work. A team worked with 30 institutions and NGOs at the national level to collate data on IPs into one central database, and over 100 institutions at the regional level—in Sumatra, Kalimantan, Sulawesi, Papua and Bali Nusra. Participatory mapping exercises conducted throughout the country are being digitalized, and the overlaying of satellite images based on forest classification has created thematic maps describing the current condition of IPs' customary forest territory. In addition, the team has also conducted a review of customary forest territorial conditions of IPs, documenting the challenges IPs are facing.

Currently, Telapak is finalizing the following products: a documentary on this process, a policy brief explaining their position on REDD+, and making the database available on various national and international websites. Telapak also plans a national workshop inviting relevant stakeholders to discuss their findings, with the aim of influencing the policy dialogue on REDD+ and enhancing their effective participation in REDD+ processes.

**Table 3: Activities of the IP Capacity Building Program from Inception through FY10**

	Organization	Location	Amount Committed (US\$)	Expensed (US\$)	Outstanding Commitments (US\$)
FY09	Coordinadora de las Organizaciones Indígenas de la Cuenca Amazónica	Ecuador	\$49,950	\$49,950	\$0
	Instituto de Investigación y Desarrollo Kuna Yala	Panama	\$62,048	\$62,048	\$0
	Indigenous Peoples of Africa Co-ordinating Committee	Africa	\$69,246	\$69,246	\$0
	Total from the FY09 Budget Allocation		\$181,244	\$181,244	\$0
FY10	Telapak Perkumpulan	Indonesia	\$78,545	\$47,127	\$31,418
	Groupe de Travail Climat REDD de la Société Civile	DRC	\$70,000	\$35,000	\$35,000
	Organización de Pueblos y Naciones Indígenas en Argentina	Argentina	\$67,317	\$6,732	\$60,585
	Total from the FY10 Budget Allocation		\$215,862	\$88,859	\$127,003
<b>CUMULATIVE TOTAL THROUGH FY10</b>			<b>\$397,106</b>	<b>\$270,103</b>	<b>\$127,003</b>

## 1.4 Fund Management and Governance

### 1.4.1 Fund Participation

In FY10, the FCPF Readiness Fund welcomed Denmark as a new Donor Participant. Two existing Donor Participants, Agence Française de Développement (AFD) and Australia (AusAID), also made supplemental contributions.

An “Extraordinary Meeting” of the PC voted to increase the number of REDD Country and Donor and Carbon Fund Participant members of the PC from ten to 14 each.

As a result, there were 11 Donor Participants and four Carbon Fund Participants with signed contribution agreements in the FCPF by June 30, 2010. With the Government of Norway as a Participant in both funds, there were 14 distinct financial contributors to the FCPF overall (Table 4).

### 1.4.2 Governance Arrangements

During FY10, the four meetings of the FCPF’s governing bodies resulted in several actions to maintain and enhance the efficiency and effectiveness of the FCPF governance structure.

**PA2/PC3.** At the annual joint gathering of the Participants Assembly (PA) and PC in Washington in October 2009, an “Extraordinary Meeting” of the PC voted to increase the number of REDD Country



and Donor and Carbon Fund Participant members of the PC from ten to 14 each, in order to improve representation of the growing number of FCPF participants.

The Partnership also continues to benefit from the contributions of six official observers, who help guide the course of the FCPF. Each observer serves a vital role in reaching out to the broader community they represent, to exchange information on REDD+ and FCPF proceedings, and to ensure that their stakeholder group’s concerns and perspectives are voiced to the PC. Even though observers do not have a formal right to vote, the principle of reaching decision by consensus in the FCPF Readiness mechanism means observers have levels of influence similar to those of voting members of the PC.

In addition to electing the PC, the PA amended the Charter to clarify the amendment process itself—that future amendments to the Charter can be made only with the prior unanimous consent of



**Table 4. Financial Contributors to the FCPF as of June 30, 2010**

FCPF Donor Participants
AFD (France)
Australia
Denmark
Finland
Japan
Netherlands
Norway
Spain
Switzerland
United Kingdom
United States
FCPF Carbon Fund Participants
European Commission
Germany
Norway
The Nature Conservancy

The four meetings of the FCPF’s governing bodies resulted in several actions to maintain and enhance the efficiency and effectiveness of the FCPF governance structure.

the PC, provided that those Participants who are not present for the discussion (or are not members of the PC at the time of an amendment adoption) are notified by the FMT and do not object within 30 days of the notification.

