GPR

THE FOREST CARBON PARTNERSHIP FACILITY

IEG
INDEPENDENT EVALUATION GROUP

GLOBAL PROGRAM REVIEW
Volume 6 Issue 3

THE WORLD BANK GROUP

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THE INDEPENDENT EVALUATION GROUP

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The goals of evaluation are to learn from experience, to provide an objective basis for assessing the results of the Bank Group's work, and to provide accountability in the achievement of its objectives. It also improves Bank Group work by identifying and disseminating the lessons learned from experience and by framing recommendations drawn from evaluation findings.

Cover Photo: Young girl at Tzabal, Guatemala, with firewood that will be taken to other villages and sold. The overconsumption of firewood, primarily used as a cooking fuel, has been a principal contributor to the depletion of the Guatemalan ecosystem.

United Nations Photo/John Olsson

IEG
Independent Evaluation Group

Global Program Review

Forest Carbon Partnership Facility

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Country, Corporate and Global Evaluations

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IEG Mission: Improving World Bank Group Development Results through Excellence in Evaluation

The Independent Evaluation Group (IEG) of the World Bank annually reviews a number of global and regional partnership programs (GRPPs) in which the Bank is a partner, in accordance with a mandate from the Bank's Executive Board in September 2004. The three main purposes are (a) to help improve the relevance and effectiveness of the programs being reviewed, (b) to identify and disseminate lessons of broader application to other programs, and (c) to contribute to the development of standards, guidelines, and good practices for evaluating GRPPs. IEG does not, as a matter of policy, recommend the continuation or discontinuation of any programs being reviewed.

A standard global or regional program review (GPR) is a ***review*** and not a full-fledged ***evaluation***. The preparation of a standard GPR is contingent on a recently completed evaluation of the program, typically commissioned by the governing body of the program. Each GPR assesses the independence and quality of that evaluation; provides a second opinion on the effectiveness of the program, based on the evaluation; assesses the performance of the World Bank as a partner in the program; and draws lessons for the Bank's engagement in GRPPs more generally. The GPR does not formally rate these overall measures of performance.

Assessing the independence and quality of GRPP evaluations is an important aspect of GPRs in order to foster high-quality evaluation methodology and practices more uniformly across Bank-supported GRPPs. Providing a "second opinion" on the effectiveness of the program includes validating the major findings of the GRPP evaluation. Assessing the performance of the World Bank as a partner in the program provides accountability to the Bank's Executive Board.

In selecting programs for review, preference is given to (a) those that are innovative, large, or complex, (b) those in which the Bank is sufficiently engaged to warrant a GPR, (c) those that are relevant to upcoming IEG sector studies, (d) those for which the Executive Directors or Bank management have requested reviews, and (e) those that are likely to generate important lessons. IEG also aims for a representative distribution of GPRs across sectors in each fiscal year.

A GPR seeks to add value to the program and to the World Bank beyond what is contained in the external evaluation, while also drawing upon IEG's experience in reviewing a growing number of programs. It reports on key program developments since the evaluation was completed, including progress in implementing the recommendations of the evaluation.

A GPR involves a desk review of key documents, consultations with key stakeholders, and a mission to the program management unit (secretariat) of the program, if this is located outside the World Bank or Washington, DC. Key stakeholders include the Bank's representative on the governing body of the program, the Bank's task team leader (if separate from the Bank's representative), the program chair, the head of the secretariat, other program partners (at the governance and implementing levels), and other Bank operational staff involved with the program. The writer of a GPR may also consult with the person(s) who conducted the evaluation of the GRPP.

Each GPR is subject to internal and external peer review and IEG management approval. Once cleared internally, the GPR is reviewed by the responsible Bank department and the secretariat of the program being reviewed. Comments received are taken into account in finalizing the document, and the formal management response from the program is attached to the final report. After the document has been distributed to the Bank's Board of Executive Directors, it is disclosed to the public on IEG's external website.

Abbreviations and Acronyms

ADB	Asian Development Bank
AFD	Agence Française de Développement
AfDB	African Development Bank
AWG-LCA	Ad Hoc Working Group on Long-term Cooperative Action
BioCF	BioCarbon Fund
CAS	Country Assistance Strategy
CO_2	Carbon dioxide
CODE	Committee on Development Effectiveness (World Bank)
COP	Conference of the Parties (UNFCCC)
CSO	Civil society organization
DAC	Development Assistance Committee (OECD)
DP	Delivery Partner (FCPF)
EBRD	European Bank for Reconstruction and Development
ER	Emissions reduction
ERPA	Emissions Reduction Purchase Agreement
ER-PIN	Emissions Reduction Program Idea Note
ESMF	Environmental and Social Management Framework
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FCPF	Forest Carbon Partnership Facility
FIF	Financial Intermediary Fund (World Bank)
FIP	Forest Investment Program
FMT	Facility Management Team
FPIC	Free prior and informed consent
GDP	Gross domestic product
GEF	Global Environment Facility
GHG	Greenhouse gas
GPR	Global Program Review
GRPP	Global and/or Regional Partnership Program
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Inter-American Development Bank
IEG	Independent Evaluation Group
IEGCC	IEG Country, Corporate and Global Evaluations
IFC	International Finance Corporation
IP	Indigenous peoples
IPCC	Intergovernmental Panel on Climate Change
LAC	Latin America and the Caribbean
LAO PDR	Lao People's Democratic Republic
M&E	Monitoring and evaluation
MDB	Multilateral development bank
MDP	Multiple Delivery Partners
MRV	Monitoring, reporting, and verification
NGO	Nongovernmental organization
OECD	Organisation for Economic Co-operation and Development
OP	Operational Policy (World Bank)
PA	Participants Assembly (FCPF)
PC	Participants Committee (FCPF)
PCF	Prototype Carbon Fund
PROFOR	Program on Forests
PRSP	Poverty Reduction Strategy Paper
REDD	Reduced Emissions from Deforestation and Forest Degradation
REDD+	REDD plus conservation of forest carbon stocks, sustainable management of forests,

	and enhancement of forest carbon stocks
R-Package	Readiness Package
R-PIN	Readiness Plan Idea Note
R-PP	Readiness Preparation Proposal
SDN	Sustainable Development Network
SESA	Strategic Environmental and Social Assessment
TA	Technical assistance
TAP	Technical Advisory Panel (FCPF)
ToR	Terms of reference
TTL	Task team leader (World Bank)
UN	United Nations
UNDP	United Nations Development Program
UNDRIP	UN Declaration of the Rights of Indigenous Peoples
UNEP	United Nations Environment Program
UNFCCC	United Nations Framework Convention on Climate Change
UN-REDD	UN Collaborative Program on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
WRI	World Resources Institute

Fiscal Year of Program

July 1 – June 30

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Preface

This is the Global Program Review (GPR) of the Forest Carbon Partnership Facility (FCPF). A global program approved by the World Bank's Board on September 25, 2007, the program is a partnership between contributing donor countries, Reduced Emissions from Deforestation and Forest Degradation (REDD) participating countries, Nongovernmental Organizations (NGOs), Civil Society Organizations (CSOs), and Indigenous Peoples (IP) designed to assist developing countries to reduce emissions from deforestation and degradation by building capacity for REDD activities in developing countries and testing a program of performance-based, incentive payments in certain pilot countries.

The program is governed by a Participants Committee (PC) comprised of 28 members — 14 REDD Country Participants and 14 financial contributors — and is administered by the FCPF Facility Management Team (FMT) within the Sustainable Development Vice Presidency of the World Bank in Washington, DC.

In July 2010, the PC commissioned an external evaluation of the program in line with its charter, which stipulates that the program shall be subject to a periodic evaluation of its effectiveness. Carrying out such an evaluation every three to five years is also a World Bank requirement for programs receiving more than $5 million in trust funds. The present Global Program Review (GPR) reviews the independence and the quality of the evaluation, provides a second opinion on the effectiveness of the FCPF based on the evaluation, assesses the Bank's performance as a partner in the program, and draws lessons for the future operation of the FCPF and the Bank's engagement in global and regional partnership programs (GRPPs) more generally. This GPR is part of the Independent Evaluation Group's (IEG) regular work program of reviewing Bank-supported GRPPs to contribute to improving the independence and quality of their evaluations and to enhancing the relevance and effectiveness of the programs themselves.

IEG chose the FCPF for review at this time because it was relevant as an input into IEG's Forest Evaluation which has been conducted simultaneously with this GPR and because the FCPF is the first carbon fund within the Bank that has been externally evaluated.

The methodology for this Global Program Review included a literature review, interviews with representatives of donor and REDD country participants, NGOs, IP organizations and other CSOs and stakeholders attending the 10th meeting of the PC in Berlin and the 11th meeting in Asunción, and country visits (Democratic Republic of Congo, Indonesia, Lao PDR, Liberia, Mexico, Peru, Indonesia) and interviews that were conducted in conjunction with IEG's forest evaluation (2012).

IEG gratefully acknowledges all those who made their time available for interviews and provided useful information and insights into the program. It wishes to especially acknowledge the contributions of the PC members who graciously made time to meet with the review team during the Berlin (PC10) and Asunción (PC11) meetings. IEG also acknowledges the high level of access and accommodation extended to the IEG review team by the FMT. The complete list of people consulted by IEG can be found in Annex F of this report.

An earlier version of the GPR was peer reviewed by Kenneth Chomitz, Senior Adviser, IEG, and by Augusta Molnar, Andy White, and Jeff Hatcher of Rights and Resources Initiative.

Following IEG's normal procedures, copies of the draft GPR were sent to the FMT within the World Bank. Copies were also sent to other World Bank units that have responsibility for the Bank's involvement with global programs. Their comments have been taken into account in finalizing the GPR. The formal response received from the FCPF is attached as Annex H.

Program at a Glance: Forest Carbon Partnership Facility (FCPF)

Start Date	The FCPF was approved by the World Bank's Executive Board on September 25, 2007, launched at the 13th Conference of the Parties (COP) to the United Nations Framework Conference on Climate Change (UNFCCC) in December 2007, and started operations in June 2008.
Mission/Goal	The mission of the FCPF is to assist developing countries in their efforts to reduce emissions from deforestation and degradation (REDD) by building capacity for REDD activities in developing countries and testing a program of performance-based incentive payments in certain pilot countries.
Objectives	The objectives of the Facility are (a) to assist eligible REDD countries in their efforts to achieve emission reductions from deforestation and/or forest degradation by providing them with financial and technical assistance in building their capacity to benefit from possible future systems of positive incentives for REDD; (b) to pilot a performance-based payment system for emission reductions generated from REDD activities, with a view to ensuring equitable benefit sharing and promoting future, large-scale, positive incentives for REDD; (c) to test ways to sustain or enhance livelihoods of local communities and to conserve biodiversity; and (d) to disseminate broadly the knowledge gained in the development of the Facility and implementation of readiness preparation proposals and emission reductions programs.
Major Activities	**The two major activities of the Facility are:** (a) Knowledge creation and knowledge transfer by defining and developing the modalities for REDD plus conservation of forest carbon stocks, sustainable management of forests, and enhancement of forest carbon stocks (REDD+) (Readiness Fund, Carbon Fund) through a collaborative, iterative process centered on regular international meetings that include experts within the World Bank and other international organizations, donors, forested developing countries and technical experts; and transferring this knowledge to build capacity for countries to become ready to benefit from future REDD+-based payment schemes. Sharing and disseminating lessons learned on the development of REDD+ globally. (b) Capacity building through the Readiness Preparation Proposal (R-PP) process, fostering information exchange within and between relevant Ministries/Government agencies at the country level. Assisting countries to conduct necessary stakeholder consultations and building the capacity of Southern CSOs, forest-dependent communities, and IP organizations to enable them to take full part in the REDD+ readiness process in their countries.

World Bank Group Contributions	The World Bank Group underwrote the cost of establishing the Facility (US$2.35 million), acts as Trustee of the Readiness Fund and of the Carbon Fund, established and houses the FMT, and acts as one of the Delivery Partners, along with the Inter-American Development Bank (IDB) and the United Nations Development Program. The World Bank Group has not, by design, made financial contributions to the two trust funds.
Other Donor Contributions	Eighteen donor participants have pledged about US$457 million to the FCPF (US$239 million to the Readiness Fund and US$218 million to the Carbon Fund) from FY2008–12. The largest donors are Germany (24%), Norway (20%), Canada (10%), and Australia (9%). The minimum contribution to either of the FCPF's two trust funds is US$5 million.
Location	The FCPF is administered by the FCPF Facility Management Team at the Sustainable Development Vice Presidency of the World Bank in Washington, DC. An annual meeting of the Participants Assembly (PA) is held each year at a time and place determined by the Facility Management Team. The PC meets at least twice a year or at any other frequency as is deemed necessary.
Website	http://www.forestcarbonpartnership.org
Governance and Management	**Governance of the Facility consists of:** (a) A **Participants Assembly** consisting of all eligible REDD countries, eligible donors, and eligible prospective Carbon Fund participants, representatives of relevant international organizations, relevant nongovernmental organizations, forest-dependent indigenous peoples and forest dwellers, and relevant private-sector entities may be invited by the FMT to attend annual meetings as observers. (b) A **Participants Committee** consisting of 28 members — 14 REDD Country Participants and 14 Readiness and Carbon Fund donors, collectively. (c) A **Participants Committee Bureau**, consisting of eight members of the PC, of which five are REDD Country Participants and three are Readiness and/or Carbon Fund Donors. **Management of the Facility consists of:** (a) A **Facility Management Team** established by and housed at the World Bank and responsible for the day-to-day operations of the Facility. (b) A **Trustee** of the Readiness Fund and of the Carbon Fund. This role is performed by the World Bank. **Advisory is overseen by:** (a) One or more **Ad Hoc Technical Advisory Panels (TAPs)** — a roster of experts proposed by the Facility Management Team.
Latest Program-Level Evaluation	First Program Evaluation for the FCPF, by Le Groupe-conseil baastel ltée and Nordeco, June 13, 2011.

Sources: World Bank. 2011. "Charter Establishing The Forest Carbon Partnership Facility." World Bank, Washington, DC; World Bank. 2007. *"The Carbon Partnership Facility and the Forest Carbon Partnership Facility: Instruments for Addressing Global Climate Change."* R2007-0 188, World Bank, Washington, DC.

Key Bank Staff Responsible during Period under Review

Position	***Person***	***Period***
Program Manager	Benoit Bosquet, Lead Carbon Finance Specialist, ENVCF	2009 – Present
Manager, Carbon Finance	Joëlle Chassard	2007 – Present
Bank's Representative on the Participants Committee (Observer)	Benoit Bosquet , Lead Carbon Finance Specialist, ENVCF (Observer)	2009-Present
Director, Environment Department (ENV)	Warren Evans Mary Barton-Dock	2004 – 2011 2011 – Present
Vice President, Sustainable Development Network	Katherine Sierra Inger Anderson Rachel Kyte	2004 – 2010 2010 – 2011 2011 – Present
Director, Trust Fund Operations	Arif Zulfiqar	1999 – 2008
Director, Global Programs & Partnerships	Margaret Thalwitz	2004 – 2008
Director, Global Partnerships & Trust Fund Operations	Junhui Wu Michael Koch	2009 – 2011 2011 – Present

Glossary

Efficacy	The extent to which a global program has achieved, or is expected to achieve, its objectives, taking into account its relative importance. The term is also used as a broader, aggregate measure — encompassing relevance and efficiency — of the overall outcome of a development intervention such as a Global and Regional Partnership Program (GRPP).
Efficiency	The extent to which a global program has converted or is expected to convert its resources/inputs (such as funds, expertise, time, and so forth) most economically into results in order to achieve the maximum possible outputs, outcomes, and impacts with the minimum possible inputs.
Emission Reduction Purchase Agreement (ERPA)	An agreement governing the acquisition and transfer of greenhouse gas emission reductions entered into between the Trustee of the Carbon Fund and a REDD country participant or an entity approved by a REDD country participant.
Forest Investment Program (FIP)	One of the targeted programs of the Strategic Climate Fund, this aims to support developing countries' efforts to reduce emissions from deforestation and forest degradation by providing scaled-up financing for readiness reforms and public and private investments. The Strategic Climate Fund is one of the two Climate Investment Funds that were established in 2008 to address climate change mitigation and adaptation via concessional funding for projects executed by the five Multilateral Development Banks (African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank and the World Bank Group).
Impacts	Positive and negative, primary and secondary, long-term effects produced by a development intervention, directly or indirectly, intended or unintended.
Indicator	A quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor.
Monitoring, Reporting, and Verification (MRV) System	A nationwide monitoring, measurement, and verification system capable of monitoring any change in forest cover and forest carbon stocks against an established reference scenario.
Outcomes	The achieved or likely short-term and medium-term effects of the outputs of a development intervention.

Readiness Package	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 include the following elements: (a) A reference scenario; (b) A REDD strategy; and (c) A MRV system.
Readiness Preparation Proposal (R-PP)	A proposal submitted to FMT by a REDD country participant detailing the activities to be undertaken by that country to achieve readiness for REDD. The R-PP forms the basis for a Readiness Grant of US$3.6–3.8 million from the Readiness Fund to finance the activities detailed in the R-PP.
Readiness Plan Idea Note (R-PIN)	An initial proposal submitted to the FMT by an eligible REDD country to gain access to the FCPF and outlining the basic elements of that country's proposed readiness strategy.
REDD	Reduced Emissions from Deforestation and Forest Degradation.
REDD+	REDD in addition to conservation of forest carbon stocks, sustainable management of forests, and enhancement of forest carbon stocks.
REDD Country Participation Agreement	An agreement between a REDD country participant and the Trustee of the Readiness Fund setting out terms and conditions for participation in the FCPF.
Reference Scenario	A combination of recent historical data on emissions from deforestation and/or forest degradation and estimated future emissions resulting from forest carbon stock changes, leading to a national scenario of emissions in the absence of additional positive incentives for REDD.
Relevance	The extent to which the objectives and design of a global program are consistent with (a) the current global/regional challenges and concerns in a particular development sector and (b) the needs and priorities of beneficiary countries and groups.
Transparency	As a criterion for assessing governance and management, the extent to which a program's decision making, reporting, and evaluation processes are open and freely available to the general public. This is a metaphorical extension of the meaning used in physical sciences — a "transparent" objective being one that can be seen through.
United Nations (UN) Collaborative Program on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD)	A joint program of the Food and Agriculture Organization of the United Nations (FAO), United Nations Development Program (UNDP) and United Nations Environment Program (UNEP) to support the development and implementation of nationally-led REDD+ strategies in developing countries.

Sources: World Bank. 2011. *Charter Establishing the Forest Carbon Partnership Facility,* as amended May 11, 2011, Washington, DC; IEG. 2007. *Sourcebook for Evaluating Global and Regional Partnership Programs: Indicative Principles and Standards.* Washington, DC, for evaluation terms.

Executive Summary

Origin and Objectives of the Forest Carbon Partnership Facility

1. The Forest Carbon Partnership Facility (FCPF) was established in 2007 with a mandate to assist developing countries in their efforts to reduce emissions from deforestation and forest degradation (REDD). The FCPF consists of two mechanisms, each of which includes a trust fund for which the World Bank acts as Trustee:

(i) *The Readiness Fund*, which assists 36 tropical and sub-tropical developing countries in preparing themselves to participate in a future, large-scale system of positive incentives for REDD.
(ii) *The Carbon Fund* for testing a program of performance-based incentive payments in some pilot countries. The FCPF's target capitalization is US$650 million, consisting of US$300 million for the Readiness Fund and US$350 million for the Carbon Fund.

As of June 2012, 18 donors had pledged US$457 million to the FCPF: US$239 million to the Readiness Fund and US$218 million to the Carbon Fund.

2. The objectives of the Facility are—

(a) To assist eligible REDD countries in their efforts to achieve emission reductions from deforestation and/or forest degradation by providing them with financial and technical assistance in building their capacity to benefit from possible future systems of positive incentives for REDD.
(b) To pilot a performance-based payment system for emission reductions generated from REDD activities, with a view to ensuring equitable benefit sharing and promoting future, large-scale positive incentives for REDD.
(c) To test ways to sustain or enhance livelihoods of local communities and to conserve biodiversity.
(d) To disseminate broadly the knowledge gained in the development of the Facility and implementation of readiness preparation proposals and emission reduction programs.

3. Since the Facility was established in 2007, the REDD agenda has expanded to include the conservation and enhancement of forest carbon stocks and the sustainable management of forests, including the enhancement of local livelihoods and the conservation of biodiversity therein. This expanded agenda is referred to as REDD+.