**PC4—Charter Amendments and Working Groups.** At the fourth meeting of the PC, the PC adopted additional Charter revisions to (1) clarify the responsibilities of the TAP in reviewing and providing guidance on R-PP submissions; (2) specify the PC’s responsibility to develop the criteria and



PC working groups immediately proved to be a valuable forum for discussion, both for the countries submitting R-PPs and for PC members serving as reviewers.

procedures for grant allocation for R-PPs; and (3) specify the PC's responsibility to decide on grants provided for the preparation of a Readiness Package by a REDD Country Participant.

The PC also decided to expand its role in FCPF operations by establishing working groups made up of country members tasked to review R-PPs ahead of future PC meetings. These working groups immediately proved to be a valuable forum for discussion both for the countries submitting R-PPs and for PC members serving as working group reviewers. Positive feedback from R-PP review group participants suggests that these

preliminary reviews by PC members are valuable additions to the REDD+ Readiness development process.

**PC5 and PC6—Additional FCPF Delivery Partners and Programmatic Evaluation.** The PC discussed whether to add entities other than the World Bank as additional “delivery partners” to provide services to REDD Country Participants,<sup>6</sup> in order to leverage other organizations’ comparative advantages and enhance the delivery of services to countries. At PC6 the PC established a working group to address how to select such partners and clarify their expected activities and responsibilities. The potential expansion to multiple delivery partners will be discussed at PA3/PC7 in Washington, DC in November 2010.

Also at PC6, the PC authorized the start of a comprehensive FCPF program evaluation, to cover the first two years of FCPF operations (June 2008 to June 2010) and be completed during FY11. The objective of the evaluation is to provide insights into the challenges of implementing a REDD+

6. “Delivery partners” are defined as entities “providing technical support to REDD Country Participants and supervising the Grant Agreements under the Readiness Fund and Emission Reductions Payment Agreements under the Carbon Fund.” Draft Note FMT 2010-11 “Optimizing Delivery to REDD Country Participants” March 13, 2010. [http://www.forestcarbonpartnership.org/fcp/sites/forestcarbonpartnership.org/files/Documents/PDF/Mar2010/FCPF\\_FMT\\_Note\\_2010-11\\_Readiness\\_Fund\\_Delivery\\_03-13-10.pdf](http://www.forestcarbonpartnership.org/fcp/sites/forestcarbonpartnership.org/files/Documents/PDF/Mar2010/FCPF_FMT_Note_2010-11_Readiness_Fund_Delivery_03-13-10.pdf).



PHOTO BY RANJITH MENON

mechanism and suggest ways to enhance support to FCPF countries. The evaluation will address four key clusters of questions:

1. How does the FCPF add value to REDD+ processes?
2. How has the FCPF evolved and made progress vis-à-vis its objectives, in the context of REDD+ developments at the global and national level?
3. How has the FCPF coordinated and collaborated with other REDD+ initiatives?
4. Is the FCPF governance structure effective and efficient for REDD+ delivery in countries?

### 1.4.3 Audits

Effective in July 2010, the FCPF Readiness Fund and Carbon Fund shifted from the special audit arrangements outlined in the Facility Charter to the World Bank Group's Single Audit framework. This change means that rather than being handled as an additional and separate exercise, the financial audits of the FCPF trust funds will be folded into the umbrella of the World Bank Group's external audit process, enabling cost savings over time. While the PC had already approved a shift to the Single Audit for FY09, the steps taken by the PC throughout FY10 enabled this shift to be reflected more permanently in adjustments to the Charter.

**Table 5: Composition of the FY10 FCPF Participants Committee**

REDD Countries	Donor and Carbon Fund Participants	Observers to the PC
Argentina	Agence Française de Développement	Forest-Dependent Indigenous Peoples and Forest Dwellers
Colombia	Australia	International Organizations
Costa Rica	Denmark	Non-Governmental Organizations
Democratic Republic of Congo	European Commission	Private Sector
Gabon	Finland	UNFCCC Secretariat
Ghana	Germany	UN-REDD Programme
Kenya	Japan	
Mexico	Norway	
Nepal	Spain	
Panama	Switzerland	
Papua New Guinea	The Netherlands	
Suriname	The Nature Conservancy	
Tanzania	United Kingdom	
Vietnam	United States	

# 2. FY10 Financial Report of the Readiness Fund

## 2.1 The FCPF Budget Process

With two fiscal years of operation now complete, more experience has been gained in planning and budgeting for the work of the Readiness Fund. However, it is evident that the FCPF Readiness mechanism is constantly evolving along with the international REDD+ agenda. The FCPF is providing services to a greatly expanded number of countries compared to the 20 initially envisioned, and new challenges (e.g., working with delivery partners, supporting

the REDD+ Partnership) also arise in each PC meeting. Financial planning will need to continue to adjust in line with such changes.

The budgets of both the Readiness Fund and Carbon Fund of the FCPF are based on the World Bank fiscal year and are approved on an annual basis in accordance with the FCPF Charter.

The PC is responsible for approval of the Readiness Fund budget, usually in June of the preceding fiscal year. Since it was not yet operational in FY10, there was no formal budget approval for the Carbon Fund by the Carbon Fund Participants. The balance of this financial report therefore focuses on the Readiness Fund unless otherwise noted.

As part of approval of the Readiness Fund budget, the PC makes decisions on "Shared Costs" for activities that cut across and benefit both the Readiness and Carbon Funds. The Shared Costs have included the FCPF Secretariat and REDD+ Methodology Support activities such as the work of TAPs, the IP Capacity Building Program and development of the R-PP. Pursuant to the Charter, the Readiness Fund pays 65 percent and the Carbon Fund pays 35 percent of Shared Costs over time, unless the PC decides otherwise. With the Carbon Fund not operational, the PC issued resolutions waiving cost sharing in FY09 and FY10 and instead revised the annual Readiness Fund budgets to cover 100 percent of Shared Costs.

The FY10 Readiness Fund budget was approved in June 2009 at PC3 and is presented in Table 6 along with the FY09 budget and outcomes for both years on a cash basis. The FY11 budget of the Readiness Fund was approved in June 2010 at PC6.

The FCPF is providing services to a greatly expanded number of countries compared to the 20 initially envisioned, and new challenges also arise in each PC meeting.



## 2.2 Funding Sources

Table 7, next page, presents the contributions and public pledges for the Readiness Fund by the end of FY10. Although total signed Donor Participation Agreements amounted to \$123.5 million, several of the agreements included a phased contribution into the Readiness Fund spread over a few years.

In FY10, \$32.3 million was received into the

Readiness Fund in addition to the \$53.9 million in cash received in FY09, bringing total cash contributions to \$86.2 million. This leaves an outstanding commitment of about \$37.3 million from existing signed agreements to be paid into the Readiness Fund in the coming years. FY10 funding sources also include \$821,000 of investment income.

## 2.3 Funding Uses in FY10

Based on actual expenditures, the FY10 budget approved at PC3 (Table 6) was a reasonable projection of costs. Notably, there was a considerable

increase in the pace and level of disbursements for Readiness activities compared to FY09, the first year of operations. This increased spending

**Table 6. FCPF Readiness Trust Fund Annual Budgets FY09-11 (in US\$ thousands)**

	FY09 Revised Budget	FY09 Actual <sup>c</sup>	FY10 Revised Budget	FY10 Actual <sup>c</sup>	FY11 Budget <sup>a</sup>
Services to REDD Countries	\$3,732	\$2,037	\$4,226	\$3,719	\$4,213
Country Implementation Support	\$1,194	\$409	\$1,734	\$1,660	\$2,025
Country Advisory Services	\$873	\$801	\$827	\$793	\$959
REDD Methodology Support <sup>b</sup>	\$1,665	\$827	\$1,665	\$1,266	\$1,489
<i>of which Est. Readiness Share</i>					\$1,229
<i>of which Est. Carbon Fund Share</i>					\$260
FCPF Secretariat <sup>b</sup>	\$1,335	\$988	\$1,443	\$1,321	\$1,735
<i>of which Est. Readiness Share</i>					\$1,432
<i>of which Est. Carbon Fund Share</i>					\$303
Readiness Trust Fund Administration	\$306	\$471	\$484	\$362	\$472
<b>TOTAL READINESS FUND</b>	<b>\$5,373</b>	<b>\$3,497</b>	<b>\$6,153</b>	<b>\$5,402</b>	<b>\$6,117</b>

a. FY11 Budget approved at PC6, Resolution PC6/2010/8.