The 2010 External Evaluation

4. An external evaluation of the FCPF was conducted in 2010 that covered the first two years of FCPF operations. This found that the FCPF had made significant progress in meeting its first and last objectives — assisting countries in their efforts to achieve emission reductions by providing them with financial and technical assistance and disseminating the knowledge gained in the development of the Facility — but less progress was made on the

two other objectives — piloting a performance-based system of payments and enhancing livelihoods and conserving biodiversity — as would be expected in its initial stages.

5. The external evaluation was of good quality based on the evaluative criteria applied — it employed a variety of evaluative tools, utilized a participatory approach, and had a substantial level of impact on program management. However, the evaluation did not ask key questions with regard to the continuing relevance of the Facility's objectives and the relevance of the program's design — questions that are particularly important given the uncertain environment in which the FCPF operates. While behaviorally independent, the evaluation lacked organizational independence.

Major Achievements of the Program

6. The FCPF's main achievement to date has been to use the World Bank's convening power to operationalize REDD+ by developing the modalities of REDD+ readiness. This has been achieved through a program of regular international meetings that bring together donor and developing country governments, non-governmental organizations, indigenous peoples' groups and forest-dependent community representatives, technical experts, the World Bank and other international organizations for deliberations on REDD+. The key output from this process has been detailed guidance, enshrined in a template that constitutes a roadmap for countries wishing to develop their own REDD+ readiness strategies.

7. The formulation and implementation of the readiness strategies constitute the necessary preparatory work to eventually enable countries to directly address the drivers of deforestation identified in their REDD+ readiness strategies. Through a combination of funding and/or technical assistance, the program has supported 24 of its 36 developing country members with the formulation of their readiness strategies. While implementation of the strategies is so far at an early stage in most countries — as disbursements of the grants supporting implementation only began in fiscal year 2012 — the program has so far supported seven of its member countries advance to the REDD+ implementation stage (Costa Rica, the Democratic Republic of the Congo, Ghana, Indonesia, Liberia, Nepal, and the Republic of Congo). Results on the ground — or the progress made in implementing these countries REDD+ strategies — should be assessed as part of the next independent, external evaluation commissioned by the FCPF. (Only one country – the Democratic Republic of the Congo — had reached mid-term by the time this review was conducted).

8. While the program's own financial resources have proved insufficient for countries to achieve REDD+ readiness, the FCPF-supported readiness process has in many cases provided a basis for countries to leverage co-financing from other bilateral and multilateral sources. Once the readiness process is sufficiently advanced in a country, it then becomes eligible to enter into a pilot emissions reductions transaction with the FCPF's Carbon Fund.

Major Conclusions of the Present Review

9. This review concludes that that the FCPF has been an innovative program that has added significant value at the global level in defining the modalities of REDD+ and has produced a roadmap for countries to achieve REDD+ readiness. The FCPF has been willing to take risks and pioneer new ways of doing business. It has created a space for inclusive and transparent debate among donors, forested developing countries, civil society, indigenous peoples' groups and forest-dependent communities around REDD+. Even in the absence of an agreed-upon instrument and a system of positive incentives and financing flows for REDD+, the FCPF has rekindled interest in addressing challenges that have plagued the forest sector for years. Because of the requirements associated with REDD+, the FCPF has facilitated a level of consultation and dialogue at the country level that has not traditionally taken place in sustainable forest management projects.

10. Like the external evaluation, this review concludes that the value added of the FCPF at the country level has been the guidance provided by the Readiness Preparation Proposal (R-PP) template and the guidelines for stakeholder engagement, including the Strategic Environmental and Social Assessment (SESA). Since the external evaluation, the World Bank has helped the Democratic Republic of the Congo, Nepal, Indonesia, Ghana, and the Republic of Congo move into the implementation phase of REDD+.

11. Yet changes in the FCPF's external environment, in particular the uncertain prospects for a large-scale compliance market in REDD credits, have complicated the FCPF's mission. Whereas the period surrounding the launch of the FCPF was characterized by optimism about the UNFCCC process and increased momentum behind carbon markets, progress at the UNFCCC process has been slower than expected and a financing instrument for REDD+ remains elusive. Proposed cap-and-trade schemes in several industrialized countries that would have boosted demand for carbon credits have, so far, not materialized. Whereas FCPF's approach to REDD+ presupposes private sector participation, the Facility has, so far, only been able to secure the participation of two private sector participants in its Carbon Fund.

12. The FCPF's mission is further complicated by "over-demand." In the case of the Readiness Fund, 11 new countries are now seeking entry and 11 current participants have yet to sign their formulation grant. With a future total of 47 client countries, the FMT will need to communicate to its constituents how it intends to support this expanded demand for services while simultaneously helping five to 10 of these countries participate in the Carbon Fund. Ideas for potential emission reduction programs are already being presented to the Carbon Fund, yet most FCPF countries are still at a relatively early stage in the REDD+ Readiness process.

13. This progress at the country level has been constrained by the fact that REDD+ is a more expensive, complex, and protracted undertaking than was anticipated at the time of the FCPF's launch. As most drivers of deforestation lie outside the forest sector, REDD+ touches on a range of different sectors and requires an unusually high degree of political will, cross-sectoral and interministerial coordination. To be successful, REDD+ will need to be configured as an integral part of participating countries' national development strategies.

Funding needs for readiness are also greater than anticipated. While FCPF grants of up to US$3.6 million were initially expected to cover the development of readiness strategies (Phase 1), countries have, to date, budgeted an average of almost four times this amount. The most widely cited estimate places the global cost of halving deforestation by 2030 at between US$17 and US$33 billion per year if the forest sector is included in carbon trading.

14. Progress at the country level has also been constrained by the slow rate of grant disbursements. Only 30 percent of the paid-in contributions to the Readiness Fund has so far been committed and only 16 percent has so far been disbursed to recipients or spent by the FMT on technical support activities and administration. While grant disbursements in fiscal year 2012 increased substantially from the previous year — from US$1 million in fiscal year 2011 to US$2.8 million in fiscal year 2012 — the program has spent approximately US$22 million to deliver a total of US$4.9 million in grants since its inception, 70 percent of which have been utilized by five countries. Disbursement delays can, in part, be attributed to the World Bank‘s inital decision to assume the role of sole implementing agency of the Facility. The decision to expand the number of implementing agencies through the new Multiple Delivery Partner (MDP) arrangement may help to shorten some of the Facility's disbursement delays, although associated risks will need to be managed.

Lessons

15. The following key lessons have emerged from this review for the FCPF and the World Bank.

For the FCPF

16. **The FCPF needs to update and clarify its mission to the World Bank's Board and to its participating members in relation to the changes that are taking place in the carbon market and with respect to the evolving nature of the Carbon Fund.** Of penultimate importance is the need for greater clarity on how and under what conditions the Facility will support non-market, versus market-based approaches to REDD+ and how benefits will be aligned. The FCPF should also clarify the role of its participants vis-à-vis the two funds: how will countries that are not eligible for the Carbon Fund view their role in the Readiness Fund after the Carbon Fund comes fully on-stream? How will the FCPF balance issues of fairness and efficiency between longstanding participants and new entrants?

17. **FCPF management could enhance its effectiveness by revisiting its supervision formulas, taking advantage of internal World Bank reforms relating to micro and small grants, and by developing a programmatic Results Framework that is more reflective of the technical assistance and financial services that it provides.** The results framework could clearly differentiate between results attributable to activities supported by the Readiness Fund and those attributable to the Carbon Fund. With regard to the Readiness Fund, indicators could be developed to measure the impact that the country-level consultation processes and Bank supervision are having on country systems, with regard to countries' capacity to manage REDD+. It is important that the results framework focus its reporting around the inputs, activities, outputs, and interim outcomes that are attributable to

the program, rather than aligning itself with climate change goals that lie outside the purview of the program.

FOR THE WORLD BANK

18. **The World Bank needs a high-level, strategic discussion on its overall approach to REDD and needs to articulate how it plans to support implementation of countries' REDD strategies going forward**. Given both the scale and cross-sectoral nature of REDD+ and the uncertain prospects for financing, the Bank needs to step back and think about where it is going with REDD+. Expectations have been raised at both the country and local levels by the FCPF about future rewards of REDD+. The Bank faces a risk to its reputation in case financing does not materialize on the scale envisaged. The Bank, therefore, needs to make sure that it stands fully behind the REDD+ agenda. A strategic reflection on the Bank's overall approach to REDD+ is necessary, including a discussion between all relevant networks and sectors about how country-generated REDD+ strategies will be aligned with, and included in, Country Assistance Strategies (CASs), Poverty Reduction Strategy Papers (PRSPs) and the corresponding operational portfolios and how REDD+ will be supported after the planned closing date of the Facility.

19. **Until there is greater clarity about the contours of future REDD+ financing, the World Bank might consider giving priority to (or frontloading) "no regrets" investments and activities, such as legal and policy support for land tenure and forest governance reforms that dovetail with the Bank's wider objectives in the forest sector**. The Bank faces the challenge of sustaining development outcomes already achieved and maintaining momentum behind the REDD+ process through this period of uncertainty while also moderating stakeholder expectations and avoiding making commitments beyond those on which it is willing and able to deliver. To ensure effective use of resources while greater clarity on financing is awaited, "no regrets" investments and activities — which are also useful outside of the REDD+ context — could be prioritized and synergies sought with the Bank's wider objectives in the forest sector.

1. Program Context, Objectives, and Institutional Arrangements

1.1 The Forest Carbon Partnership Facility (FCPF) was established in response to strong demand from both developing and industrialized countries for a mechanism to assist developing countries in their efforts to reduce emissions from deforestation and degradation (REDD). The importance of tackling tropical deforestation was underlined by scientific findings showing that avoiding deforestation could play a key role in reducing future greenhouse gas concentrations. According to the Intergovernmental Panel on Climate Change (IPCC), deforestation and forest degradation are the second leading cause of global warming, accounting for about 17 percent of global greenhouse gas (GHG) emissions, and over a third of emissions from developing countries.[1] Recent scientific evidence suggests that emissions from deforestation may be somewhat less than those estimates — or somewhere between 6 and 17 percent of global GHG emissions[2] — but these estimates are still subject to considerable uncertainty.

1.2 In response to mounting scientific evidence and at the request of several forested countries led by Costa Rica and Papua New Guinea, the eleventh Conference of the Parties (COP) in Montreal in December 2005 considered an agenda item on REDD. Two years later at COP13 in Bali, the COP adopted a decision in *REDD in developing countries: approaches to stimulate action*.[3] The FCPF was formally launched at the Bali meeting, having been approved that September by the World Bank's Board. The Facility became operational in June 2008, when the World Bank, in its capacity as Trustee, had signed donor participation agreements representing US$20 million in commitments, as provided for in the FCPF charter.

1.3 The Facility committed to testing and demonstrating methods and instruments that could help inform United Nations Framework Convention on Climate Change (UNFCCC) negotiations surrounding any future climate regime and to increasing the level of confidence in the international community that REDD could be a credible mitigation instrument. It was established at a time of enthusiasm and expectation that a regulatory instrument to compensate reductions in emissions from deforestation and forest degradation in the form of

1. G.J. Nabuurs, O. Masera, K. Andrasko, P. Benitez-Ponce, R. Boer, M. Dutschke, E. Elsiddig, J. Ford-Robertson, P. Frumhoff, T. Karjalainen, O. Krankina, W.A. Kurz, M. Matsumoto, W. Oyhantcabal, N.H. Ravindranath, M.J. Sanz Sanchez, X. Zhang, 2007: Forestry. In Climate Change 2007: Mitigation. Contribution of Working Group III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change [B. Metz, O.R. Davidson, P.R. Bosch, R. Dave, L.A. Meyer (eds)], Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA.

2. See, for example, A. Baccini, S. J. Goetz, W. S. Walker, N. T. Laporte, M. Sun, D. Sulla-Menashe, J. Hackler, P. S. A. Beck, R. Dubayah, M. A. Friedl, S. Samanta, and R. A. Houghton. "Estimated Carbon Dioxide Emissions from Tropical Deforestation Improved by Carbon-Density Maps." In *Nature Climate Change* 2, 182–185 (2012); N. L. Harris, S. Brown, S. C. Hagen, S. S. Saatchi, S. Petrova, W. Salas, M. C. Hansen, P. V. Potapov, and A. Lotsch. "Baseline Map of Carbon Emissions from Deforestation in Tropical Regions." *Science* 336 (6088), 1573–76.

3. UNFCCC Decision 2/CP.13.

carbon payments would be developed under the UNFCCC.[4] At Bali, the Parties had officially recognized REDD as a means to mitigate climate change[5] and the prospects for REDD seemed to brighten further when the United States, Norway, and several other donors pledged US$3.5 billion in fast-start financing for REDD over the 2010–12 period at COP15 in Copenhagen. At COP16 in Cancun in 2010, the parties agreed that “developing countries could contribute to mitigation actions in the forest sector by (a) reducing emissions from deforestation; (b) reducing emissions from forest degradation; (c) conserving forest carbon stocks; (d) sustaining management of forests; and (e) enhancing forest carbon stocks.”[6] This became known as the REDD+ agenda — that is the original REDD goals listed above in items (a) and (b), plus the additional goals listed above in items (c), (d), and (e).

1.4 However, despite continuing negotiations under the UNFCCC and major funding pledges, to date, no regulatory instrument for REDD financing exists and pledges have not been converted into commitments on anywhere near the scale envisaged at Copenhagen. The carbon market is furthermore in a depressed state due to the uncertainty surrounding the post-Kyoto compliance regime and the non-adoption by a number of industrialized countries of proposed cap-and-trade schemes. Most observers seem skeptical that a comprehensive agreement will emerge at the UNFCCC in the medium term. Regional compliance regimes might, in the meantime, provide a limited market for REDD credits, but it seems unlikely that this will be on the scale required to have a significant impact on tropical deforestation.

1.5 The FCPF recognized its limitations in its original framing documents, noting that in the absence of an agreed-upon instrument and a system of positive incentives and financing flows for REDD, the direct impact of the Facility would be limited. The current context in which the FCPF is operating has limited its ability to achieve its aim of quickly testing and demonstrating REDD methods and instruments that could help inform UNFCCC negotiations. Rather, due to the slow pace of negotiations, the FCPF is *de facto* influencing UNFCCC negotiations by providing a platform for donor and REDD country participants to debate the definitions and measurement criteria for REDD readiness — steps that are necessary for the development of a credible mitigation instrument and any future financing scheme.

Program Objectives and Guiding Principles

1.6 The FCPF’s program objectives are laid out in its charter (last revised in May 2011). The FCPF has four specific objectives:

(1) To assist eligible REDD countries in their efforts to achieve emission reductions from deforestation and/or forest degradation by providing them with financial and technical

4. Parties to the UNFCCC began discussing the possibility of creating such an instrument in Bali at the thirteenth session of the Conference of the Parties to the UNFCCC (COP13) in 2007.

5. UNFCCC COP Decision 2/CP.13.

6. “Report of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention on its Seventh Session.” Held in Bangkok from September 28 to October 9, 2009, and Barcelona November 2–6, 2009. Document No. FCCC/AWGLCA/2009/14 of 20 November 2009.

assistance in building their capacity to benefit from possible future systems of positive incentives for REDD;[7]

(2) To pilot a performance-based, payment system for emission reductions generated from REDD activities, with a view to ensuring equitable benefit sharing and promoting future large-scale, positive incentives for REDD;

(3) Within the approach to REDD, to test ways to sustain or enhance livelihoods of local communities and to conserve biodiversity;

(4) To disseminate broadly the knowledge gained in the development of the Facility and implementation of readiness preparation proposals and emission reductions programs.[8]

1.7 The FCPF charter also specifies six operating principles under which the Facility should operate:[9]

(1) Respect a REDD participant country's sovereign right and responsibility to manage its own natural resources while encouraging effective monitoring and implementation of the Readiness Preparation Proposal (R-PP) and Emission Reductions Programs;

(2) Recognize the pilot nature of the Facility and follow a "learning by doing" approach;

(3) Seek to ensure consistency with the UNFCCC guidance on REDD;

(4) Comply with the World Bank's operational policies and procedures, taking into account the need for effective participation of forest-dependent persons;

(5) Build public and private partnerships for REDD among participants and relevant international organizations, relevant nongovernmental organizations, forest-dependent indigenous peoples (IP) and forest dwellers, and relevant private sector entities;

(6) Maximize synergies with other bilateral and multilateral programs on REDD.

Institutional Arrangements

1.8 The FCPF consists of two mechanisms, each of which includes a trust fund for which the World Bank acts as Trustee: (1) the Readiness Fund, to build capacity for REDD+ in tropical and subtropical developing countries, and (2) the Carbon Fund for testing a program

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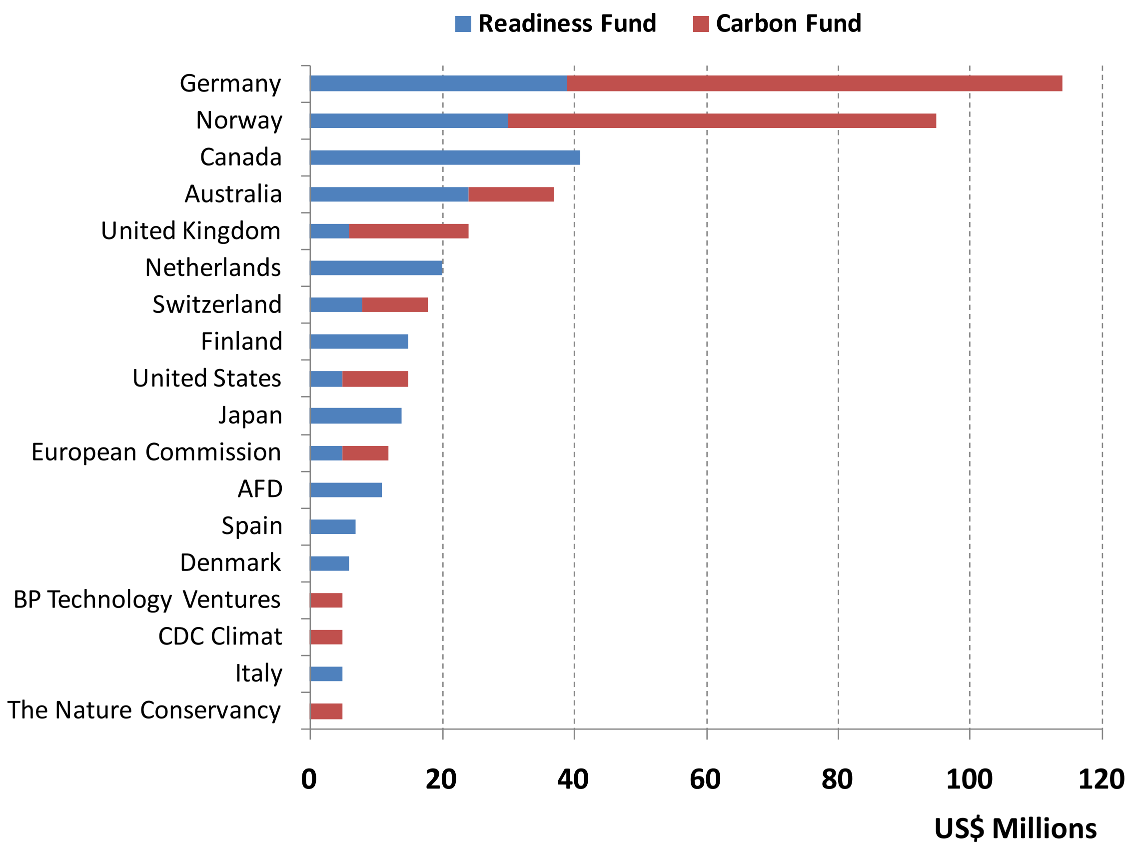
[7] Deforestation and forest degradation cause CO2 emissions by releasing the carbon content of trees (generally about 50 percent of total volume) and soil into the atmosphere. Trees also remove carbon from the atmosphere (by acting as a "carbon sink") through a process called photosynthesis, by which trees convert CO_2 into energy and biomass.

8. World Bank (2011): *Charter Establishing the Forest Carbon Partnership Facility*, Washington, DC.

9. World Bank (2011): *Charter Establishing the Forest Carbon Partnership Facility*, Washington, DC.

of performance-based, incentive payments in some pilot countries. The FCPF's target capitalization is currently US$650 million, consisting of US$300 million for the Readiness Fund and US$350 million for the Carbon Fund. As of June 2012, 18 donor contributors had pledged US$457 million to the FCPF: US$239 million to the Readiness Fund and US$218 million to the Carbon Fund (Figure 1.1). The minimum contribution to either fund is US$5 million.