b. FY11 line item activities in italics are for reference only and not in the total est. budget of the Readiness Fund. They reflect PC6/2010/8 on Shared Facility Costs, whereby the Readiness Fund will pay 100% of Shared Costs until the Carbon Fund becomes operational. Once operational, the Carbon Fund will pay 35% of the Shared Costs. An estimated start date for the Carbon Fund of January 1, 2011 is used for illustration.

c. In FY09, the Trustee identified a few accounting transactions that needed to be corrected in the budget. Though there was no overall financial impact to the Readiness Fund, the transactions were corrected in Bank accounting systems during FY10 and are presented in this report to accurately reflect expenditures by activity and by fiscal year.

**Table 7: Commitments and Pledges to the Readiness Fund as of June 30, 2010 (in US\$ thousands)**

	FY09	FY10	FY11	FY12	Totals <sup>a</sup>
AFD (France)	\$4,600	\$600			\$5,200
Australia	\$9,600		\$8,000		\$17,600
Denmark		\$5,800			\$5,800
Finland	\$9,000				\$9,000
Japan	\$5,000	\$5,000			\$10,000
Netherlands	\$5,000		\$15,300		\$20,300
Norway	\$5,000	\$16,400	\$4,400	\$4,400	\$30,200
Spain	\$7,000				\$7,000
Switzerland	\$8,200				\$8,200
United Kingdom <sup>b</sup>			\$5,200		\$5,200
United States	\$500	\$4,500			\$5,000
<b>Committed Funding</b>	<b>\$53,900</b>	<b>\$32,300</b>	<b>\$32,900</b>	<b>\$4,400</b>	<b>\$123,500</b>
Japan			\$4,000		\$4,000
Germany			\$24,500		\$24,500
<b>Committed Funding plus Pledges</b>			<b>\$61,400</b>	<b>\$4,400</b>	<b>\$152,000</b>

a. Amounts may vary due to exchange rate fluctuations  
b. United Kingdom's contribution is provided through the Strategic Climate Fund

**Table 8: FY10 Readiness Program Expenditures by Activity (in US\$ thousands, cash basis)**

Activities	Original Budget	Revised Budget	Expenses (Actual)	Variance	Expense rate
Services to REDD Countries					
<i>Country Implementation Support</i>	\$1,734	\$1,734	\$1,660	\$74	96%
<i>Country Advisory Services</i>	\$827	\$827	\$793	\$34	96%
<i>REDD Methodology Support</i>	\$1,082	\$1,665	\$1,266	\$398	76%
FCPF Secretariat	\$1,443	\$1,443	\$1,321	\$122	92%
Readiness Fund Administration	\$484	\$484	\$362	\$122	75%
<b>TOTAL</b>	<b>\$5,570</b>	<b>\$6,153</b>	<b>\$5,402</b>	<b>\$751</b>	<b>88%</b>

was the result of the formation of country teams at the World Bank to provide assistance to REDD Country Participants, the increased pace of work in more REDD countries and additional staff coming on board to strengthen the capacity of the FMT.

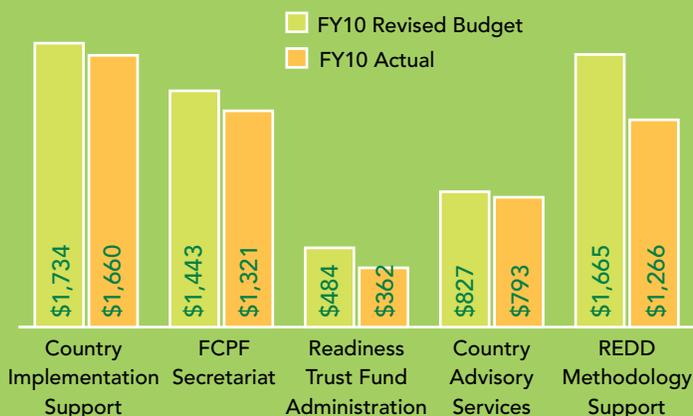
Table 8 also reflects expenditures by activity on a cash basis. The revised budget amounted to \$6.153 million, while total actual expenditures amounted to \$5.402 million, a variance and under run of \$751,000. Overall, expenditures stood at 88 percent of the revised FY10 FCPF Readiness Fund budget on a cash basis. These numbers do not include, however, contracts which were issued throughout the operations of the FCPF and not yet fully expensed (e.g., the IP Program contracts in Table 3), and funding commitments that were made to World Bank country teams supporting REDD+ Readiness in specific countries.

As per Figure 3, country implementation support expenditures were \$1.660 million or at 96 percent of the budget. These expenditures reflect the direct assistance of World Bank county teams to REDD Country Participants, including technical assistance, grant supervision and assessments provided to the PC.

FCPF Secretariat expenses were \$1.321 million compared to the budget of \$1.443 million, or 92 percent of the budget on a cash basis. This included costs for program management, organization of annual and PC meetings, and travel costs for REDD Country Participants. The costs also included supporting the participation of the IP Observer, hosting and maintaining the FCPF website and general communications to FCPF stakeholders.

Readiness Fund Administration costs were \$362,000 or 75 percent of the amount budgeted in FY10. These costs reflect the work of World Bank staff in fund management, contributions management, accounting, legal and other services required by the Readiness Fund Trustee. The initial work of the first evaluation of the FCPF was included in this budget category, however, it has been moved in FY11 to Secretariat services, which is a more appropriate budget category given the broader scope of the evaluation work. In FY10, the start-up costs for the evaluation exercise were lower than anticipated.

**Figure 3. FY10 Budget Performance (in US\$ thousands)**



Expenses on Country Advisory Services came to about \$793,000 or 96 percent of the FY10 budget for these services, which is in line with FY09 costs. The majority of these costs arise from FMT, forestry and social development staff advice and guidance to REDD countries on their programs, including development of the R-PP, SESA and consultation processes.

**Table 9: FY10 Financial Statement for the Readiness Fund (in US\$ thousands)**

Item	Amount
Beginning Balance	\$50,945
Donor Contributions	\$32,290
Investment Income	\$821
Total Receipts	\$33,111
Expenses	\$5,402
Grant Disbursements	\$959
Total Disbursements	\$6,361
<b>FUND BALANCE</b>	<b>\$77,695</b>



With the budget of REDD Methodology Support revised to \$1,665,000, total expenditures on a cash basis came to \$1,266,000 or 76 percent of the revised budget. These costs included all expenses (consulting contracts, travel and meeting costs) related to the independent TAP supporting the FCPF, considerable work with other REDD+ institutions to coordinate and develop joint tools, such as the R-PP template and special programs such as the IP Capacity Building Program. A growing focus on knowledge management and information sharing, on such topics as REDD+ opportunity costs, is also reflected in these numbers.

An important element of the Readiness Fund from its inception has been that the Fund provides grant funds to countries for their own management—the grants of up to \$3.6 million per REDD Country Participant in support of their own country-led Readiness work. The REDD Country Participant manages and utilizes the grant for REDD+ activities and expenses, which are reflected as grant disbursements. Figure 2, page 10, provided information on all formulation grant disbursements to countries. By the end of FY10, 13 R-PP formulation grant agreements had been signed with \$2.6 million in grants fully committed. Nine of the grants were actively disbursing as of June 30, 2010, with \$959,000 in grant funding fully processed and expensed by REDD countries. Associated expenditures on country services accounted for an additional \$5.8 million of support.

In summary, per Table 9 on page 27, at the close of FY10, the balance of the Readiness Fund stood at \$77.7 million. Total new funds into the account were about \$33.1 million, including the donor contributions of \$32.3 million and investment income earned on the account balance. Total disbursements on a cash basis were \$6.4 million, with cash expenditures of \$5.4 million, and expenses by REDD Country Participants against their grants of approximately \$959,000.

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## 2.4 Financial Commitments over the Longer Term

In the Charter of the FCPF, the Readiness Fund was established to operate over the long term, with a closing date in 2020. In order to plan resources over this longer time horizon, the PC issues resolutions that establish funding priorities and commitments for the coming years. These commitments are considered “notional” when the PC has set aside or allocated financial resources of the Readiness Fund that are not yet signed into formal grant agreements or contracts. They are converted to “full” commitments once the grant agreements (or vendor contracts) are signed by recipients and the World Bank as Trustee of the Readiness Fund.