Figure 1.1. Donor Contributions, Fiscal Years 2008–12

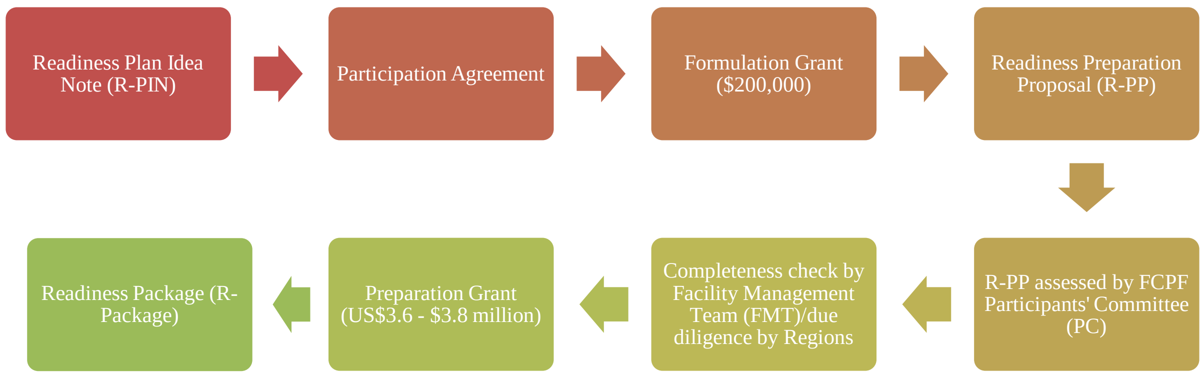


Source: World Bank data. See Annex Table C-1.

READINESS MECHANISM (READINESS FUND)

1.9 The Readiness Mechanism is designed to assist eligible developing countries to prepare themselves to participate in a future, large-scale system of positive incentives for REDD. The Readiness Fund offers two lines of financing: a US$200,000 technical assistance grant to finance the formulation of a R-PP and a US$3.6–3.8 million grant to assist with the preparation of a Readiness Package (R-Package) (Figure 1.2). As reflected in the R-PP template, the readiness process assists countries with (a) setting up the necessary REDD+ coordination mechanisms at the national and subnational levels and conducting stakeholder consultations; (b) determining a national reference scenario based on historical emissions from deforestation and degradation and, where needed and feasible, an assessment of how these emissions would evolve in the future; (c) preparing a national REDD strategy; and (d) establishing a monitoring system for emissions from deforestation and forest degradation; (e) establishing a schedule and budget for readiness activities; and (f) designing a monitoring and evaluation framework.

Figure 1.2. Readiness Mechanism



Source: IEG.

CARBON FINANCE MECHANISM (CARBON FUND)

1.10 The **Carbon Fund** became operational in 2011 and is classified as a public-private partnership. This mechanism is designed to support countries that will have successfully participated in the Readiness Mechanism to join, on a voluntary basis, a second mechanism through which the Facility will test and evaluate incentive payments for REDD programs *in approximately five developing countries*. The Carbon Fund will remunerate the selected countries in accordance with negotiated contracts for verifiably reducing emissions beyond the reference scenario.

1.11 The Carbon Fund is divided into two tranches — a restrictive and a nonrestrictive one — each of which operates as a separate trust fund. Carbon credits purchased by the restrictive tranche, the funding for which mostly comes from official development assistance, cannot be used to offset carbon emissions, whereas, those purchased by the nonrestrictive tranche can be traded and used as carbon offsets. The United Kingdom, the European Commission, Germany, Norway, Canada, and Switzerland have contributed to the restrictive tranche. The participants in the nonrestrictive tranche are Australia, the United States, BP Technology Ventures, Inc., CDC Climat, and The Nature Conservancy.

1.12 Over the course of this review, donors were informed that the Carbon Fund would be closed on June 30, 2012, to reward early-movers and to incentivize other donors to join as quickly as possible. This decision, made by the governing body of the Carbon Fund, was to encourage a more accurate projection of the level of resources that will be available to finance pilot transactions.

Governance and Management

PARTICIPATION IN THE FCPF

1.13 The FCPF is governed by a Participants Assembly (PA) which includes all FCPF participants and which meets once a year[10] (Figure 1.3). FCPF Participants include *REDD Country Participants* from tropical and subtropical regions of the globe, which are members of the International Development Association (IDA) or International Bank for Reconstruction and Development (IBRD) located between the 35th parallels of latitude north and south; *Donor Participants,* government, private or public entities contributing a minimum of US$5 million to the Readiness Fund; and *Carbon Fund Participants*, governments or private or public entities contributing a minimum US$5 million to the Carbon Fund.

1.14 The main responsibilities of the PA are to: (a) elect a 28-member executive committee, *the Participants Committee* (PC), which serves a one-year term and is composed of 14 members from each of two constituencies: REDD Country Participants and Donor and Carbon Fund Participants, collectively; (b) provide general guidance to the PC; (c) review, if it so wishes, decisions made by the PC with respect to certain items specified in the charter; and (d) to serve as a forum for exchanging information and sharing knowledge among participants and observers.

1.15 The PC meets three times a year and adopts major decisions on behalf of the FCPF. Per the charter, the PC is to make every effort to make decisions by consensus. In case such efforts are exhausted, decisions can be made by two-thirds of the members present and voting. The PC has adopted and developed rules of procedure under which it elects a Bureau, consisting of up to eight of its members (five REDD countries and up to three financial contributors), to conduct business between PC meetings. While the Bureau has been put in place to enhance information flow between the FMT and participating countries between PC meetings, there is a varied degree of engagement among Bureau members, and responsibilities have not been clearly defined.

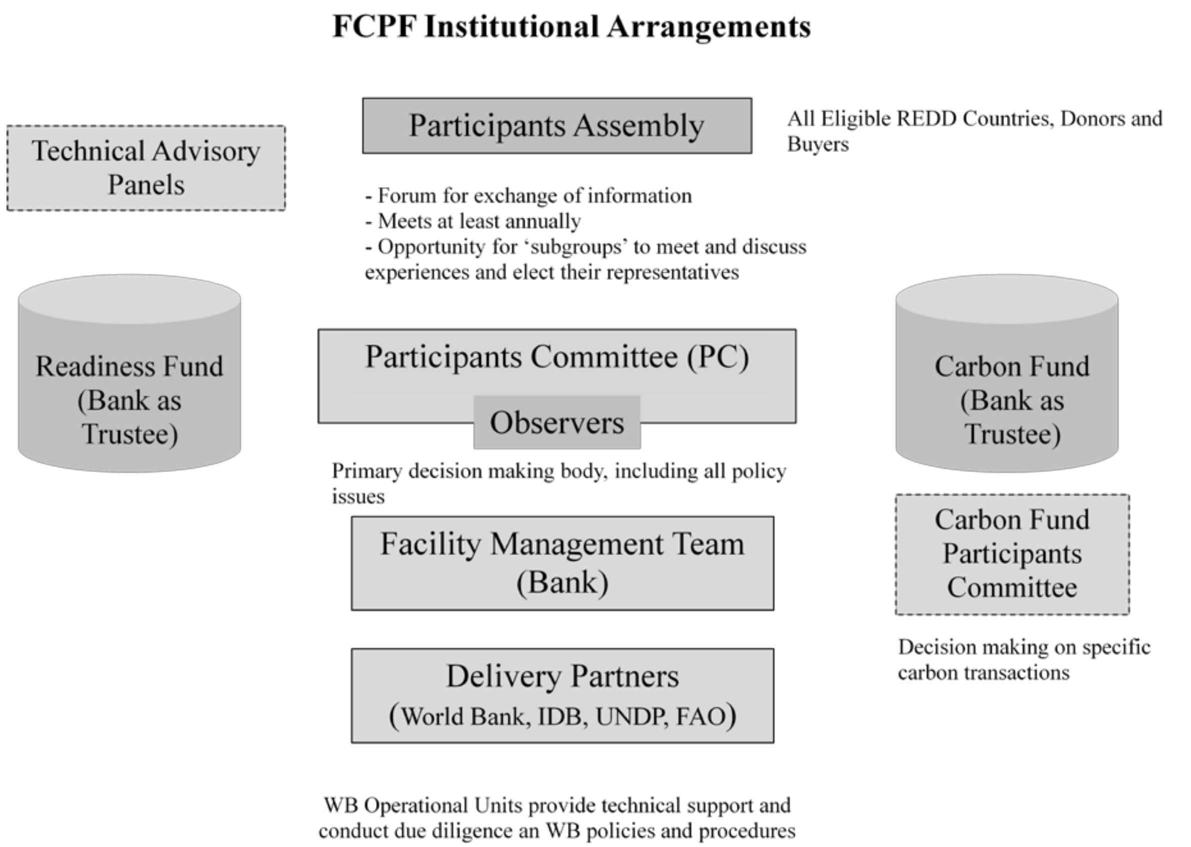
1.16 Six Observers selected from forest-dependent IP and other forest dwellers, international organizations, the UNFCCC Secretariat, the UN-REDD Program, nongovernmental organizations, and noncontributing private sector entities are invited to attend PC meetings. Observers have full access to information in the same way as the participants but are not entitled to vote.

MANAGEMENT

1.17 The World Bank plays multiple roles vis-à-vis the FCPF. It acts as Trustee of both the Readiness and the Carbon Fund and as Delivery Partner (DP) to most REDD Country Participants. It also provides secretariat services through the FMT, comprised of roughly 20 staff and housed within the Carbon Finance unit of the World Bank's Environment Department. The FMT administers the trust funds, prepares the meetings of the PC and the PA, and provides technical assistance on such issues as REDD+ methodology and

10. See full list of participants in Annex E.

Figure 1.3. FCPF Institutional Arrangements



Source: IEG, adapted from FCPF presentation: General Overview, September 2010.

stakeholder consultations. It also coordinates with other units of the World Bank involved in supervising grants from the Facility.

TECHNICAL ADVISORY PANEL

1.18 The FCPF also relies on a roster of experts that are called upon by the FMT to provide advisory services. *Ad Hoc Technical Advisory Panels* are assembled by the FMT to provide feedback to countries on their R-PP submissions. The R-PP submission process usually involves several rounds of feedback and assistance prior to formal submission of an R-PP to the PC. Once a country submits an R-PP to the FMT, the FMT selects a team of six to eight technical advisors to shepherd the R-PP through the submission process. Each Technical Advisory Panel (TAP) team includes: one indigenous persons representative, one sector expert from the country (with skills ranging from forestry, experience with REDD, social development, economics, and so forth), an international technical expert able to evaluate the development of the Monitoring, Reporting, and Verification (MRV) criteria, and two co-leads, who are typically, recognized technical experts in the forest community. The FMT has experienced some difficulties successively identifying and contracting in-country technical experts. The FMT utilizes REDD focal points and Bank task team leaders (TTLs) to recommend in-country experts.

1.19 The TAP process is collaborative: each TAP member submits an individual review to the FMT and the co-leads who are responsible for assembling comments and making recommendations. There is an attempt to maintain anonymity among team members so that the final product fairly incorporates all points of view without bias. Individual experts are compensated for three or four days of work at a Bank rate equivalent to their experience and co-leads usually spend six to seven days per country. The process is transparent insofar as each iteration of the comments is made available online and then replaced by review. The FMT involves itself in the review in an effort to maintain consistency of advice across countries and to ensure that there are even standards being set for countries, since the style and advice of different panels may vary. The PC is less involved in the technical review process now than it was when operations started. PC members originally reviewed the R-PPs simultaneous to the TAP. The PC has recently begun to review only the final R-PP, however, once the R-PP has incorporated the final TAP comments.

2. The External Evaluation

Evaluation Independence and Quality

2.1 The FCPF charter requires that the FCPF be subject to periodic evaluations including a first evaluation no later than two years after the Facility is declared operational (June 2008). In line with the charter, the FMT prepared a proposed evaluation framework, which was discussed and approved at PC5 (March 2010).[11] As such, the first program evaluation would cover the first two years of FCPF operation, from June 2008 to June 2010. The terms of reference for the evaluation were developed by the FMT and then presented to the sixth meeting of the PC in July 2010 for approval. At the subsequent PC meeting held in November 2010, the FMT presented the results of its competitive bidding process. Based on its technical and financial evaluation of seven proposals that had been submitted, the FMT recommended the selection of Le Groupe-conseil baastel ltée, which the PC accepted. The consultants began work in November 2010, presented interim results at PC8 in March 2011, and the final report at PC9 in June 2011.[12]

Independence of the External Evaluation

2.2 Although the evaluation exhibited a high degree of behavioral independence, organizational independence was compromised.[13] The evaluation was mainly managed by the program's secretariat. Good practice necessitates that the oversight of a global program be carried out by the program's governing body. Global programs may opt to set up an evaluation steering group or oversight committee. For example, in the case of the FCPF, while the evaluation team presented its own methodology regarding the evaluation process, the final evaluation matrix was negotiated with management. Interim evaluation results were presented to the PC (PC8) in March 2011 in Vietnam, when an evaluation working group comprised of PC members was established to help structure the PC response that would be delivered at the following PC meeting in Oslo in June 2011. In the interim, the evaluation underwent several iterations based on comments submitted by program management. While the process was highly transparent — updated versions were made available on the FCPF website for comment — the oversight of the evaluation should have been carried out by the PC, or by a subcommittee established for this purpose. FCPF Management, having submitted factual corrections, should then have used the management response to comment on the final version of the evaluation report.

Quality of the External Evaluation

2.3 The external evaluation was of substantial quality — it employed a variety of evaluative tools and utilized a participatory approach. The evaluation framework was based

11. FCPF (2010). "Proposed Evaluation Framework – Revised Draft." FMT Note 2010–13, March 7, 2010.

12. Extracted from PC5–PC9 agendas.

13. Organizational and behavioral independence are two of the standard dimensions against which the independence of evaluation are measured. See Evaluation Cooperation Group of the Multilateral Development Banks, "Template for Assessing the Independence of Evaluation Organizations," www.ecgnet.org.

on the Organization for Economic Cooperation and Development (OECD)/Development Assistance Committee (DAC) standard evaluation criteria of relevance, effectiveness, and efficiency. Due to the newness of the program, the remaining two criteria — impacts and sustainability — were left for subsequent evaluations.[14] Instead, it was agreed that the objective of the first program evaluation would be to assess the effectiveness of the governance structure of the Facility and the operational effectiveness of the Readiness Fund, and to suggest ways of enhancing FCPF support to the REDD country participants.

2.4 The newness of the Fund notwithstanding, the evaluation's application of the OECD/DAC criteria did not address key questions concerning the overall relevance of the Facility's objectives and the relevance of the program's design (Table 2.1). These questions would have been particularly pertinent considering the change in prospects for a large-scale compliance market for REDD-based carbon assets between the inception of the fund and the delivery of the first evaluation.

2.5 A standard question, based on the OECD/DAC criteria, is not only whether the objectives of a program or project were relevant at the time of appraisal but also whether these objectives are still relevant at the time that an evaluation is being conducted. Independent Evaluation Group (IEG) routinely assesses both the past and current relevance of objectives as well as the relevance of design in its evaluations and reviews. Relevance of design is determined by an assessment as to whether the strategy and priority activities of a program are likely to lead to achieving the program's objectives, and by the adequacy of a program's results framework — whether or not the program has constructed a monitoring and reporting mechanism that clearly articulates a program logic or theory of change.

Table 2.1. Framework of the External Evaluation

OECD DAC Criteria and Initial Cluster	***Key Evaluation Questions Posed by the External Evaluation***
RELEVANCE	
Cluster One	Has the FCPF added value to the REDD+ processes undertaken by REDD country participants and other donors?
Cluster Two	What is the relevance of the FCPF within the context of the REDD+ developments at the global and national levels?
EFFECTIVENESS	
Cluster Two	Is the FCPF on track to meet its objectives?
Cluster Four	How effective has the FCPF governance structure been? Have the activities of the FCPF Readiness Mechanism played a catalytic effect on its country participants?
Cluster One	What are the key lessons, intended and unintended outcomes, for REDD+ readiness in REDD country participants?
EFFICIENCY	
Cluster Four	To what extent has the FCPF been efficient in achieving desired results?
Cluster Three	Is the FCPF cooperating with other processes?

Source: Baastel-Nordeco 2011. FCPF Evaluation.

14. OECD (2010). *Quality Standards for Development Evaluation*. Paris: OECD.

2.6 The evaluation process employed a variety of data collection methods and consultative processes, including an online survey, key informant interviews, and field consultations in three FCPF participant countries, supplemented by a desk review of program documents. The online survey was sent to REDD country participants, FCPF observers, and donors. Additional country-level stakeholders were consulted in the course of field visits to three of the FCPF participant countries. The three countries that were visited (Mexico, Nepal, and the Democratic Republic of the Congo were selected on the basis of having made significant progress in the development of their R-PPs, assuring regional representation, as well as assuring selections from Spanish, French, and English-speaking countries. Ultimately, this selection process led to country anecdotes that were positively biased. The country selection approach lacked the opportunity of gaining a first-hand understanding of the factors constraining progress in the many countries where the FCPF has an equally long history — that is dating from the selection of R-PIN — but where progress has been much slower. It would have been useful to learn why progress has been slower in other countries.

Evaluation Findings, Recommendations, Management Response, and Progress to Date

2.7 The external evaluation concluded that, as of the end of 2010, the FCPF had made significant progress in meeting its first and last objectives — building in-country capacity and disseminating lessons learned in readiness — but less progress on the two other objectives — piloting a performance-based system of payments and enhancing livelihoods and conserving biodiversity — as would be expected in its initial stages. It found that the FCPF had added value both at the global and national level, for example, in creating a common framework for REDD readiness and supporting interagency coordination at the national level. It considered that the Facility had been effective in raising in-country awareness on REDD issues and in promoting South-South knowledge exchange and learning around REDD, and that it had increased political momentum to fight deforestation and engaged governments in broad consultative processes on REDD readiness. The evaluation further found that the Facility had been successful in mobilizing resources but that slow disbursement had hindered its effectiveness. It also found that private sector participation was lacking.

2.8 The evaluation made 23 recommendations, all of which were accepted by the PC with instructions that they be acted upon within the next 12 months. The PC's Evaluation Working Group concluded that the FMT should prepare a management response for only those recommendations that it deemed were related to FMT functions. As such, the Management Action Record only includes a response to seven of the 23 recommendations accepted by the PC. The 23 recommendations, the management response, and this review's assessment of progress-to-date are included in a matrix in Annex B.

2.9 The Management Response presented at PC9 in Oslo welcomed, and generally agreed with, the recommendations of the external evaluation, and the FMT has since made considerable progress in implementing these recommendations. Active reflection is now ongoing within the PC on the strategic direction of the program in regards to reopening the Readiness Fund to new participants, on the criteria for entering into transactions with the

Carbon Fund, and on moving away from “flat rate” commitments. Further support for the readiness process beyond the standard preparation grants should also be facilitated by the recently approved increase in the capitalization target for the Readiness Fund.

2.10 As to safeguards, the FMT now has two social development specialists on board and a Social and Environmental Assessment process is under implementation. With respect to the evaluation’s recommendation on the need for greater coordination with UN-REDD on social safeguards, the FCPF and UN-REDD have now issued a joint document entitled *Guidelines on Stakeholder Engagement in REDD+ Readiness*, which sets out the two programs’ common understanding of policies on — and engagement with — IP and forest-dependent communities on REDD+ readiness. On the other hand, less progress has been made in securing greater private sector involvement in REDD+. Private sector participation in the Carbon Fund remains confined to two participants, each of which has made the minimum contribution of US$5 million. Private sector interest, however, is ultimately beyond the control of the FMT and largely dependent upon the overall prospects of the emergence of a viable market in REDD+ assets.

2.11 Overall, the impacts of the evaluation can be said to have been substantial and positive and there has been progress in most areas where the evaluation identified a need for action. The evaluation has served to focus the PC’s work around enhancing the program’s effectiveness. Implementation of the evaluation’s recommendations has also contributed to greater inclusion of IP and forest-dependent communities, led to greater opportunities for South-South learning and knowledge exchange, and put the Facility on track to make greater progress on two of its objectives, however, the external evaluation found it had made less progress.

3. The Effectiveness of the FCPF

Relevance of the Program

3.1 IEG assesses four dimensions of relevance arising from the nature of Global and Regional Partnership Programs (GRPPs) as international collective action, plus the relevance of each program's design, as follows:

- Supply-side relevance — the existence of an international consensus that global/ regional collective action is required
- Demand-side relevance — consistency with the needs, priorities, and strategies of beneficiary countries and groups
- Vertical relevance — consistency with the subsidiarity principle, namely, the most appropriate level (global, regional, national, or local) at which particular activities should be carried out in terms of filling gaps, efficient delivery, and responsiveness to the needs of beneficiaries
- Horizontal relevance — the absence of alternative sources of supply of the same goods and services
- Relevance of the design — the extent to which the strategies and priority activities of the program are appropriate for achieving its objectives.

SUPPLY-SIDE RELEVANCE

3.2 There was solid interest in the Facility on the part of the donor community from the outset. In the course of the Facility's first year of operations 10 financial contributors pledged about US$110 million to the Readiness Fund — surpassing the initial capitalization target of US$100 million — and five pledged around US$50 million to the Carbon Fund. Five additional financial contributors — Canada, Denmark, Italy, BP Technology Ventures, Inc., and CDC Climat — have since joined the Facility. The capitalization target for the Readiness Fund has been increased twice to reflect the higher than anticipated level of participation. The first revised target of US$185 million has been achieved and exceeded, and a further increase to US$300 million — in addition to a new target of US$350 million for the Carbon Fund — was approved by the World Bank's Board of Directors in December 2011.

3.3 The FCPF's importance in debating and defining the modalities of REDD readiness has grown, as has its potential for influencing the debate around REDD at the UNFCCC. Since UNFCCC negotiations concerning REDD have been proceeding at a slow pace, the FCPF has to some extent stepped into that gap. There is evidence to suggest this aspect has spurred interest in the Facility on the part of countries that might not otherwise be interested in the kind of grants the FCPF provides.

3.4 The FCPF was created in response to a clear demand from both industrialized and developing country governments for a mechanism that could help forested countries reduce emissions from deforestation and forest degradation and conduct demonstration activities to show how REDD could be implemented in practice.

3.5 In a submission to the UNFCCC in 2005, the Governments of Papua New Guinea and Costa Rica, supported by a number of other forested developing countries, asked for REDD to be put on the agenda of the UNFCCC, arguing that "deforestation carried far-reaching environmental, economic, and social impacts," and that "without a more complete market valuation, standing forests cannot overcome the economic opportunity costs associated with conservation."

3.6 UNFCCC Decision 2/CP.13 taken at COP13 in Bali specifically invited parties to "further strengthen and support ongoing efforts to reduce emissions from deforestation and forest degradation," encouraged all parties to "support capacity-building, provide technical assistance; facilitate the transfer of technology to improve inter-alia, data collection, estimation of emission from deforestation and forest degradation, monitoring, and reporting; and address the institutional needs of developing countries to estimate and reduce emissions from deforestation and forest degradation," and "to explore a range of actions, identify options, and undertake efforts, including demonstration activities to address the drivers of deforestation [...] with a view to reducing emissions from deforestation and forest degradation." The COP furthermore invited "relevant organizations and stakeholders [...] to support efforts" in relation to the above items.

3.7 In the declaration issued after their June 2007 summit at Heiligendamm, Germany, the Group of Eight Nations (G8) furthermore declared its determination to "assist in reducing emissions from deforestation, especially in developing countries," stating that "halting deforestation provides a significant and cost-effective contribution toward mitigating greenhouse gas emissions and toward conserving biological diversity, promoting sustainable forest management and enhancing security of livelihoods." The G8 furthermore encouraged the World Bank, "in close cooperation with the G8, developing countries, the private sector, nongovernmental organizations (NGOs), and other partners" to establish "a pilot project dedicated to building capacity and creating and testing performance-based instruments to reduce emissions from deforestation in developing countries."

3.8 While generally welcoming progress on the REDD agenda, the NGO community nonetheless expressed concerns about the design of the FCPF. For instance, in a September 2007 letter addressed to the Vice President of the Bank's Sustainable Development Network, the World Resources Institute (WRI) warned that "making carbon markets so central a part of the REDD discussion preempts the results of the readiness efforts. Other approaches may prove more effective, either generally or in specific countries, but may benefit equally from the capacity building efforts the Bank is already developing." The WRI also suggested that "[t]o avoid potential conflicts of interest, the Technical Advisory [Panel] should have final word on whether adequate progress has been made," before countries could engage in transactions with the Carbon Fund.

DEMAND-SIDE RELEVANCE

3.9 The FCPF was established against a backdrop of strong developing country interest in REDD. REDD had been excluded from the emissions trading framework of the Kyoto Protocol; only afforestation and reforestation activities in developing countries became eligible to generate carbon credits under the Clean Development Mechanism. Dissatisfied with this result, the Governments of Papua New Guinea and Costa Rica, supported by a number of countries with tropical moist forests, asked the UNFCCC in 2005 to put REDD back on the agenda (see above).

3.10 On the demand side, the Facility has been heavily oversubscribed from the outset. The original target number of REDD Country Participants was 20, but in its first year of operations, the Facility had already admitted 37 forested developing countries. One country — Equatorial Guinea — has since dropped out for failing to enter into a Participation Agreement with the World Bank. Eleven additional countries are currently seeking membership.

3.11 On the private-sector side, however, demand has not been as buoyant. There are currently only two private-sector participants in the FCPF — BP Technology Ventures, Inc. and CDC Climat. In 2009, the financing needs for REDD+ were estimated to be on the order of US$17–33 billion per year in order to halve the rate of deforestation by 2030, and it is generally held that much of that finance will have to come from the private sector in one way or another. The limited interest on the private-sector side can partly be explained by the current state of the carbon market, the fact that proposed cap-and-trade schemes in several industrialized countries have not materialized, and the overall uncertainty surrounding future demand for REDD credits. Given the FCPF's focus on market-based solutions to REDD+, the apparently limited interest on the part of the private sector should be of concern.

HORIZONTAL RELEVANCE

3.12 When the World Bank established the FCPF in 2007, it based its case on a clear understanding of its comparative advantage in carbon finance. As stated in the proposal to the Board, the Bank had considerable experience in designing pilot activities that pioneer carbon markets, attract private and public monies to capitalize carbon funds, and create new carbon assets.[15] The Prototype Carbon Fund (PCF), established in 1999, had played a fundamental role in shaping the carbon market. The Community Development Carbon Fund had pioneered carbon finance projects with specific community and poverty alleviation outcomes. The BioCarbon Fund (BioCF) had been pioneering afforestation and reforestation activities under the Joint Implementation and Clean Development Mechanisms of the Kyoto Protocol, establishing and testing new methodologies, including those related to soil carbon sequestration. These earlier initiatives had enabled the Bank to acquire an unequalled endowment of analytical expertise and practical experience with the promotion of carbon finance initiatives in developing countries.

3.13 As stated in the Board proposal, project-by-project approaches, such as the BioCF's, incur high transaction costs and are unable to support the kind of sector-wide, cross-cutting methodologies and investment programs necessary to lower country-level emission trajectories. The FCPF, on the other hand, would adopt a strategic and programmatic approach to emission reductions, focusing on national-level, REDD+ strategies that could be expected to address such sector-wide factors as poor governance, inadequate law

15. World Bank (2007). "The Carbon Partnership Facility and the Forest Carbon Partnership Facility: Instruments for Addressing Global Climate Change." Report 2007-0188, September 4, 2007.

enforcement, illegal logging, and chaotic land tenure regulations that drive deforestation and forest degradation and deliver emission credits on a “program” rather than on a “project” basis.[16]

3.14 Shortly after the establishment of the FCPF, in 2008, the UN also became involved in REDD readiness, setting up a program — the UN-REDD program — with a substantially similar mandate and membership as the FCPF Readiness Fund. UN-REDD is a joint program of the Food and Agriculture Organization (FAO), United Nations Development Program (UNDP), and United Nations Environment Program (UNEP) with a mandate to assist developing countries prepare and implement national REDD+ strategies. Twenty-seven countries are members of both UN-REDD and FCPF.

3.15 One reason for the creation of UN-REDD seems to have been a desire by certain donors, such as Norway, to test different approaches to REDD readiness through both the World Bank and the UN. However, the differentiated roles of the two programs do not appear to have been sufficiently considered, resulting in overlapping mandates and some redundancy in activities. Although UN-REDD soon established a strategic partnership with FCPF to work together for REDD+, their jointly produced statement does not provide a rationale for having two very similar multilateral programs with its evident opportunities for duplication. While the two programs now closely coordinate their activities — for example, through the common R-PP template — many stakeholders question the need for both programs to exist in parallel.

VERTICAL RELEVANCE

3.16 The Cancun Agreement of the UNFCCC identified three phases of REDD+, the specific content of which consists of the following (Figure 3.1):

(1) Development of a REDD+ strategy through, *inter alia*, the identification of the main drivers of deforestation, the elaboration of national reference scenarios, including historical emissions and the likely future evolution of emissions in the absence of positive incentives for REDD, and a comprehensive national MRV framework. It is envisaged that extensive consultations with stakeholders, such as IP groups and forest dependent peoples, would take place during this phase, as well as capacity-building activities of forest dependent peoples and others involved in the REDD readiness process.

(2) Implementation of the national REDD+ readiness strategy, which may include reform of national, legal and regulatory frameworks, further capacity-building of REDD-relevant actors, technology development and transfer, and the necessary infrastructure investments in order to achieve REDD readiness, as well as results-based demonstration activities.

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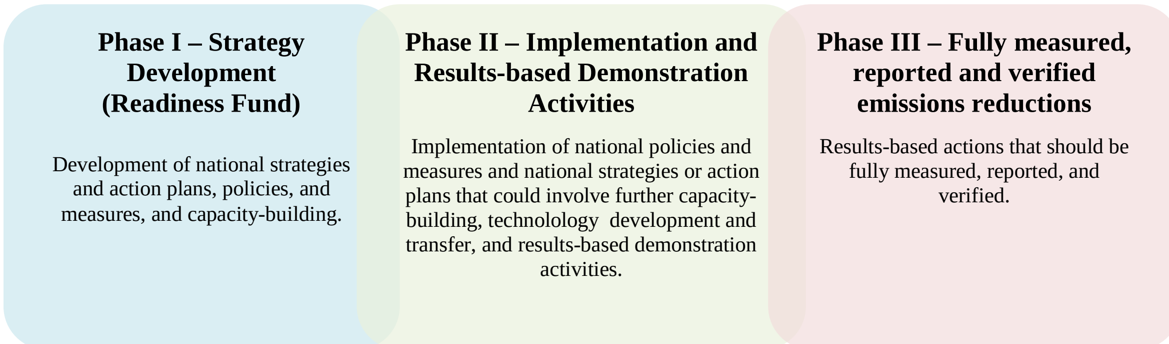
16. World Bank (2007). “The Carbon Partnership Facility and the Forest Carbon Partnership Facility: Instruments for Addressing Global Climate Change.” Report 2007-0188, September 4, 2007.

(3) Results-based actions — purchased emissions reductions — that should be fully measured, reported. and verified.

Figure 3.1. The Three Phases of REDD+



Source: IEG based on UNFCCC COP Decision 1/CP.16.

3.17 Some overlap between the three phases is expected depending on country circumstances. The FCPF was designed to deliver only part of the REDD+ agenda, that is, Phase 1 and part of Phase 2 (demonstration activities) of the programmatic approach. As stated in the program's *Information Memorandum*, it was not expected that the FCPF's two funds could meet all the technical and financial needs that developing countries face in order to be able to reduce emissions from deforestation and forest degradation. As also stated, the FCPF was not designed to finance the policy and investment programs at the national level that will be needed to achieve sustainable emission reductions. Rather, in between the Readiness Fund and the Carbon Fund, it was made clear that additional financial resources would be needed to fund the policy reforms and necessary investments. In that context, the FCPF looked forward to the establishment of a *Forest Investment Fund* that was under discussion by the Bank and other donors at the time that the FCPF was approved by the Bank's Board.

3.18 For the REDD readiness activities supported by the FCPF to be successful, progress needs to be made and challenges have to be overcome at three levels: global, national, and local. By design, the FCPF is widely dependent on separate processes to help participating countries achieve REDD readiness outcomes.

3.19 At the **global level**, the FCPF is bound by its charter to ensure consistency with the UNFCCC Guidance on REDD+, and remains dependent on the continuation and intensification of high-level cooperation and consensus-building between the countries, donor institutions, and private-sector actors engaged with REDD+ in the UNFCCC arena. While the FCPF has been assisting and informing this process, the UNFCCC process is unlikely to deliver workable REDD+ policy and methodological guidance any time soon.[17]

17. See Environmental Finance (2011): *Finding a Path the REDD Investment*, June 2011 and Rayner, Jeremy, et al. (2010). *Embracing Complexity: Meeting the Challenges of International Forest Governance*, International Union of Forest Research Organizations.

3.20 At the **country level**, the FCPF's main role is to translate the methodological guidance elaborated at the global level into support for the REDD+ readiness process on the ground through a bundle of advisory and financial services. The Facility deploys a mix of FMT staff/TAP members and World Bank country teams to deliver the kind of technical assistance, capacity building, and methodological support activities required to help countries along the path towards REDD readiness.

3.21 At the **local level**, the FCPF's main challenge is to promote engagement in the REDD+ readiness process on the part of civil society, IP, and forest-dependent communities. The FCPF has promoted a multi-stakeholder dialogue and the active inclusion of Civil Society Organizations (CSOs) in its program and has sought to institutionalize CSO participation in national REDD+ planning and formulation and ensure the active participation and inclusion of CSOs in national, decision-making processes. The FCPF has also promoted the participation of CSOs in country missions to elicit their input into R-PPs prior to their submission to the PC. The FCPF furthermore funds the participation of three southern CSO observers and five IP observers in its meetings.

3.22 The Strategic Environmental and Social Assessment (SESA) and the accompanying Environmental and Social Management Framework (ESMF) are key instruments for ensuring that environmental and social issues are mainstreamed into the Readiness Process. The FCPF is the first global program supported by the World Bank that has developed its own SESA process. This comprehensive process is usually reserved for investment operations that are determined to pose potential significant risks and reflects the recognition that support for national REDD+ strategies, policies, and institutional changes can have far-reaching social and environmental effects. The SESA has yet to be fully implemented but is currently underway in six countries — Nepal, Indonesia, the Democratic Republic of Congo, Mexico, Costa Rica, and Ghana.

3.23 In terms of effectiveness, alignment with other REDD+ financing initiatives is important. As noted above, the FCPF was only designed to finance pre-investment activities and demonstration activities (in the form of emissions reduction purchase agreements (ERPAs) — that is, Phase 1 and part of Phase 2 of the REDD+ readiness process — but not the essential Phase 2 investments that are required in-between. Here, the Facility remains dependent for the success of its mission on other multilateral and bilateral initiatives, such as the Forest Investment Program (FIP) (see below) and the Norwegian Government's International Climate and Forest Initiative.

THE FCPF AND THE FOREST INVESTMENT PROGRAM (FIP)

3.24 The FIP is one of the targeted programs of the Strategic Climate Fund, which aims to support developing countries' efforts to reduce emissions from deforestation and forest degradation by providing scaled-up financing for readiness reforms and public and private investments.[18] Established in 2009, the program is designed to provide up-front bridge

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18. The Strategic Climate Fund is one of the two Climate Investment Funds that were established in 2008 to address climate change mitigation and adaptation via concessional funding for projects executed by the five Multilateral Development Banks (African Development Bank (AfDB), Asian Development Bank (ADB),

financing for readiness reforms and public and private investments identified through national REDD+ readiness strategy-building efforts. The program also aims to help developing countries adapt to the impact of climate change on forests and to contribute to multiple benefits, such as biodiversity conservation, protection of the rights of IP and local communities, and poverty reduction and rural livelihood enhancements. It is, therefore, well positioned to support the "implementation phase" (Phase 2) of REDD+.

3.25 As of June 2012, funding pledges to the FIP amounted to US$639 million, with funds directed toward eight target countries: Brazil, Burkina Faso, the Democratic Republic of the Congo, Ghana, Indonesia, Lao People's Democratic Republic (PDR), Mexico, and Peru. The FIP has also established a US$50 million Dedicated Grant Mechanism for IP and local communities within these countries to support their participation in the development of the FIP Investment Plans, programs, and projects.[19] Efforts are made to ensure lessons are learned and transferred from the local to the national level and vice versa.

3.26 The FIP and the FCPF have six countries in common out of the eight FIP countries and the 36 FCPF countries. At the global level, the FCPF is an observer on the FIP governing body. There is an ongoing effort financed by the FIP to document the lessons learned on collaboration between REDD+ programs on the ground, and how they contribute to advancement of the REDD+ agenda in the countries. Another area where both programs are working together is in harmonizing the process for the grants mechanisms for IP and communities.

3.27 At the country level, the FIP relies on the national coordination mechanisms adopted by the countries and put in place under the UN-REDD and the FCPF. FIP operational guidelines require countries to adopt the readiness processes. FIP uses experts from the FCPF Roster of TAP members to review the draft FIP Investment Plans. All Bank country FIP team leaders are also team leaders for the FCPF readiness process.

3.28 While considerable effort has thus been made to coordinate the two programs, sequencing is nonetheless an issue. Logically, the FCPF-supported readiness preparation work would be well placed to provide the framework for FIP investments. But because of the time it is taking to move through the R-PP process, FIP investments are being approved while the readiness process is still in its initial stages. For instance, the SESA and the resulting ESMF, which was supposed to inform both the upstream (Phase 1) and the downstream (Phase 2) of REDD+ — including investments and demonstration activities — has not been completed in any FIP pilot country. While some degree of overlap is expected between the different phases of REDD+, and while recognizing that investments can usefully inform strategy development, an opportunity is being missed for the analytical underpinnings and consultations taking place as part of the FCPF process to fully inform investments already underway and planned.

European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), the World Bank (IBRD), and the International Finance Corporation (IFC)).

19. FIP Design Document, Art. 38.

RELEVANCE OF THE DESIGN OF THE FCPF

3.29 The Forest Anchor, the Bank's regions, and country departments were not very involved in the FCPF design. After the Facility had been established, it faced operational challenges associated with implementing FCPF readiness activities in the Latin America and the Caribbean (LAC) region due to the somewhat stressed relationships that exist between the Bank and some of its client countries in the region. A history of Inspection Panel cases, associated mainly with the Bank's safeguards on IP and other implementation challenges, left management in the region wondering why it should take further risks by supervising REDD+ readiness portfolios, particularly given the small amount of finance associated with the packages. The Region decided instead to focus its limited human and budget resources on a smaller number of countries where it could have a greater impact.

3.30 While FCPF member countries represented in the Facility who had signed their Participation Agreements had thereby requested Bank assistance, the Bank was simply not prepared to re-engage in some countries where it lacked, or was struggling with, a problematic lending portfolio in the sector. This experience points to a general feature common to many GRPPs that are hosted in the World Bank and other partner organizations. Responsibility for programmatic oversight and accountability for results is not clear because it is split between the governing body of the program and the host organization, in this case the World Bank.

3.31 The relevance of program design has since been enhanced with the development of a new system designed to address this implementation challenge. Coined the *Multiple Delivery Partner (MDP)* arrangement, the FMT reached out to other multilateral partners, such as the Inter-American Development Bank (IDB) and the United Nations Development Program (UNDP), to fill the delivery gap caused by the Bank's inability to extend REDD readiness operational services to all REDD Country Participants. The new arrangement seeks to maximize the comparative advantages of the institutions, with the IDB assuming responsibilities for three countries in the Latin American and the Caribbean Region and UNDP in four.

3.32 The introduction of the MDP arrangement raised a discussion, prompted by the CSO community and supported by donors such as the United States and Germany, about the various agency approaches to safeguards and their application. Some donors had joined the FCPF specifically because they felt comfortable with the World Bank's fiduciary management and safeguard systems. A Working Group on Safeguards was assembled to identify commonalities and gaps in agencies' safeguard systems. A comprehensive analysis was undertaken of these safeguard systems, but the process became very political since it tended to extend itself much beyond the application of the agencies' policies for the FCPF products to the existence and application of the agencies' safeguard systems as a whole. Agencies were unwilling to have a public debate about the difference in safeguard systems through the FCPF process. A solution was found, referred to as the *Common Approach to Environmental and Social Safeguards for Multiple Delivery Partners*, which is based on the principle of "substantial equivalence," under which DPs must demonstrate substantial equivalence with the material elements of World Bank safeguards, which act as a baseline. Should a DP's safeguards in a particular area be stronger than the World Bank's, then the stronger safeguards apply. Furthermore, the Common Approach requires DPs to apply the SESA and the associated ESMF.

3.33 While the development of the MDP arrangement can be expected to enhance the effectiveness of the Facility once transfer agreements with the Delivery Partners are in place, the process has been lengthy and costly. Delivery Partners interviewed for this Review emphasized that while the process has been one of "learning by doing," there was a lack of a systems approach despite the fact that such systems have already been developed in other global partnership programs, like the Global Environment Facility (GEF). Furthermore, the lengthy consultations associated with the development of the Common Approach may not have been necessary for some partners, such as IDB, whose safeguard systems are similar to the World Bank's.

3.34 Greater foresight could have been exercised in the design phase of the FCPF in light of well-known integration issues between GRPPs and Bank operations. Designing the FCPF from the outset to include the possibility of implementation by other DPs — as is the case with the GEF — could have prevented duplication and delays to the REDD readiness process in a number of countries.