At the close of FY10, the long term notional

commitments (use of funds) made by the PC was aligned with the total committed funding (sources of funds) of approximately \$123.5 million. The long term business plan includes reserves for operation of the secretariat by the FMT and the Trustee role of the World Bank over time. In addition, with new funding that came in during FY10, the PC was able to allocate additional resources to support REDD Countries at PC6. The PC agreed to provide R-PP Formulation Grants of \$200,000 and associated country services to all REDD Country Participants that did not yet have access to such funding. This provision eliminated the previous restriction of such grants to the first 25 countries selected into

the FCPF. This allocation will actually be made only if the grant agreement is signed by December 31, 2011 and an appropriate delivery partner can be arranged (unless the PC decides otherwise, for example, in the case of extenuating circumstances or a delay that is not the fault of the REDD Country Participant).

The PC also reiterated that after PC6 all REDD Country Participants will be equally eligible to receive a Readiness Preparation Grant of up to \$3.6 million. The grants depend on the PC's decision regarding the R-PP, the availability of sufficient committed funding, and regional balance among grant recipients.

As shown in Table 10, as of PC6, Readiness Preparation Grants have been notionally committed to 11 REDD countries. In addition, R-PP formulation grants of \$200,000 are notionally committed to an additional 25 countries. Thus, thirty-six REDD countries have access to FCPF grants—a considerable increase over the twenty envisioned when the Readiness Fund started in 2008. Overall, \$44.6 million has been notionally committed to these country grants, with \$23.6 million in additional funding to provide the associated country services that support REDD

The PC agreed to provide R-PP Formulation Grants of \$200,000 and associated country services to all REDD Country Participants that do not yet have access to such funding.

countries in their efforts. This brings the total notional commitment of the Readiness Fund for direct grants and associated country services to \$68.2 million at the close of FY10.

Besides the notional commitments outlined above, the FMT estimates that there is sufficient funding for the PC to allocate another eight Readiness Preparation Grants of up to \$3.6 million at future PC meetings. This will enable up to nineteen fully funded Preparation Grants and add \$28.8 million to the amount of Readiness funding that is available for REDD Country Participants. These numbers do not include any new resources that may come in to the Readiness Fund when pledges are converted to signed contributions, as anticipated in the coming year.

**Table 10: Funds Notionally Committed to Grants and Services for REDD Country Participants (as of June 30, 2010)**

Grants and Country Services	Amount per country (US\$)	Commitments	
		Number	Total (US\$)
<b>Full Support through Readiness Package</b>			
Preparation Grants (US\$3.6m)	\$3,600,000	11	\$39,600,000
Associated Country Services <sup>a</sup>	\$811,000	11	\$8,921,000
<b>Early Support through R-PP Formulation</b>			
Formulation Grants (US\$200k)	\$200,000	25	\$5,000,000
Associated Country Services <sup>a</sup>	\$586,000	25	\$14,650,000
<b>Total Notional Commitments to Grants and Country Services<sup>b</sup></b>	—	<b>36</b>	<b>\$68,171,000</b>

a. Country Services are comprised of an average per country share of REDD Methodology Support and Country Advisory Services, plus direct Country Implementation Support

b. 36 REDD Countries, which may include all selected REDD Country Participants except for Tanzania, which is bilaterally funded

# 3. Carbon Fund Development

Beyond the work of the FCPF Readiness Fund in assisting countries to prepare for REDD+, the FCPF Carbon Fund also advanced in FY10. This second, but critically important, phase of the FCPF serves as a vehicle through which the FCPF will implement and evaluate pilot incentive programs for REDD+: Participant countries will receive performance-based payments for achieving verified emissions reductions from avoided deforestation and/or forest degradation

if they have demonstrated progress in REDD+ Readiness with respect to MRV. The structure of these payments will build on the options for REDD+ that are currently being discussed within the UNFCCC process or national systems, with payments made to help address the causes of deforestation and degradation.

The FMT organized three detailed design discussions in FY10 with existing and potential Car-

bon Fund Participants, as well as some observers from REDD countries, with the aim of maximizing the utility of the Carbon Fund and addressing any key outstanding issues before the launch of Fund operations (September 2009 in London; May 2010 in Frankfurt; May-June 2010 in Bonn). The meetings reconfirmed the Fund's importance and its objectives, and made some important refinements to its structure.