3.35 Since the Facility commenced operations, the relevance of its design has been undermined by changes in the external environment, especially the slow pace of negotiations at the UNFCCC and the fact that cap-and-trade schemes that were expected to be adopted by several industrialized countries, including the United States, have failed to materialize thereby dealing a blow to the potential for a large-scale compliance market in REDD-based carbon assets. This has lessened the relevance of the FCPF's initial emphasis on demonstrating market-based solutions to REDD financing and has led to difficulties in attracting private sector participation in the Carbon Fund. It has also increased the reputational risk faced by the Bank if expectations — raised by the FCPF (as well as by other REDD+ initiatives) — of large-scale future financing for REDD+ are not met.

Efficacy

MONITORING AND EVALUATION

3.36 The FCPF did not have a programmatic monitoring and evaluation framework in place between the start of its operations in 2008 and the first program evaluation. Benchmarks have mainly been framed around the procedural steps necessary to successfully move through the Readiness Fund, including the signing of a participation agreement, the disbursement of an R-PP formulation grant, the presentation and assessment of the R-PP, and the signing of the preparation grant.

3.37 The PC is currently engaged in a discussion on a monitoring and evaluation framework for the FCPF (see Annex D). In addition to the program-level framework proposed by the FMT, the R-PP template also includes a component for monitoring and evaluating the implementation of the R-PPs at the country level, which requires countries to design a monitoring and evaluation framework to "help monitor progress with respect to the Terms of Reference (TOR) for each of the [R-PP] components, for example, the schedule of activities to be undertaken, the outputs, and the final outcome using simple indicators to provide real-time feedback to the government and other stakeholders of how well the preparatory work towards REDD+ readiness is progressing."

3.38 The template advises countries to draft a simple program monitoring and evaluation (M&E) framework that may include outputs and quantitative and qualitative indicators on such things as "level of transparency in the R-PP development, inclusiveness of stakeholders, dissemination of information, effectiveness and timeliness of readiness preparation processes, efficiency of resource use," and so forth. Countries are further advised that locally-based program M&E can feed into the overall program M&E at the national level. The M&E framework would monitor each component of the R-PP, such as organization and consultations, preparation of REDD+ strategy, development of a national reference scenario, design of systems for national forest monitoring and information on safeguards, and schedules and budgets.

3.39 The FCPF needs to consider how the monitoring and evaluation undertaken at the country level can feed into the overall monitoring and evaluation framework of the Facility itself. Although the logical framework developed by the FMT would be helpful for internal monitoring purposes, it would appear to make sense to use the M&E frameworks implemented at the local and national levels to feed into a more comprehensive, program-level framework for the FCPF. An appropriate M&E framework for the FCPF can, to some extent, be seen as an aggregate of the frameworks monitoring the REDD readiness process at the country level. In order to better achieve this, and while recognizing that the REDD readiness process might differ considerably from country to country, there needs to be a discussion as to which core indicators could be included as part of the M&E framework for all REDD country participants that might enable meaningful aggregation and feed more easily into an overall M&E framework at the global level.

3.40 The PC could engage in a discussion, at the earliest opportunity, as to what extent REDD Country Participants are ready to implement a comprehensive M&E framework and as to what the FCPF could do in order to build their capacity to better monitor R-PP implementation. In this sense, IEG believes it might be helpful to clarify how the FCPF envisages helping countries effectively monitor and evaluate their R-PP implementation, as well as, implementing a comprehensive M&E framework at the global level and notes that the FMT does not currently include an M&E specialist. Currently, the R-PP template seems only to envisage self-monitoring of the readiness process. The question of independent verification of country-level data is an issue that is being actively discussed in the UNFCCC negotiations, and should continue to be taken up by the PC. Moreover, R-PPs reviewed as part of this review do not appear to allocate adequate resources for M&E. Now that countries are implementing their R-PPs, the PC might consider including M&E as a regular agenda item at its meetings in order to ensure that the program is monitoring the extent to which the program is achieving its expected outputs and outcomes.

OUTPUTS AND OUTCOMES

3.41 As noted above, the FCPF did not have a programmatic M&E framework in place between the start of its operations in 2008 and the first program evaluation. Benchmarks have mainly been framed around the procedural steps necessary to successfully move through the Readiness Fund, including the signing of a participation agreement, the disbursement of an R-PP formulation grant, the presentation and assessment of the R-PP, and the signing of the preparation grant.

3.42 As a result of this lack of an M&E framework, it is not easy to gauge the efficacy of the FCPF in terms of the readiness process at the country level. There is, however, sufficient evidence to conclude that at the **global level**, the FCPF has been very effective in defining what REDD readiness means, in creating knowledge and disseminating lessons, in opening up a space for dialogue on REDD between governments and civil society, and in raising awareness globally and in countries about REDD. FCPF has also been effective in promoting South-South knowledge exchange on REDD-related issues. The R-PP template constitutes a roadmap for countries wishing to achieve REDD readiness on the ground, thus obviating the need for each country to go through the entire process of defining what is needed for REDD readiness on its own. This knowledge represents a global public good and the economies of scale that the program has exploited in this respect represent a clear, value added.

3.43 By the time that the present review was conducted, the R-PP template had been revised six times. Several changes have been made to the reference level and a list of standardized criteria used to review and approve the R-PPs was issued as part of the fifth version of the template, along with a series of Good Practice Notes. Information sharing was added to Component 1 of the template since it had not been included in the Consultation and Participation section. Other new additions include the need for grievance mechanisms at the national level and a gender analysis framework. The latest template is harmonized between the UN-REDD and FCPF. While these template revisions reflect evolving thinking on REDD readiness and the FCPF's learning-by-doing approach, the frequent changes have caused some confusion among REDD Country Participants.

3.44 At the **country level**, the FCPF's efficacy is less clear since it is difficult to gauge progress on the ground due to the early stage of implementation. By June 2012, the Facility had approved formulation grants (valued at US$200,000) for 20 of the 36 REDD Country Participants and preparation grants of US$3.4–3.8 million for seven of these 20 — Costa Rica, the Democratic Republic of the Congo, Ghana, Indonesia, Liberia, Nepal, and the Republic of Congo. However only one country, the Democratic Republic of the Congo, had reached mid-term by the time that this review was conducted.

3.45 External assessments conducted of countries' R-PPs by NGOs that participate as official observers to the governing body of the FCPF found weaknesses in the quality of RPPs. The WRI, which has been issuing a series of working papers since 2009 assessing the extent to which governance issues are addressed within each R-PP submitted to the FCPF, has concluded that many R-PPs have failed to address governance issues in a robust manner. These concerns have been echoed by the FCPF's own Technical Advisory Panel, which has stated that most R-PPs fail to "produce strong analyses of the links between governance, law enforcement, and the causes of deforestation," that little work is evident on needed legislative and regulatory changes, and that land tenure issues (and hence carbon ownership) would need to be addressed to determine accrual of benefits from REDD+ activities.[20]

3.46 At the **local level,** the FCPF has piloted innovative methods of promoting the participation of local communities in the REDD readiness process. The PC recently approved an increase in the Readiness Fund's dedicated contribution for CSO and IP involvement, from US$3 million to US$5 million, including US$2 million for a new CSO Engagement Program with a focus on improving the capacity of national CSOs active at the national and/or subnational levels to engage in REDD+. The goals of the program are to enhance the effective participation of CSOs in the preparation of REDD strategies and implementation of REDD programs within the context of their countries' policy and regulatory frameworks and to contribute to the international negotiations on the role of REDD in a post-2012 climate regime.

Table 3.1. Progress of FCPF Activities as of June 2012

FOREST CARBON PARTNERSHIP FACILITY — FCPF DASHBOARD — Revised: June 29, 2012

shaded = disbursing

Country Name (alphabetical order)	R-PP Formulation Grant ($200k) Signed Date	R-PP Informal Presentation Date (latest)	R-PP Assessment Date	Final R-PP Submitted Date	Final R-PP Completeness Check Posted	R-PP Assessment Note Review (expected)	R-PP Preparation Grant Signed (expected)	Member (M) or Observer (O) of UN-REDD	FIP Pilot Country
Argentina		03/24/10	06/28/10			(June 2013)		O	
Bolivia								M	
Cambodia			03/24/11					M	
Cameroon	10/22/10								
CAR		03/24/11	10/18/11					O	
Chile									
Colombia	10/19/10	06/21/11	10/18/11			(Dec 2012)		O	
Costa Rica	07/09/09		06/28/10		x	06/10/11	06/29/12	O	
DR Congo	03/19/09		03/23/10	07/21/10	x	03/08/11	03/24/11	M	Y
El Salvador	07/20/11	06/28/12				(June 2013)			
Ethiopia	09/02/09	11/01/10	03/24/11			(Sept 2012)		O	
Gabon**	10/06/09							O	
Ghana	04/01/09	10/27/09	03/23/10	10/01/11	x	11/13/11	12/08/11		Y
Guatemala		10/19/11	03/28/12					O	
Guyana	06/10/10	03/11/09	06/16/09	**				O	
Honduras								O	
Indonesia	3/15/2011***		06/16/09	06/16/09	x	05/26/11	06/11/11	M	Y
Kenya	09/07/09		06/28/10	10/03/10	x	(June 2013)		O	
Lao PDR	10/15/09		11/01/10	12/21/10	x	(Sept 2012)			Y
Liberia	05/18/09	03/24/11	06/21/11		x	04/12/12	06/29/12		
Madagascar		11/01/10							
Mexico		03/27/09	03/23/10	04/15/11		06/01/11	(Sept 2012)	O	Y
Mozambique	01/29/12	10/19/11	03/29/12			(Dec 2012)			
Nepal	08/26/09		06/28/10	10/17/10	x		03/29/11	O	
Nicaragua	08/31/11	06/21/11	06/28/12			(Dec 2012)			
Panama			06/16/09	**				M	
PNG								M	
Paraguay								M	
Peru		06/29/10	03/24/11					O	Y
Republic of Congo	07/21/09		06/28/10	03/10/11	x		1/10/2012	O	
Suriname		03/24/10							
Tanzania		06/29/10	11/01/10					M	
Thailand	12/29/2011***					(March 2013)			
Uganda	09/08/09	03/24/11	06/21/11	05/11/12	x	(March 2013)		O	
Vanuatu	05/14/10					(March 2013)			
Vietnam		11/01/10	3/24/2011	11/17/11	x	(Sept 2012)		M	
Totals:	20	18	24	12	11		7	24	6

* Countries chose not to avail of grant funding at this time. **To be determined by Country and Delivery Partner. ***This grant is Bank Executed.

Source: FCPF website.

20. TAP presentation to PC10, Berlin, October 2011.

Efficiency

Resource Mobilization

3.47 As of June 2012, donors had pledged about US$457 million to the FCPF (US$239 million for the Readiness Fund and US$218 million for the Carbon Fund. Thus, the Facility exceeded its original capitalization targets set for both Funds in 2007 — $100 million for the Readiness Fund and $200 million for the Carbon Fund. However, the recently revised targets of US$300 million for the Readiness Fund and US$350 million for the Carbon Fund have not yet been achieved. Pledges to the Readiness Fund totaled US$239 million as of June 30, 2012, of which US$182 million (76 percent) has been paid in (Table 3.2). The FCPF did not set capitalization targets for private-sector contributions: it set a goal of attracting two private-sector participants, which it achieved.

3.48 As explained in the following sections, only 30 percent of the paid-in contributions to the Readiness Fund has so far been committed, and only 16 percent has so far been disbursed to recipients or spent by the FMT on technical support activities and administration.

Table 3.2. FCPF Readiness Fund: Trust Fund Resource Mobilization, Commitments, and Disbursements, FY2009–12 (US$ thousands)

Annual	2009	2010	2011	2012	Total
Donor Pledges[a]	53,895	32,290	94,880	61,421	242,486
Donor Contributions Received	39,414	27,297	84,486	31,538	182,735
Program Commitments	4,097	8,360	18,094	24,279	54,830
Program Disbursements	3,497	7,320	8,584	9,341	28,742
Cumulative, 2009 to 2012					
Pledges[a]	53,895	86,185	181,065	242,486	
Contributions	39,414	66,711	151,197	182,735	
Commitments	4,097	12,457	30,551	54,830	
Disbursements	3,497	10,817	19,401	28,742	
Selected (Cumulative) Ratios					
Contributions/Pledges	73.1%	77.4%	83.5%	75.4%	
Commitments/Contributions	10.4%	18.7%	20.2%	30.0%	
Disbursements/Commitments	85.4%	86.8%	63.5%	52.4%	
Disbursements/Contributions	8.9%	16.2%	12.8%	15.7%	

Source: FCPF Annual Reports and World Bank data.

a. Annual and cumulative donor pledges can change from those reported in other publications due to exchange rate.

b. Grants to recipient countries are recorded as commitments in fiscal year in which they are signed, and disbursements in the fiscal year in which the funds are transferred. Non-grant expenditures are both commitments and disbursements in the fiscal year in which they occur.

BUDGET AND OPERATING EXPENSES

3.49 In the most recent fiscal year, FY2012, around 40 percent of the operating budget of the Readiness Fund was utilized by the FMT and World Bank regional staff to provide technical assistance on REDD readiness activities to REDD Country Participants (Table 3.3). Secretariat expenses equaled US$2.3 million. This support financed staff salaries, travel expenses, the organization of PA/PC meetings, the travel costs of REDD Country Participants and representatives from IP groups. Operating expenses also included trust fund administration. Administrative and governance costs amounted to 28 percent of expenditures in FY2012.

Table 3.3. Readiness Fund Expenditures, FY2009–12 (US$)

	2009	2010	2011	2012	Total
Technical Support Activities					
Country Implementation Support (1)	406,825	1,660,957	1,904,295	1,700,752	5,672,829
Country Advisory Services (2)	798,783	795,168	545,106	1,073,523	3,212,580
REDD Methodology Support (3)	656,713	1,395,850	1,919,920	999,293	4,971,776
Grant Disbursements					
Formulation Grants (4)	0	959,142	1,081,815	432,205	2,473,162
Preparation Grants (5)	0	0	0	2,456,263	2,456,263
Administration and Governance					
FCPF Secretariat (6)	984,421	1,322,921	1,685,485	2,323,120	6,315,947
Readiness Trust Fund Administration	650,667	226,937	366,093	355,592	1,599,289
Total	3,497,409	6,360,975	7,502,715	9,340,748	26,701,847
Administrative Cost as Percentage of Total	*47*	*24*	*27*	*28*	*30*

(1) Transfers to regional operations for grant supervision and technical assistance.[21]

(2) Technical assistance by FMT and Forestry and Social Development staff.

(3) Technical assistance by TAP, coordination with other REDD+ initiatives and items like the IP Capacity Building Program.

(4) Formulation grants are US$200,000 per country.

(5) Preparation grants are US$3.4–3.8 million per country. To date, the Democratic Republic of the Congo, Ghana, Indonesia, Nepal, and the Republic of Congo have received preparation grant funding.

(6) Includes costs relating to PA/PC meetings, including travel costs for REDD Country Participants and IP groups.

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21. This assistance includes (i) social analysis, multi-stakeholder processes, communication, and conflict management; (ii) identification of drivers of deforestation and REDD+ options outside the forest sector, as well as collaborations across institutions and sectors; (iii) resolving potential tensions between national and global priorities; (iv) incorporating land tenure, IP, and right issues in the debate on forests; (iv) design of reference scenarios, inventories, and MRV systems; and (v) economics of REDD+, carbon finance options, and related procedures.

3.50 A total of US$355,000 was utilized for administration of the Readiness Fund in FY2012. This support financed the preparation of the FCPF budgets and business plans, resource management, legal services, and the preparation of the FCPF annual report. Operating costs were partly covered by an agreed-upon fund transfer from the Carbon Fund to the Readiness Fund, capped at US$12 million over the lifetime of the Facility. As per the FCPF's charter, the Carbon Fund pays 35 percent of "shared costs," which include the FCPF secretariat and part of the services to REDD country participants — in particular the TAP. The first operating budget of US$2 million for the Carbon Fund was approved on June 1, 2011, for fiscal year 2012.

GRANT DISBURSEMENTS

3.51 The external evaluation noted that the "rate and timeliness of disbursements appear[ed] to be the most challenging aspect of the FCPF to date." It also drew attention to the fact that the average wait time from the date of submission of the final version of an R-PP until the signing of a grant agreement was 13.4 months and attributed this both to Bank procedures and to the need for countries to identify additional financing sources for the implementation of their R-PPs.

3.52 Efficiency remains a challenge for the FCPF. While grant disbursements in FY2012 increased substantially from the previous year, from US$1 million in FY2011 to US$2.8 million in FY2012 (Table 3.4), delays in signing preparation grants do not appear to have been systematically reduced. Based on the 17 countries for which data are now available (Annex C), this delay is now 14.5 months.[22]

3.53 By June 2012, the Facility had approved formulation grants (valued at US$200,000) for 20 of the 36 REDD Country Participants and preparation grants of US$3.4–3.8 million for seven of these 20 — Costa Rica, the Democratic Republic of the Congo, Ghana, Indonesia, Liberia, Nepal, and the Republic of Congo. Over the course of three years, the program has spent approximately US$22 million to deliver US$4.9 million in grants, 70 percent of which was utilized by five countries (Table 3.4).

3.54 For those countries that will use other Deliver Partner than the Bank under the MDP arrangement, delays can be attributed to the initial design issues faced by the program. For those countries, disbursements are still pending the signing of transfer agreements with the Delivery Partner, which is expected later this year. Some larger countries — like Argentina and Mexico — have been using FCPF advice in the REDD+ readiness process without drawing on FCPF grant resources.

3.55 While the ratio of operational expenditures to grant disbursements could be expected to improve further as the initial task of negotiating and defining the substance of REDD readiness is achieved and more countries access the preparation grants, the US$200,000 formulation grants have nonetheless proven to be an inefficient way to achieve FCPF objectives given the high transaction costs involved.

22. This figure is based on the time it takes from assessment by the PC of an R-PP or the submission of a final R-PP until a Preparation Grant Agreement is signed or an R-PP Assessment Note Review Meeting — which usually precedes grant signing — is held or planned.

Table 3.4. Grant Disbursements by Country (US$ thousands), FY2010–12

Country	*Commitment Amount*	*Disbursements*				*Percentage of Commitment*
		FY10	*FY11*	*FY12*	*Total*	
Congo, Dem. Rep. of	3,591	177	14	797	988	27.5
Nepal	3,600	91	109	500	700	19.4
Ghana	3,600	200	0	400	600	16.7
Republic of Congo	3,595	87	108	381	577	16.1
Indonesia	3,600	0	0	518	518	14.4
Colombia	200	0	134	66	200	100.0
Ethiopia	200	100	100	0	200	100.0
Liberia	3,782	75	107	0	182	4.8
Lao PDR	173	50	123	0	173	100.0
Kenya	169	0	169	0	169	100.0
Uganda	165	40	140	–15	165	100.0
Costa Rica	3,761	139	22	0	161	4.3
Nicaragua	200	0	0	123	123	61.5
Cameroon	200	0	55	3	58	29.0
El Salvador	200	0	0	52	52	26.0
Thailand	200	0	0	37	37	18.5
Vanuatu	200	0	0	21	21	10.5
Mexico	3,600	0	0	0	0	0.0
Mozambique	200	0	0	0	0	0.0
Vietnam	200	0	0	0	0	0.0
Total	31,436	959	1,081	2,883	4,924	15.7

Source: FCPF financial reports (SAP).

SUPERVISION COSTS

3.56 Supervision has proven to be expensive relative to the available grant resources. Transfers to the Bank's regional operations for grant supervision and technical assistance equaled $5.7 million during FY2009–12 — representing 116 percent of the $4.9 million in grants disbursed. The ratio declined to 60 percent in the most recent fiscal year — supervision costs of $1.7 million for grant disbursements of $2.8 million (Table 3.3). The transfers to regional operations cover both supervision and technical assistance provided by the regions; the proportion actually spent on each is not known.

3.57 Without systematic reporting about how supervision funds are spent, it is impossible to know how to increase the efficiency of grant oversight to improve the rate of disbursements. World Bank staff acting as regional focal points receive US$80 thousand per country per year — rising to US$130 thousand as of FY13[23] — that are designed to be passed on to TTLs to administer FCPF grants and provide technical assistance.

3.58 The supervision formula is uniform across regions and countries. The US$80,000 has been calculated based on a back-of-the-envelope calculation of the number of staff weeks that may be needed to assist countries through the FCPF's formulation and associated grant preparation processes; the US$50,000 supplement that is now being added on top of the originally planned US$80,000 for activity supervision provides some financial assistance to the Bank and other Delivery Partners to help establish grievance mechanisms at the country level.

3.59 To date, there is a dearth of information of the real costs associated with helping a country to get ready for REDD, including the necessary and adequate level of finance that is needed for supervision. Regions are responsible for reporting roughly on the stage of their countries' relative progress, but not on the supervision funds that are being used. This type of reporting could help the Facility better calculate the amount of finance that is more accurately needed to assist task managers and the pilot Delivery Partners to assist countries with the R-PP process. There will be wide variations between countries and between regions, but more accurate reporting of the actual costs associated with the R-PP process could help to strengthen the efficiency of the program and facilitate data that could be utilized for better measuring results.

3.60 While the above analysis is reflective of the high transaction costs of managing the program, the FCPF has created new knowledge concerning the substance and modalities of REDD+ readiness, thereby producing a global public good — a positive externality that is not adequately reflected in these expenditure figures. The FCPF work (and the REDD+ readiness in general) is highly intensive in knowledge and policy advice compared to relatively modest financial flows, and therefore, FCPF performance at country level cannot be measured simply by disbursements alone.

23. As of FY13, supervision support will increase to US$130,000 per country to build support for the development of country-level risk mitigation measures, for example, through the establishment of country-level grievance mechanisms and enhanced stakeholder consultations on the national REDD strategy.

4. Governance and Management

4.1 Governance is both a means and an end. Both how and whether the governance of a program help it achieve its objectives are important. Therefore, IEG has developed a framework that assesses the performance of governing bodies and their management units based on compliance with six generally accepted principles of good governance: legitimacy, accountability, responsibility, efficiency, transparency, and fairness.[24]

Legitimacy

4.2 **Legitimacy** refers to the way governmental and managerial authority is exercised in relation to those with a legitimate interest in the program — including shareholders, other stakeholders, implementers, beneficiaries, and the community at large. The initial legitimacy of a program typically depends on the reputation of the founding partners. Continued legitimacy then depends both on getting other (donor and beneficiary) partners to join and on demonstrating positive results. The issue of legitimacy goes beyond simple representation on the governing body to examine the effectiveness of this representation as well as the other ways in which stakeholders who are not represented on the governing body can express their interests in the program meaningfully and effectively. Because most GRPPs are involved in channeling development assistance to developing countries, it is particularly important that the latter voices can be effectively expressed and taken into account.

4.3 Given its pioneering role in administering carbon funds and implementing carbon finance projects, the World Bank was the right organization to take on the task of establishing the FCPF. The Bank had built up extensive expertise in climate change and carbon finance through its work on, inter alia, the PCF, the BioCF, as well as through its relationship as an implementing agency of the GEF.

4.4 While generally welcoming the establishment of a facility of this nature, a coalition of NGOs voiced their concern at the way the FCPF was set up, arguing that the process had been rushed, with little public discussion and little or no consultation with potentially affected forest peoples in tropical and subtropical countries. The NGOs furthermore argued that the governance structure was flawed given that civil society organizations and affected forest peoples could not take part in decision-making, the safeguards and verification system was inadequate, there was a significant conflict of interest with the World Bank acting both as the Facility's trustee and implementing agency, and that the draft FCPF documents reflected an over-reliance on market mechanisms to pay for REDD implementation at the national level.

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24. These principles are adapted from the *OECD Principles of Corporate Governance* (2004). Although other similar statements of such principles exist at the national level, these are the only set of corporate governance principles on which there is clear international consensus. Many governance functions for the for-profit, private sector, as laid out in the OECD Principles, translate directly into equivalent functions for GRPPs (as well as for other public-sector organizations, NGOs, and foundations). The key differences for GRPPs are the absence of tradable shares, the need to establish legitimacy on a basis other than shareholder rights, and the greater need for transparency in the use of public-sector resources in achieving public policy goals.

4.5 The FCPF has to some extent addressed some of these concerns. Although CSOs and IP groups do not have a vote in meetings of the FCPF governance body, they are able to freely voice their concerns. Interviews conducted with CSO representatives during this review found that the views of CSOs are generally taken into account and can lead governments to make significant changes to their readiness preparation proposals. As to the safeguards regime, the FCPF has established that World Bank safeguards apply to all activities funded under the FCPF. The program has also developed SESA, which was approved by the World Bank's Board of Directors in March 2011, in order to ensure that the social and environmental implications of readiness planning are fully taken into account.

Accountability

4.6 **Accountability** concerns the extent to which an organization makes, accepts, and fulfills its commitments along the chain of command and control, in this case starting from the PA and going down to the PC, the FMT, World Bank task team leaders, and implementers on the ground. Accountability is enhanced when the roles and responsibilities are clearly articulated in a program charter, memorandum of understanding, or partnership agreement. There may also be mutual accountability at various steps in the reporting chain. Stakeholder participation in the formulation of these agreements and their public disclosure also strengthens the accountability of program governance.

4.7 The FCPF is governed by a PC, comprised of 28 members — 14 REDD country participants and 14 Readiness Fund and Carbon Fund Donors, collectively. PC members are accountable to their respective governments, line ministries, and/or development agencies. The World Bank, in its capacity as the FMT, is accountable both to the PC and to its line reporting within the World Bank. The FCPF is voluntary — there is no binding treaty that frames its operations or the behavior of its participants. However, many of the PC members represent their countries within the UNFCCC.

4.8 Each FCPF member has signed a participation agreement with the World Bank, but these agreements allow for a high level of flexibility in terms of member commitments. FCPF operations are guided by a charter, which has been revised three times, but the charter acts as more of an information document than an instrument of soft law. Amendments to the charter do require unanimous consent by the PC.

4.9 The FCPF is a political process, which can sometimes act as a deterrent to discussing issues that may be germane in the context of REDD readiness but that may be too contentious to speak frankly or openly about in an international political forum (such as political will or other governance-related issues). While these issues are often discussed within the context of the TAP review process, they tend to be left out of the R-PP assessment process.

Transparency, Fairness, and Conflicts of Interest

4.10 **Transparency** concerns the extent to which a program's decision making, reporting, and evaluation processes are open and freely available to the general public, and subject to confidentiality requirements in human resource management. **Fairness** concerns the extent to which partners and participants, similarly situated, have equal opportunity to influence the program and to receive benefits from the program. Fairness can be impeded not only by structures and processes, but also by language, technical, and legal barriers. A **conflict of interest** occurs when one's ability to exercise judgment in one role is impaired by one's obligation in another role or by the existence of an interest.

4.11 The FCPF is a highly transparent program and most documents relating to the operation of the Facility are available on its website, www.forestcarbonpartnership.org. Documents available to the public include summary reports of meetings of the PA, the PC, and the Carbon Fund, resolutions passed and presentations made at those meetings, R-PPs submitted by REDD country participants, TAP and PC reviews of those R-PPs, notes submitted by the FMT to the PC, documents relating to the design of the Common Approach for MDP, Grant Agreements, records of the design phase of the Facility, and details of capacity-building programs and consultations conducted with IP and forest dependent peoples' groups. Some key documents are also available in French and Spanish, but overall, more could be done to ensure documentation is available in languages other than English, and in a timely way. The Facility is audited as part of the World Bank Group's single audit process. Participants have access to audited financial statements in a secure section of the Facility's website.

4.12 To date, the FCPF has been a fair and inclusive program. To achieve its objective of reducing emissions from reduced deforestation and degradation, or to achieve its goal of leveraging a market for REDD, the FCPF could have chosen to strategically target those countries where mature institutions and programs already existed, like in Costa Rica or Mexico where payment for environmental service schemes are well developed. Rather, the FCPF has chosen to veer more towards inclusion, with a focus on readiness preparation. The program originally targeted 20 countries, but accepted a total of 37 countries in the first year of operations. It is now facing a request to admit 11 new members into the Facility.

4.13 Currently there is pressure on the Facility to meet its 2020 objectives of piloting a performance-based system for emissions reductions. As such, Carbon Fund participants are moving forward with discussions on methods and pricing for REDD. These advances in the Carbon Fund are raising a certain level of debate: as the protocol for the Carbon Fund has advanced to indicate that only five participating countries will be eligible to enter into Emission Reduction Purchase Agreements. There is a question as to whether the FMT will continue to provide adequate and sustained assistance to countries that may not be eligible to enter the Carbon Fund. This debate is further compounded by the request for new entrants — each of which is at a different stage of readiness preparation, having been supported by processes outside of the FCPF program (like through UN-REDD or bilateral support).

4.14 This debate can only be resolved through a further clarification of the Facility's objectives at this stage of the FCPF process. Is the Facility mainly designed to engage in demonstration activities in a handful of countries or is it dedicated to assisting all eligible REDD countries (that are a member of the World Bank and lie between the 35th parallels) to achieve REDD readiness? At this stage, there are several actors, including UN-REDD, that are helping countries prepare their REDD readiness strategies. Even within the FCPF, up to 10 countries will be assisted by other DPs (UNDP, IDB, and so forth).

4.15 A potential conflict of interest relates to the role of Carbon Fund Participants that are both involved in defining the standards and criteria by which countries will be eligible to enter into ERPAs with the Carbon Fund and developing REDD projects on the ground, since the former role may potentially influence future standards by which REDD programs (or projects) are funded. While the charter includes a conflicts-of-interest clause for the Readiness Fund, this does not apply to the Carbon Fund.

Risk Management

4.16 In its discussion of risk management, the Board proposal for the establishment of FCPF makes reference to an earlier Board paper which identified several areas of risk associated with the Bank's involvement with carbon finance, both of a general nature and to the World Bank Group.[25] These include *delivery risk*, *risk of inequitable benefit sharing*, and *financial/fiduciary risk*. These are risks both to the program and to the World Bank because of the multiple roles that the Bank plays in the program. Since the program was approved by the Board, *reputational risk* has also emerged as a significant concern. These are reviewed in turn.

4.17 **Delivery risk:** As stated in the Board proposal, the feasibility of FCPF countries' future delivery of emission reductions from REDD is highly dependent both on international political agreements to create supply and demand at the global level and, at the country and local levels, on the adoption of policy, fiscal, and regulatory reforms to facilitate the implementation of REDD. The FCPF Carbon Fund proposes to manage delivery risk by buying only a portion of potential reductions from REDD pilot operations. While the Readiness Fund would assist several countries to prepare to sell emission reductions, the Carbon Fund would select only those countries where the delivery risk is minimal for the pilot phase.

4.18 **Risk of Inequitable Benefit Sharing:** As stated in the Board proposal, the post-2012 carbon market is highly speculative. Because of the uncertainties in the regulatory regime for the carbon market in general, and specifically with regard to REDD, the price uncertainty for REDD carbon assets is particularly high, and there is a danger of reputational risk should long-term purchase contracts not prove durable because they do not represent equitable benefit sharing between buyers and sellers. The FCPF proposes to manage this risk by including a mechanism for rewarding the buyer for taking early risk (early investment) while leaving some potential for the seller to benefit as the market firms up. In relation to the risks of inequitable benefit sharing on the seller side, the Board proposal expects them to be addressed through a strong partnership approach with key stakeholders, and the implementation of the Bank's environmental and social safeguard requirements.

4.19 In addition, there is a **financial/fiduciary** risk that the FCPF has underestimated the funding required for it to carry out its objectives. At the time of approval, it was expected that the US$3.6 million grants provided by the FCPF would be broadly sufficient for countries to achieve REDD readiness but countries have so far budgeted an average of

25. World Bank (2005): *The Role of the World Bank in Carbon Finance – An Approach for Further Engagement.*

approximately US$13 million for R-PP implementation.[26] Countries have therefore had to turn to other funding sources to complement the funding received from the FCPF. Not all countries have been able to secure full funding for their R-PP implementation. The FCPF has recognized this problem and decided to allocate up to an additional US$5 million to countries that can show substantial progress at mid-term, but there is still a possibility that funds may not be sufficient for all countries. Furthermore, funding for Phase 2, which is more capital-intensive than Phase 1, is uncertain.

4.20 Finally, there is **reputational risk** involved for the Bank if large-scale future payments for REDD (Phase 3) are not of a sufficient magnitude to compensate countries for preserving their forests. Whereas the FCPF has raised expectations in countries about future rewards accruing from REDD readiness work, a future REDD financing mechanism remains elusive. Although the FCPF is not the only initiative to have contributed to raising these expectations, the Bank is nonetheless likely to be held responsible if they go largely unmet. Furthermore, as the MDP arrangement becomes operational, there is a risk that the Bank — as Trustee of the FCPF's two funds — will be held responsible for work carried out by DPs other than the Bank.

Exit Strategy

4.21 According to the FCPF's charter, the Facility is scheduled to be terminated on December 31, 2020, unless the participants unanimously agree to extend the mandate of either fund and the Board of Executive Directors of the World Bank agrees to the extension. The Facility can be terminated before that date by the unanimous consent of all participants or by the resignation of the World Bank as Trustee for the two funds.

26. Based on budgets provided in the 26 R-PPs already submitted to the FCPF and available on the FCPF's website.

5. The World Bank Group's Performance as a Partner

5.1 The World Bank plays multiple roles vis-à-vis the FCPF. It acts as Trustee of both the Readiness Fund and the Carbon Fund and as DP to most REDD Country Participants. It also provides secretariat services through a FMT comprised of roughly twenty staff and housed within the Carbon Fund unit of the World Bank's Environment Department. The FMT administers the trust funds, prepares the meetings of the PC and the PA, provides technical assistance on such issues as REDD+ methodology and stakeholder consultations, and coordinates with other units of the World Bank involved in supervising grants from the Facility.

5.2 As stated in the 2007 Board proposal, the World Bank's overall mission of reducing poverty and promoting longer-term development is now inextricably linked to climate change and efforts to alleviate it. As most forest-rich countries are also among the world's poorest, helping them access new funding, including private capital, to tackle deforestation and promote sustainable development, is an important step in supporting the mission of the Bank. The FCPF would take advantage of the Bank's considerable experience in designing pilot activities that pioneer carbon markets and attract private and public monies to capitalize carbon funds and create new carbon assets. The FCPF would also contribute to building know-how and informing future UNFCCC negotiations about the REDD+ framework.[27]

The Bank's Performance at the Global Level

5.3 At the global level, the Bank's performance can be assessed as positive. The FCPF is an innovative program which has been willing to take risks in an unpredictable and uncertain environment in order to assist its clients to access possible future financing for REDD.

5.4 It has helped convene and coordinate a global dialogue around REDD and enabled the emergence of a global consensus around what constitutes REDD readiness. In doing so, it has taken advantage of considerable economies of scale and contributed significantly to the creation of a global public good. Furthermore, the Bank has been successful in involving a variety of stakeholders, including NGOs and other civil society organizations, IP groups and forest-dependent communities in this global dialogue. The inclusiveness of the Bank's approach to REDD readiness so far has gone a long way towards alleviating concerns on the part of civil society organizations about the process, and increased confidence in its fairness.

5.5 However, with respect to program design, the Bank's performance as a partner in this program was affected early on by its lack of accurate analysis of risks with regard both to (1) operating in regions and countries where the World Bank's own operations has been challenging to implement and (2) the perception that the Bank could go it alone. This has resulted in inefficient use of resources and implementation delays.

27 World Bank (2007). "The Carbon Partnership Facility and the Forest Carbon Partnership Facility: Instruments for Addressing Global Climate Change." Report 2007-0188, September 4, 2007.

The Bank's Performance at the Country Level

5.6 The external evaluation found that the greatest value added of the FCPF at the country level was the guidance provided by the R-PP template and the guidelines for consultation developed at the global level. Since the external evaluation, the World Bank has helped to further move the Democratic Republic of the Congo, Nepal, Indonesia, Ghana, and the Republic of Congo into the implementation phase of REDD+. In June 2012, the Democratic Republic of the Congo became the first REDD Country Participant to present a mid-term report to the PC.

5.7 However, most FCPF countries have still not advanced past their formulation stage. In some countries, like Gabon, this may be due to a declining lack of political will to engage in REDD+. In the Democratic Republic of the Congo and Nepal, two of the countries that have advanced the furthest in the readiness process, other temporary financing had to be obtained to fill a gap in FCPF grant disbursement delays. In Madagascar, the political crisis has stalled operations. In Suriname, the R-PP formulation process has been stuck due to a disagreement with the FMT on the budget for consultations. A number of countries, like Cambodia, Guatemala, Guyana, Honduras, Panama, Papua New Guinea, Paraguay, Peru, and Suriname have been awaiting the finalization of Transfer Agreements between the World Bank and other DPs — although some of these countries have nonetheless advanced without availing themselves of FCPF funding.

5.8 Given the relatively slow progress at the country level so far, a more thorough review of country effectiveness will be needed at the next evaluation. It will be important for the Facility to have equipped itself with a comprehensive M&E framework at that point to be able to better demonstrate country-level effectiveness.

5.9 The REDD+ readiness process is a more expensive, complex, and time-consuming process than originally envisaged. To be effective, cross-sectoral coordination is needed as drivers of deforestation lie mainly outside of the forest sector. Most FCPF country counterparts are in environment ministries or forestry agencies, which are often relatively peripheral actors in national policymaking. Engaging the more powerful and better funded agricultural, energy, and transport ministries effectively is time-consuming and finding and securing a champion in the government that can work across sectors effectively is not an easy task. This aspect of the FCPF's work takes time and actors frequently change with changing government administrations following elections or institutional changes.

5.10 Whether or not a country has availed itself of FCPF funding for its Readiness process, the FCPF has raised expectations at both the country and local levels with respect to future financial rewards for engaging in REDD. However, international pledges remain well short of cost estimates.[28] Implementation, especially in low-capacity countries, is likely to require significant financing. In 2009, overall financing needs to halve deforestation by 2030 were estimated at between US$17 and US$33 billion per year if the forest sector was included in

28 Streck, C. and Parker, C. "Financing REDD+," in Angelsen, A., Brockhaus, M., Sunderlin, W. D., Verchot, L. V. (eds.) (2012). *Analysing REDD+: Challenges and Choices*. Bogor: Center for International Forestry Research.

carbon markets.[29] Given the level of expectations and the estimated financing requirements, the World Bank needs to be certain that it stands behind REDD+ and the commitments put forth by the FCPF. With the new alignment of the Bank's Sustainable Development Network (SDN), it will be important for the World Bank and the SDN Vice Presidency to articulate how *REDD+* financing needs will be factored into the Bank's new landscape approach to sustainable development, including how REDD will be integrated into key sector strategies, Country Assistance Strategies, Poverty Reduction Strategies, and so forth. This will be particularly important for those countries that are not high priority for the limited donor funds available.

29. Eliasch, J., et al., 2009. *The Eliasch Review – Climate Change: Financing Global Forests*.

6. Lessons

6.1 The following key lessons have emerged from this review for the FCPF and the World Bank.

For the FCPF

6.2 **The FCPF needs to update and clarify its mission to the World Bank's Board and to its participating members in relation to changes that are taking place in the carbon market and with respect to the evolving nature of the Carbon Fund.** Of penultimate importance is the need for greater clarity on how and under what conditions the Facility will support non-market, versus market-based approaches to REDD+ and how benefits will be aligned. The FCPF should also clarify the role of its participants vis-à-vis the two funds: how will countries that are not eligible for the Carbon Fund view their role in the Readiness Fund after the Carbon Fund comes fully on-stream? And how will the FCPF balance issues of fairness and efficiency between longstanding participants and new entrants to the Readiness Fund?

6.3 **FCPF management could enhance its effectiveness by revisiting its supervision formulas, taking advantage of internal World Bank reforms relating to micro and small grants, and by developing a programmatic Results Framework that is more reflective of the technical assistance and financial services that it provides.** The results framework could clearly differentiate between results attributable to activities supported by the Readiness Fund and those attributable to the Carbon Fund. With regard to the Readiness Fund, indicators could be developed to measure the impact that the country-level consultation processes and Bank supervision are having on country systems, with regard to countries' capacity to manage REDD+. It is important that the results framework focus its reporting around the inputs, activities, outputs, and interim outcomes that are attributable to the program, rather than aligning itself with climate change goals that lie outside of the purview of the program.

For the World Bank

6.4 **The World Bank needs a high-level, strategic discussion on its overall approach to REDD and to articulate how it plans to support the implementation of countries' REDD strategies going forward**. Given both the scale and cross-sectoral nature of REDD+ and the uncertain prospects for financing, the Bank needs to step back and think about where it is going with REDD+. Expectations have been raised at both the country and local levels by the FCPF about future rewards of REDD+. The Bank faces a risk to its reputation in case financing does not materialize on the scale envisaged. The Bank therefore needs to make sure that it stands fully behind the REDD+ agenda. A strategic reflection on the Bank's overall approach to REDD+ is necessary, including a discussion between all relevant networks and sectors about how country-generated REDD+ strategies will be aligned with, and included in, CASs, PRSPs and the corresponding operational portfolios and how REDD+ will be supported after the planned closing date of the Facility.