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- focus on results, namely high-quality and sustainable emissions reductions including social and environmental benefits;
- are undertaken at a significant scale, for example at the level of an administrative jurisdiction within a country or at the national level;
- are consistent with emerging compliance standards under the UNFCCC and other regimes;
- are sufficiently diverse to generate learning value for the FCPF and other partners;
- use clear mechanisms so that the incentives for REDD+ reach those who need them;
- are based on transparent stakeholder consultations; and
- generate emissions reductions at a fair price.

The meetings also produced an analogous set of goals and parameters for application of Carbon Fund resources to sub-national emissions reductions programs, for example to ensure linkage to national REDD+ strategies, and minimize the risk of deforestation and emissions leakage.

In addition to these detailed parameters, meeting participants agreed on several important overarching principles to guide Carbon Fund deployment, ensure its linkage and complementarity with the Readiness Mechanism, and to make it sustainable. Participants agreed that

The FMT organized three detailed design discussions in FY10 with existing and potential Carbon Fund participants.



the Carbon Fund should play both a demonstration and a catalytic role in advancing emissions reduction programs; accordingly, Carbon Fund commitments should be made early enough to provide incentives to FCPF countries that achieve significant progress in Readiness preparation. They also agreed that private capital will be essential to make REDD+ sustainable, and thus that

the Carbon Fund structure should be designed to attract private capital.

As of the close of FY10, the FCPF continued its discussions of options for pricing structures of REDD+ emission reductions assets, and continued work to recruit private sector Participants for the Carbon Fund as a key criterion for declaring the Fund operational.

# 4. Conclusions, Insights and the Road Ahead

Two years into operation of the FCPF, the resources available for countries to prepare for REDD+ have evolved considerably. The participation, collaboration and leadership of the REDD Country Participants are driving progress toward the FCPF's objective of building global capacity to make REDD+ a reality. Meanwhile, the engagement of FCPF Donor and Carbon Fund Participants, its official observers, and independent expert reviewers is ensuring that the

lessons learned at each step of the way are identified, documented and translated into institutional improvements that enhance the FCPF and facilitate knowledge sharing across the partnership. At the close of FY10, it is apparent that the pioneering REDD countries have greatly advanced their individually tailored Readiness preparation strategies, and have also begun to serve as leaders and key sources of information for fellow REDD countries that have more recently initiated their own processes.

Experiences in FY10 revealed a number of lessons that can help pave the way in FY11 and beyond, both as countries continue the momentum in preparing for REDD+ and in laying the foundation for activities under the Carbon Fund. Below are some of the lessons from the point of view of the FMT:

1. The cross-cutting nature of REDD+ presents new challenges in sectoral coordination that may be solved by embedding REDD+ strategies in overarching policy frameworks (e.g. low-carbon development strategies).
2. Political will is required to create highly qualified, cross-sectoral teams capable of resolving competing interests into a coherent national plan for REDD+.
3. Countries are now grappling with how to ensure the inclusion of stakeholders in REDD+ policy development and implementation, pointing to

questions of control over resource management and the respective decision-making processes.

4. Promising results are emerging where countries are combining traditional evaluation of REDD+ strategy options with newer analytic tools that facilitate making choices among competing options.
5. A bridge has not yet been built between the wealth of experiences at the local levels in managing forest resources and land use change, and REDD+ policy frameworks and incentive programs at the national level.
6. Early cooperative development on rules for REDD+ transactions and benefit-sharing are essential prerequisites for broad support and the legitimacy of REDD+ programs.
7. Addressing methodological issues such as reference levels and MRV are key entry requirements for REDD+ programs. In the absence of clear policy guidance from the international level and price signals for REDD+, countries can embark on a stepwise approach to building their capacity in these areas.
8. Early initiatives to finance REDD+ have illuminated a paradox: In spite of the high-level international commitments to REDD+ funding, moving resources to REDD+ countries through multilateral agencies requires due diligence and safeguards that take time.
9. Progress on REDD+ will stall if it is cast as a way to solve all problems.





**FOREST  
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PARTNERSHIP**  
F A C I L I T Y



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