6.5 **Until there is greater clarity about the contours of future REDD+ financing, the World Bank might consider giving priority to (or frontloading) "no regrets" investments and activities such as legal and policy support for land tenure and forest governance reforms that dovetail with the Bank's wider objectives in the forest sector**. The Bank faces the challenge of sustaining development outcomes already achieved and maintaining momentum behind the REDD+ process through this period of uncertainty while also moderating stakeholder expectations and avoiding making commitments beyond those on which it is willing and able to deliver. To ensure effective use of resources while greater clarity on financing is awaited, "no regrets" investments and activities — which are also useful outside of the REDD+ context — could be prioritized and synergies sought with the Bank's wider objectives in the forest sector.

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Annex A. Review Framework for Global Program Reviews

Note: This evaluation framework is a general framework that has been designed to cover the wide range of programs in which the World Bank is involved, encompassing knowledge and advocacy networks, technical assistance programs, and investment programs. It is not expected that every global program review will cover every question in these tables in detail.

Table A-1. Assessing the Independence and Quality of the Evaluation

Evaluation Questions
1. Evaluation process To what extent was the Global and Regional Partnership Programs (GRPP) evaluation independent of the management of the program, according to the following criteria: • Organizational independence? • Behavioral independence? • Protection from outside interference? • Avoidance of conflicts of interest?
2. Monitoring and evaluation (M&E) framework of the program To what extent does the program have an effective M&E framework with: • Clear and coherent objectives and strategies that give focus and direction to the program? • An expected results chain or logical framework? • Measurable output and outcome indicators that meet the monitoring and reporting needs of the governing body and management of the program? • Systematic and regular processes for collecting and managing data? • Feedback processes to facilitate decision making and learning? To what extent did the program's M&E framework contribute to the evaluation's assessment of the efficacy and efficiency of the program? If not, what were these assessments based on? What is the overall quality of the design, implementation, and use of the program's M&E framework?
3. Evaluation approach and scope To what extent did the evaluation team have a clear, terms of reference (TOR) and a sufficient budget to meet the TOR? To what extent was the evaluation objectives-based and evidence-based? To what extent did the evaluation use a results-based framework? Was this constructed by the program or by the evaluators? To what extent did the evaluation address: • Relevance • Efficacy • Efficiency or cost-effectiveness • Financial management and resource mobilization • Governance and management • Sustainability of the program and its benefits
4. Evaluation instruments To what extent did the evaluation utilize the following instruments, beyond document reviews and interviews with key stakeholders: • Literature review • Structured surveys and of whom • Site visits and for what purpose — for interviewing implementers/ beneficiaries, or for observing activities being implemented or completed • Case studies • Other

Evaluation Questions
5. **Evaluation feedback** Has the governing body or management unit provided a formal response to the evaluation that is available on the program's website? What have been the major impacts of the evaluation on: • The objectives, strategies, design, or scale of the program? • The governance, management, and financing of the program? • The M&E framework of the program? • Other?

Table A-2. Providing a Second Opinion on the Effectiveness of the Program

Evaluation Criteria and Questions
Relevance: The extent to which the objectives and design of the program are consistent with (a) current global/regional challenges and concerns in a particular development sector and (b) the needs and priorities of beneficiary countries and groups.
1. **Supply-side relevance — the existence of an international consensus that global/regional collective action is required.** To what extent does the program reflect an international consensus on the need for collective action to address a global/regional concern that can only be addressed, or addressed more efficiently, by donors' pooling their financial and other resources together? How has this consensus or agreement been expressed — for example, in terms of (a) an international convention, (b) an international conference, (c) a program of action, or (d) an agreement on formal standards and approaches? To what extent have the key players in the field signed onto the agreement, and how has this changed over time? To what extent has there been agreement not only on the need for action, but also on the definition of the problem being addressed, on priorities, and on strategies for action? Was the program initially donor-driven — started by a handful of donors with little consultation with developing countries? If so, to what extent has the program succeeded in attracting broader international support?
2. **Demand-side relevance — alignment with beneficiary needs, priorities, and strategies.** To what extent are the objectives consistent with the needs, priorities, and strategies of beneficiary countries as articulated in the countries' own PRSPs, and in donors' strategies, such as the World Bank CASs, and the United Nations (UN) Development Assistance Frameworks? To what extent has the voice of developing and transition countries been expressed in the international consensus underlying the program? What has been the role of beneficiary countries in the design, governance, and implementation of the program? To what extent do the interests of donor and beneficiary countries coincide?
3. **Vertical relevance — consistency with the subsidiarity principle.** To what extent is the program providing global or regional public goods as opposed to national or local public goods, or even private goods? If the program is not providing global or regional public goods, then what is the rationale for organizing the partnership? To what extent are the activities of the program being carried out at the most appropriate level — global, regional, national, or local — in terms of efficiency and responsiveness to the needs of beneficiaries? To what extent are the activities of the program competing with or substituting for activities that individual donors or countries could do more efficiently by themselves? If so, what is the value added of the partnership over and above the activities of the individual donor partners?
4. **Horizontal relevance — the absence of alternative sources of supply.** To what extent is the program competing with other programs or entities that are providing similar goods and services? If so:

Evaluation Criteria and Questions
• What is the comparative advantage, value added, or core competency of the program relative to these other programs or entities? • To what extent is the program providing additional funding, advocacy, or technical capacity that is otherwise unavailable to meet the program's objectives? Are there alternative or more efficient ways in which the program's goods and services could be provided, such as by the private sector under regular market conditions?
5. Relevance of the design of the program To what extent does the program have a well-articulated theory of change, an expected results chain, or logical framework, along with assumptions, indicating how the program's strategies and priority activities are expected to lead to the achievement of the program's objectives? What are the major strategies and priority activities of the program: • Knowledge, advocacy, and standard-setting networks? • Financing country and local-level, technical assistance? • Financing investments to deliver national, regional, or global public goods? (See Table A-5.) To what extent are these strategies and priority activities appropriate for achieving the program's objectives? To what extent are the underlying assumptions valid? For programs providing global or regional public goods, is the design of the program consistent with the way in which the individual efforts of the partners contribute to the collective outcome for the program as a whole — whether "best shot," "summation," or "weakest link?"
Efficacy: The extent to which the program has achieved, or is expected to achieve, its objectives, taking into account their relative importance.
6. Progress of activities and outputs What sets of activities did the program initiate during the review period? Which activities have been completed? What outputs have been produced? What constraints — both internal and external — did the program face in implementing these activities? How did the program overcome these constraints in order to complete the activities successfully? What has been the quality of these goods and services (outputs) produced? Which activities were the most/least effective in contributing to the achievement of the program's objectives, and why? To what extent have there been outputs (and outcomes) that can be uniquely attributed to the partnership itself — such as the scale of or joint activities made possible by its organizational setup as a GRPP, or its institutional linkages to a host organization?
7. Linkages to country or local-level activities What underlying and enabling conditions — or linkages — are necessary for the effective implementation of the program's activities and the achievement of the program's objectives at the country or local levels? What has the program done to establish or facilitate the establishment of such linkages? To what extent are these linkages in place, operational, and effective? How are the program's country-level activities related to or integrated with those of other local, national, and international actors in the same area? To what extent has the program contributed to increased coherence of efforts among these actors at the country level? To what extent has the program positively influenced the strategies and activities of these other actors? To what extent have these other actors influenced the strategies and activities of the program?
8. Achievement of outcomes and objectives To what extent have the intended outcomes and stated objectives of the program been achieved, or satisfactory progress been made towards achieving them, given the stage and maturity of the program? Are there any implicit objectives that are well understood and agreed upon by the partners and to which the program should also be held accountable? To what extent have these been achieved? To what extent have there been any positive, unintended outcomes of the program that have been convincingly documented?

Evaluation Criteria and Questions
What factors (internal and external) are influencing the achievement or non-achievement of these outcomes and objectives? How have the program's objectives, strategies, and activities evolved in response to (a) learning from experience and (b) emerging risks and opportunities?
Efficiency or cost-effectiveness: **Efficiency** — the extent to which the program has converted or is expected to convert its resources/inputs (such as funds, expertise, time, etc.) economically into results. **Cost-effectiveness** — the extent to which the program has achieved or is expected to achieve its results at a lower cost compared with alternatives.
9. Financial management Are there any issues that have emerged during the course of the review in relation to: • The quality of financial management and accounting? • The methods, criteria, and processes for allocating funds among different activities of the program? Are financial reporting and auditing arrangements satisfactory, particularly from the perspective of donors? Do the recorded categories of expenditures facilitate adequate monitoring and attribution of costs to activities and results? Has the program taken sufficient measures to identify financial risk (such as unfulfilled pledges from donors or future commitments to beneficiaries) and formulated strategies for dealing with these risks?
10. Efficiency and cost-effectiveness To what extent have the program's activities been conducted and outputs achieved in an efficient or cost-effective way, in comparison with alternatives? How do activity costs compare with benchmarks from similar programs or activities (to the extent that these are available)? Have there been any obvious cases of inefficiency or wasted resources? Administrative costs: • Are the overhead costs of governing and managing the program reasonable and appropriate in relation to the objectives and activities of the program? • How do administrative costs compare with benchmarks from similar programs or activities? Allocating resources: • What are the processes and criteria that have been established for allocating financial resources (including grants) to various program activities? • How have these evolved over time in response to new objectives or priorities? • To what extent have these been applied consistently? • How effective and efficient are they?
11. Resource mobilization To what extent has the program succeeded in raising financial resources commensurate with its objectives? And from what sources — the Bank, bilateral donors, foundations, etc.? To what extent has the program succeeded in diversifying its funding beyond a small number of donors? To what extent have the sources of funding for the program (including the degree of core vs. restricted funding) affected, positively or negatively: • The strategic focus of the program? • The outputs and outcomes of the program? • The governance and management of the program? • The sustainability of the program?
12. Efficiency and cost-effectiveness from the donor and beneficiary perspectives How do the benefits and costs of delivering the development assistance through the GRPP compare with those of traditional development assistance programs:

Evaluation Criteria and Questions
• For donors — has delivering the development assistance through the GRPP reduced donor costs by harmonizing efforts among donors or by reducing overlapping work, such as through joint supervision, monitoring, and evaluation)? • For beneficiary countries — has receiving the development assistance through the GRPP increased or decreased the transactions costs compared with traditional bilateral or multilateral programs?

Table A-3. Providing a Second Opinion on the Governance, Management, and Sustainability of the Program

Evaluation Criteria and Questions
Governance and management: Governance — the structures, functions, processes, and organizational traditions that have been put in place within the context of a program's authorizing environment to ensure that the program is run in such a way that it achieves its objectives in an effective and transparent manner. Management — the day-to-day operation of the program within the context of the strategies, policies, processes, and procedures that have been established by the governing body. Whereas governance is concerned with "doing the right thing," management is concerned with "doing things right."
1. Legitimacy and efficiency To what extent do the governance and management structures and practices permit and facilitate: • Legitimacy — the effective participation and voice of the different categories of stakeholders in the major governance and management decisions, taking into account their respective roles and relative importance. • Efficiency — efficient governance processes and decision making without sacrificing quality. To what extent, if any, is the program's efficiency of governance being sacrificed in order to achieve greater legitimacy, or vice versa?
2. Accountability and responsibility To what extent do the governance and management structures and practices ensure: • Accountability — the extent to which accountability is defined, accepted, and exercised along the chain of command and control within a program, starting with the annual general meeting of the members or parties at the top and going down to the executive board, the chief executive officer, task team leaders, implementers, and in some cases, to the beneficiaries of the program? • Responsibility — the extent to which the program accepts and exercises responsibility to stakeholders who are not directly involved in the governance of the program and who are not part of the direct chain of accountability in the implementation of the program?
3. Transparency, Fairness, and Conflicts of Interest To what extent do the governance and management policies and procedures ensure: • Transparency — the extent to which a program's decision making, reporting, and evaluation processes are open and freely available to the general public? • Fairness — the extent to which partners and participants, similarly situated, have equal opportunity to influence the program and to receive benefits from the program? To what extent is the program identifying and managing potential conflicts of interest transparently, particularly in its partnerships with nongovernmental organizations (NGOs) and the commercial private sector?
4. Programs located in host organizations Why is the program located where it is? What are the benefits and costs of this location? To what extent is the program dealing with or mitigating the three major costs associated with host arrangements: • Identifying and managing the conflicts of interest inherent in host arrangements. • The "two masters" problem.

Evaluation Criteria and Questions
• The threat of "organizational capture." Has the program recently changed its location? Is it considering such changes in the future? Was this part of the original program design (e.g. nurturing the program in the host organization and then spinning it off after reaching a certain degree of maturity)? What have been or likely will be the impacts of changing the location on the effectiveness and sustainability of the program?
Sustainability, risk, and strategy for devolution or exit: **Sustainability** — When applied to a **program** itself, the extent to which the program is likely to continue its operational activities over time. When applied to the **activities of a program**, the extent to which the benefits arising from these activities are likely to continue after the activities have been completed. **Devolution or exit strategy** — a proactive strategy to change the design of a program, to devolve some of its implementation responsibilities, to reduce dependency on external funding, or to phase out the program on the grounds that it has achieved its objectives or that its current design is no longer the best way to sustain the results which the program has achieved.
5. Sustainability of the program What is the overall "health of the partnership"? What are the principal strengths of the program such as (a) adequate financial resources, (b) well focused objectives, (c) a well-tested theory of change, (d) an inclusive membership involving all the major actors in its field, and (e) legitimate and effective governance and management? What are the principal threats to the sustainability of the program, such as (a) difficulty in mobilizing financial resources, (b) failure to keep the program's objectives or design relevant in a changing global context, (c) competition from other sources of supply, (d) difficulty in demonstrating results, or (e) issues in relation to governance and management? What action is the program taking to enhance its sustainability?
6. Sustainability of the benefits of the program's activities What is the explicit or implicit theory of sustainability underlying the program? How does the program expect that the benefits arising from its activities will be sustained in the future after its activities have been completed? What are the assumptions underlying this theory of sustainability? What are the expected roles and activities of other actors in this process, including the complementary activities of donor partners, and the capacity, ownership, and commitment of country-level actors and beneficiaries? What activities is the program or its donor partners undertaking today to enhance sustainability of benefits, such as strengthening the institutional and human resource capacity of beneficiaries?
7. Scaling up, replicability, devolution, and exit strategy What criteria and processes has the program established to scale up, replicate, or devolve its activities and to define potential exit strategies? To what extent are these being effectively applied with demonstrated results? Are there signs that the program is overstretched within and across countries? What is the readiness of participating countries to take responsibility for the devolved activities of the program without major external support? What evidence is there that devolved activities will be supported within national, public financial accounts and systems?

Table A-4. Assessing the Bank's Performance as a Partner in the Program

Evaluation Questions
1. Relevance of the program to the Bank and vice versa What is the rationale for the Bank's involvement in the program? What is the Bank contributing to the program, and what does the Bank expect to get out of the program — for itself or for its client countries? How do the objectives and design of the program relate to the Bank's own strategic priorities, as stated in its sector, regional, and country assistance strategies? What is the program contributing to the achievement or evolution of the Bank's strategic priorities?
2. Bank's performance at the global/regional level What comparative advantages does the Bank bring to the program at the global/regional level — for example, global reach, convening power, and mobilizing financial resources? To what extent is the Bank playing up to these comparative advantages? To what extent is the Bank's presence as a partner in the program catalyzing other resources and partners for the program?
3. Bank's performance at the country level What comparative advantages does the Bank bring to the program at the country level — for example, multi-sector capacity, analytical expertise, and country-level presence and knowledge? To what extent is the Bank playing up to these comparative advantages? To what extent has the Bank's country operations established linkages to the GRPP, where appropriate, to enhance the effectiveness of both?
4. Oversight To what extent is the Bank exercising effective oversight of its involvement in the program, as appropriate, whether the program is located inside or outside the Bank? To what extent does the Bank's representative on the governing body have a clear TOR? To what extent has the Bank provided sufficient budgetary and staff support to exercise effective oversight? To what extent have conflicts of interest among the Bank's roles in the program been identified and managed transparently?
5. Risks and risk management To what extent have the risks to the World Bank associated with its involvement in the program been identified and effectively managed, for example: • Fiduciary risks — that the Bank's or others' funds will be misused or unaccounted for. • Programmatic risks — that the program fails to implement its activities or achieve its objectives. • Reputational risks — that the Bank will be associated with failures or errors of other members of the partnership. • Conflict of interest risks — that conflicts of interests are not identified and managed transparently, particularly with NGO and commercial private sector partners and participants.
6. Engagement strategy What are the Bank's current engagement and disengagement strategies in relation to the program? To what extent are these strategies appropriate, for example, in relation to the following: • The program's objectives, activities, and design. • The nature of the goods and services being provided. • The short- or long-term nature of the issues being addressed. • The alignment with the Bank development priorities. • The Bank's roles in the program. To what extent is the Bank facilitating an effective, flexible, and transparent disengagement strategy for the program, as appropriate?

Table A-5.Common GRPP Activities

Knowledge, Advocacy, and Standard-Setting Networks	
1. Facilitating communication among practitioners in the sector	This includes providing a central point of contact and communication among practitioners who are working in a sector or area of development to facilitate the sharing of analytical results. It might also include the financing of case studies and comparative studies.
2. Generating and disseminating information and knowledge	This comprises three related activities: (a) gathering, analyzing, and disseminating information, for example, on the evolving HIV/AIDS epidemic and responses to it, including epidemiological data collection and analysis, needs assessment, resource flows, and country readiness; (b) systematic assembly and dissemination of existing knowledge (not merely information) with respect to best practices in a sector on a global/regional basis; and (c) social scientific research to generate new knowledge in a sector or area of development.
3. Improving donor coordination	This should be an active process, not just the side effect of other program activities. This may involve resolving difficult interagency issues in order to improve alignment and efficiency in delivering development assistance.
4. Advocacy	This comprises proactive interaction with policymakers and decision makers concerning approaches to development in a sector, commonly in the context of global, regional, or country-level forums. This is intended to create reform conditions in developing countries, as distinct from physical and institutional investments in public goods, and is more proactive than generating and disseminating information and knowledge.
5. Implementing conventions, rules, or formal and informal standards and norms	Rules are generally formal. Standards can be formal or informal, and binding or nonbinding, but establishing standards involves more than simply advocating an approach to development in a sector. In general, there should be some costs associated with noncompliance with established rules and standards. Costs can come in many forms, including exposure to financial contagion, bad financial ratings by the International Monetary Fund and other rating agencies, with consequent impacts on access to private finance; lack of access to the Organization for Economic Co-operation and Development (OECD) markets for failing to meet food safety standards, or even the consequences of failing to be seen as progressive in international circles.
Financing Technical Assistance	
6. Supporting national-level policy, institutional, and technical reforms	This is more directed to specific tasks than to advocacy. This represents concrete involvement in specific and ongoing policy, institutional, and technical reform processes in a sector, from deciding on a reform strategy to implementation of new policies and regulations in a sector. It is more than just conducting studies unless the studies are strategic in nature and specific to the reform issue in question.
7. Capacity strengthening and training	This refers to strengthening the capacity of human resources through proactive training (in courses or on the job), as well as collaborative work with the active involvement of developing-country partners.
8. Catalyzing public or private investments in the sector	This includes improving regulatory frameworks for private investment and implementing pilot investment projects.
Financing Investments	
9. Financing country-level investments to deliver national public goods	This refers primarily to physical and institutional investments of the type found in Bank loans and credits (more than the financing of studies), the benefits of which accrue primarily at the national level.
10. Financing country-level investments to deliver global/regional public goods	This refers primarily to physical and institutional investments of the type found in Bank loans and credits (more than the financing of studies) to deliver public goods such as conserving biodiversity of global significance and reducing emissions of ozone-depleting substances and carbon dioxide, the benefits of which accrue globally.
11. Financing global/regional investments to deliver global/regional public goods	This refers to financing research and development for new products and technologies. These are generally physical products or processes — the hardware as opposed to the software of development.

Annex B. External Evaluation: Recommendations, Program Response, and IEG Assessment of Progress to Date

Evaluation Recommendation	*Management Response*	*Rating (March 2012)*
Decentralize Facility Management Team (FMT) staff; provide more in-country support.	Partially Agree: The deployment of FMT staff needs to be viewed more broadly with the aim of providing support to Reduced Emissions from Deforestation and Forest Degradation (REDD) country participants where relevant and based on country needs. In management's view, decentralizing the small FMT staff to the regions will not resolve the need for adequate support in countries. Management proposes to undertake measures to transfer the capacity on REDD plus conservation of forest carbon stocks (REDD+) to staff in Bank regions, thereby mainstreaming the REDD+ agenda in the Bank's portfolio. In addition, an assessment of other specific needs for in-country assistance will be made in collaboration with the regional staff within the World Bank and proposal for actions required will be finalized.	Partially achieved: Coordination with regional staff in the World Bank where the Bank has forest operations underway. More support is needed in countries without a forest sector lending portfolio. It is too soon to evaluate how this support will be provided in the pilot MDPS countries.
Provide dedicated funds to national Civil Society Organizations (CSOs).	No response.	Achieved at a level of US$2million which will support CSO participation in the FCPF.
Strengthen participation of key sectoral and non-sectoral ministries in Readiness Preparation Proposal (R-PP) planning processes.	No response.	Partially achieved in select country cases. Responsibility lies mostly with Participants Committee (PC) members.
Strengthen efforts to learn from previous experiences, lessons, successes, and failures in participating countries.	The concern flagged in the evaluation report regarding the degree to which FCPF-supported processes are taking into account lessons learned is useful but merits further discussion. … a fuller discussion of the relevance and significance of existing programs to the objectives of REDD+ would be beneficial for the global REDD+ community.	Partially achieved through South-South knowledge exchange workshops, but PC meetings could provide more space for learning.
In view of capacity and institutional challenges found in many Participant Countries, focus capacity building efforts around the early building blocks of the readiness process.	*No response.*	Partially achieved. With focus switching to developing capacity to enter into ER Programs (Carbon Fund) many Readiness Fund participants are concerned that attention to capacity building for overall readiness at the

Evaluation Recommendation	*Management Response*	*Rating (March 2012)*
		country level will be diverted.
Actively support learning and reflection around the Strategic Environmental and Social Assessment (SESA) process by ensuring effective and efficient transfer of early experiences from countries piloting SESA but also by linking externally to other initiatives.	Agree: Countries need active support for SESA implementation. The SESA is a new approach designed for application at the strategic planning level compared to application of World Bank safeguard policies to investment projects. It therefore requires capacity building of teams that will lead and coordinate the SESA process in the countries. Management foresees the appropriate application of SESA as a priority as well as a critical requirement that will be a factor of the success of REDD+ readiness implementation.	Not achieved. The SESA/Environmental and Social Management Framework (ESMF) has not yet been fully implemented in any one participating country.
Scale up technical and financial support to regional measures designed to foster South-South exchange and learning.	Agree: The World Bank Group has several avenues including dedicated trust funds through which South-South exchanges can be promoted. The FCPF has leveraged the World Bank Institute's experience of working on carbon finance issues and the Global Development Learning Network to disseminate knowledge on readiness activities. Similar efforts at larger scale will continue to be made.	Partially achieved.
Move away from "flat rate" commitments to Preparation and Readiness Grants to a system that provides differentially sized grants based on agreed, transparent, and universal criteria. Provide increased flexibility with respect to specific budget allocations under the Readiness grant.	Agree*: Resource requirements for readiness as presented in the R-PPs far exceed the support currently provided by FCPF. Criteria and options that could be used to assess country needs and eligibility for differential grants could be developed by the FMT for consideration of the PC. However, the increased support, if any, should continue to cater to readiness activities covering analytical and capacity building activities, not pilot activities.	Achieved. PC has agreed to provide "top-ups" of US$5 million to select participating REDD countries for R-PP preparation.
Develop clear plans regarding the expansion of the program to new countries seeking support and criteria for their inclusion.	No response.	Not achieved. This decision will be taken at PC 14, once the PC has a clearer picture of how many existing participants plan to fully participate, to get a clearer picture of the level of funding that may be needed or that will be "freed-up" for the newcomers.
While pursuing efforts to streamline the process of approval and disbursement of funds, continue to foster greater coordination with bilateral and multilateral partners at the country level.	Ongoing/Partially Agree*: Readiness preparation grant agreements to FCPF countries should be sped up. An important step towards signing of grant agreements is the identification of activities to be supported by the FCPF.	Not achieved. The Readiness Package (R-Package) is currently being discussed, with indications from donors that a meaningful and verified assessment of countries' Readiness status could prompt future investment,

Evaluation Recommendation	*Management Response*	*Rating (March 2012)*
	This requires liaising and coordinating with bilateral and multilateral partners in the country followed by a determination of which safeguard policies apply. Therefore, there are important steps that are completed between the assessment of the R-PP by the PC and actual signing of the grant agreement.	although discussions are preliminary. Bilateral investments are underway on a country by country basis.
Continue efforts through the Task Force on Multiple Delivery Partners to identify delivery channels outside the World Bank, recognizing that diversifying delivery and implementation partners will most likely help to improve disbursement rates.	Management is supportive of the ongoing efforts to diversify the delivery channels for supporting FCPF REDD+ readiness processes in REDD Country Participants outside the World Bank. Management views the purpose of diversifying Delivery Partners (DPs) as not only helping to increase commitment and disbursement rates but also as providing effective REDD+ readiness delivery mechanisms to participant countries based on the comparative advantages of the various DPs.	Achieved. Inter-American Development Bank (IDB) and United Nations Development Program (UNDP) have entered as MDPS. A Common Approach has been developed across the agencies to ensure consistency in safeguard application. The Food and Agriculture Organization of the UN (FAO) may also participate in the process if the pilot phase is deemed successful.
Streamline the R-PP review process to ensure that Technical Advisory Panel (TAP) review comments are timely and that adequate time is left to country teams to address TAP comments and own the final product as well as for PC to provide comments on the latest version.	No response.	Achieved. The R-PP review process is streamlined. However, attention will need to be paid to maintaining the spirit of the TAP comments throughout the progress-reporting process. TAP lesson learned presentations are of high quality and should be encouraged as a standard feature of the PC meetings.
Ensure translation at key meetings and that materials developed by FCPF are available in all main languages to facilitate participation of all PC members.	No response.	Partially achieved.
Pursue with energy the development and operationalization of a comprehensive M&E framework for the readiness process as a way to ensure adequate feedback loops in decision-making and improvement of the Facility effectiveness.	No response.	Partially achieved. A new M&E framework has been launched by the FMT prior to the PC 11 meetings, however the framework requires further strengthening.
Continue to strengthen coordination with UN-REDD, take advantage of mutual strengths and limitations in delivery mechanisms.	Agree*: The coordination with the UN-REDD Program continues to be strengthened, including on remaining issues regarding the R-PP template. The advice given to countries on stakeholder engagement has been further harmonized and is available on the FCPF website.	Achieved. The R-PP template has been standardized and formalized between the agencies.

Evaluation Recommendation	*Management Response*	*Rating (March 2012)*
Strengthen move towards greater alignment and harmonization of FCPF funds with other multilateral and bilateral sources.	Management propose(s) to strengthen coordination efforts to programs being implemented by the Bank's International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), Forest Investment Program (FIP), and Global Environment Facility (GEF) as well as other bilateral and multilateral partners to avoid duplication and to ensure sustainability and impact.	Not achieved – very little progress is being made in the area of alignment.
Develop and implement a communication and outreach strategy to disseminate and package FCPF outcomes more widely at country-level, within the World Bank and to external audiences.	Agree/ongoing*: Management intends to address this issue and consider a set of actions aimed at effective communication at all levels. A communications plan will be developed by the FMT. In addition, efforts to regularize internal communication on the latest developments and emerging issues in REDD+ using existing Bank communication networks for Bank staff supporting REDD+ will be made.	Not achieved.
Consider, in close coordination with other REDD-related funding mechanisms, measures to strengthen participation of responsible private-sector players in REDD+ processes.	Agree*: The Bank is promoting the private sector's involvement in REDD+ through both the FCPF (the private-sector observer to the PC, but most importantly the private sector's participation in the Carbon Fund) and the FIP.	Not achieved. There are two private sector participants in the Carbon Fund who have contributed the minimum joining fee. There is no evidence that the FCPF has strengthened private sector participation since the evaluation was conducted.
Beyond R-PP development, with a view to operationalizing the Carbon Fund, begin consideration and finalization of minimum readiness conditions ("triggers") required to access the Fund.	No response.	Partially achieved. The R-Package is under discussion.
Engage with countries on options for governance and institutional set up to ensure transparency and agreed approaches to benefit sharing in this operationalization.	No response.	Not achieved. This may be included as part of the R-Package criteria.
Ensure during the operationalization phase of the Carbon Fund that it is building on the lessons of the FCPF preparation phase.	No response.	Not achieved – under development.

Annex C. Sources and Uses of Funds

Table C-1. Donor Pledges (US$ millions)

Donors (commitments and pledges)	Readiness Fund	Share (%)	Carbon Fund	Share (%)	Total	Share (%)
Germany	38.6	16.1	69.6	31.9	108.2	23.6
Norway	30.2	12.6	61.0	27.9	91.2	19.9
Canada	41.4	17.3	5.0	2.3	46.4	10.1
Australia	23.9	10.0	18.4	8.4	42.3	9.2
United Kingdom	5.8	2.4	17.9	8.2	23.7	5.2
Netherlands	20.3	8.5	0.0	0.0	20.3	4.4
Switzerland	8.2	3.4	10.8	4.9	19.0	4.2
United States	9.0	3.8	14.0	6.4	23.0	5.0
Finland	14.7	6.1	0.0	0.0	14.7	3.2
Japan	14.0	5.8	0.0	0.0	14.0	3.1
European Commission	5.2	2.2	6.7	3.1	11.9	2.6
AFD	10.3	4.3	0.0	0.0	10.3	2.3
Spain	7.0	2.9	0.0	0.0	7.0	1.5
Denmark	5.8	2.4	0.0	0.0	5.8	1.3
The Nature Conservancy	0.0	0.0	5.0	2.3	5.0	1.1
Italy	5.0	2.1	0.0	0.0	5.0	1.1
CDC Climat	0.0	0.0	5.0	2.3	5.0	1.1
BP Technology Ventures	0.0	0.0	5.0	2.3	5.0	1.1
Total	**239.4**	**100**	**218.4**	**100**	**457.8**	**100**

Table C-2. Grant Disbursements by Country (US$ thousands)

Country	R-PP Formulation Grant Signed Date	R-PP Formulation Grant Signed Date	Commitment Amount	Disbursements				
				FY10	FY11	FY12	Total	Share (%)
Congo, Dem. Rep. of	3/19/09	3/24/11	3,591	177	14	797	988	20.1
Nepal	8/26/09	3/29/11	3,600	91	109	500	700	14.2
Ghana	4/01/09	12/08/11	3,600	200	0	400	600	12.2
Republic of Congo	7/21/09	1/10/12	3,595	87	108	381	577	11.7
Indonesia	3/15/11*	6/11/11	3,600	0	0	518	518	10.5
Colombia	10/19/10		200	0	134	66	200	4.1
Ethiopia	9/02/09		200	100	100	0	200	4.1
Liberia	5/18/09	6/29/12	3,782	75	107	0	182	3.7
Lao PDR	10/15/09		173	50	123	0	173	3.5
Kenya	9/07/09		169	0	169	0	169	3.4
Uganda	9/08/09		165	40	140	(15)	165	3.4
Costa Rica	7/9/09	6/29/12	3,761	139	22	0	161	3.3
Nicaragua	8/31/11		200	0	0	123	123	2.5
Cameroon	10/22/10		200	0	55	3	58	1.2
El Salvador	7/20/11		200	0	0	52	52	1.1
Thailand	12/29/11*		200	0	0	37	37	0.7
Vanuatu	5/14/10		200	0	0	21	21	0.4
Mexico	n.a.	(Sept 2012)	3,600	0	0	0	0	-
Mozambique	1/29/12		200	0	0	0	0	-
Vietnam	n.a.		200	0	0	0	0	-
Total			**31,436**	**959**	**1,082**	**2,884**	**4,925**	**100.0**

*This grant is Bank Executed.

Table C-3. Time from Submission of Final R-PP or Assessment by PC until Signing of Preparation Grant Agreement or R-PP Assessment Note Review Meeting

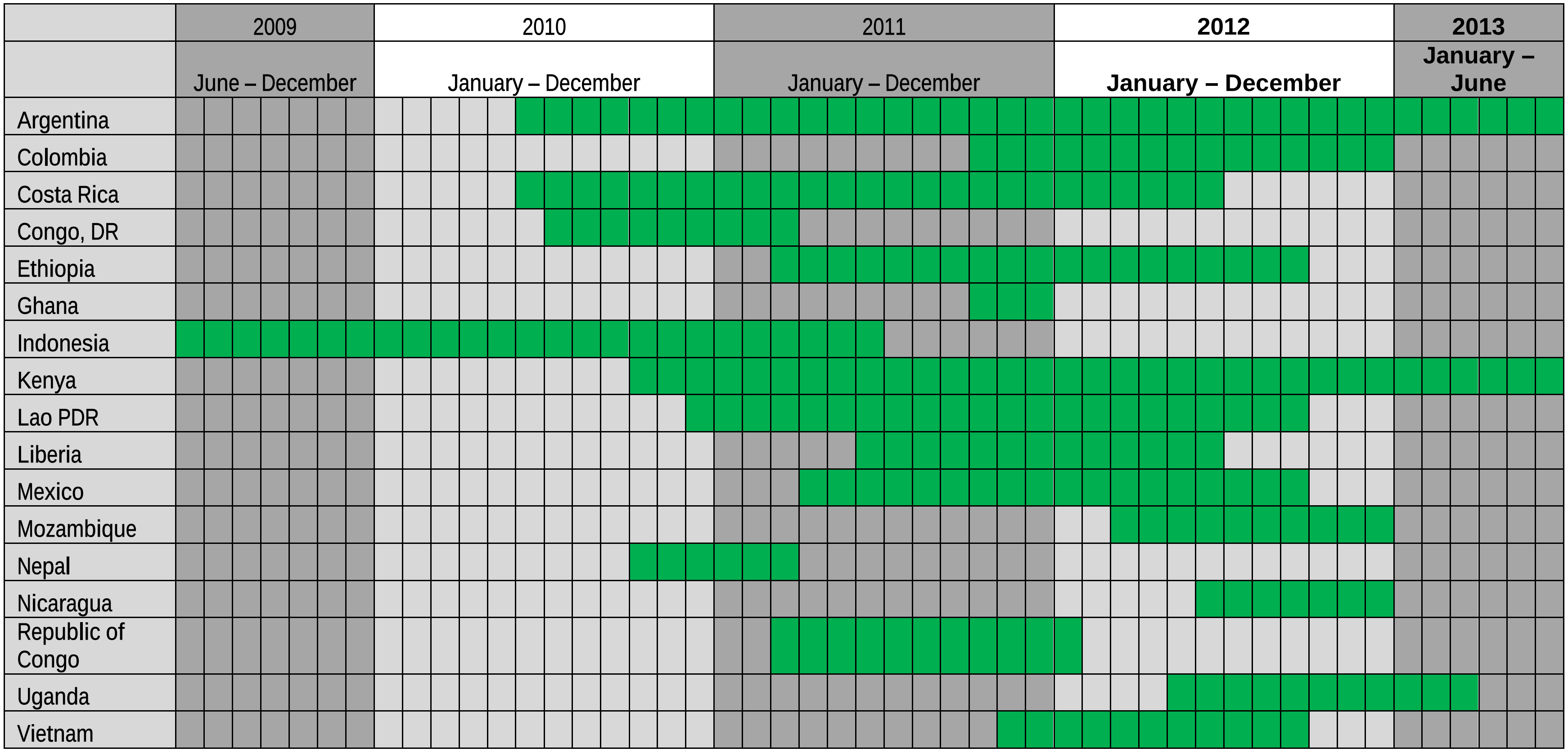

Table C-4. FCPF Readiness Fund Annual Expenditures, FY09–12 (US$ thousands)

	2009	2010	2011	2012	Total
Technical Support Activities					
Country Advisory Services	798,783	795,168	545,106	1,073,523	3,212,581
REDD Methodology Support	656,713	1,395,850	1,919,920	999,293	4,971,776
Country Implementation Support					
Africa	157,475	668,321	770,193	750,355	2,346,345
East Asia and the Pacific	42,627	143,363	255,767	331,739	773,495
Latin America and the Caribbean	160,387	800,405	777,796	558,674	2,297,261
South Asia	46,336	48,868	100,540	59,984	255,728
Total	406,825	1,660,957	1,904,295	1,700,752	5,672,829
Grant Disbursements					
Formulation Grants					
Cameroon			55,156	3,224	58,380
Colombia			134,102	65,898	200,000
Congo, Democratic Republic of the		177,082	14,004		191,086
Congo, Republic of		87,330	108,032	4,638	200,000
Costa Rica		138,701	22,214		160,915
El Salvador				52,148	52,148
Ethiopia		100,000	100,000		200,000
Ghana		200,000			200,000
Indonesia (Bank-executed)				139,945	139,945
Kenya			169,299		169,299
Lao PDR		50,000	122,661		172,661
Liberia		75,000	107,135		182,135
Nepal		91,028	108,972		200,000
Nicaragua				122,847	122,847
Thailand (Bank-executed)				36,905	36,905
Uganda		40,000	140,240	-14,837	165,403
Vanuatu				21,436	21,436
Total	0	959,142	1,081,815	432,205	2,473,161

	2009	2010	2011	2012	Total
Preparation Grants					
Congo, Democratic Republic of the				796,882	796,882
Congo, Republic of				381,275	381,275
Ghana				400,000	400,000
Indonesia				378,106	378,106
Nepal				500,000	500,000
Total	0	0	0	2,456,263	2,456,263
Administration and Governance					
Readiness Trust Fund Administration	650,667	226,937	366,093	355,593	1,599,290
FCPF Secretariat	984,421	1,322,921	1,685,485	2,323,120	6,315,947
Total	1,635,088	1,549,857	2,051,579	2,678,713	7,915,237
Total	3,497,409	6,360,975	7,502,715	9,340,750	26,701,848

Table C-5. FY2010–11 Financial Statement for the Readiness Fund (US$ thousands)

Item	*FY09 Amount*	*FY10 Amount*	*FY11 Amount*	*FY12 Amount*
Beginning Balance	0	50,945	77,695	165,804
Donor Contributions	53,895	32,290	94,880	31,538
Investment Income	547	821	732	924
Total Receipts	**54,442**	**33,111**	**95,612**	**32,462**
Cash Disbursements	3,497	5,402	6,421	5,560
Grant Disbursements	-	959	1,082	2,707
Total Disbursements	**3,497**	**6,361**	**7,503**	**8,267**
Fund Balance	**50,945**	**77,695**	**165,804**	**189,999**

Table C-6. FCPF Carbon Fund Annual Expenditures (US$ thousands)

	FY09 Actual	*FY10 Actual*	*FY11 Actual*	*FY12 Actual*
Shared Costs (paid by the Readiness Fund)*	635	1,728	1,262	
Shared Costs (paid by the Carbon Fund)**				1,069
Carbon Fund Administration		183	366	286
Marketing to Private Sector				1
Meeting Logistics				183
Program Development				
Total Carbon Fund Costs		**183**	**366**	**1,593**

*Per PC Resolutions: PC/3/2009/6, PC/6/2010/8, PC/9/2011/4 and not included in Total Carbon Fund Costs figures.
**Per PC Resolutions: PC/9/2011/4.

Annex D. Logical Framework Developed by the FMT

Presented by the FMT at the PC11 Meeting in Paraguay (March 2012)

Overall Objective	Outcomes	Outcome Indicators*	Outputs** [and party(ies) responsible]
Reduced emissions from deforestation and forest degradation (REDD+) help mitigate climate change.	1. Countries are ready to reduce emissions from deforestation and/or forest degradation and have the capacity to benefit from possible future systems of positive incentives for REDD+ (Readiness Fund).	30 countries undergo DP's due diligence after R-PP assessment by PC for signing of Readiness Preparation Grant Agreement.	Timely completion of the R-PP Assessment Note and other procedural requirements [Country, DP].
		20 (or more) countries present mid-term progress. reports.	Timely implementation of grant funding (substantially equivalent readiness preparation performance by countries regardless of the DP) [Country, DP, PC].
		10 (or more) Readiness Packages endorsed by PC.	Effective technical assistance and guidance to countries in Readiness process, including approval of Readiness Package guidelines and Readiness Package assessment framework by PC12 [DP, PC].
	2. Selected FCPF countries demonstrate key elements of performance-based payment systems for emission reductions generated from REDD+ activities with a view to ensuring equitable benefit. Sharing and promoting future large-scale positive incentives for REDD+ (Carbon Fund).	Operational procedures, business process for Emissions Reduction (ER) Programs discussed and endorsed by Carbon Fund Participants.	Operational procedures, business process for ER Programs developed [FMT].
		Working version of Carbon Fund methodological framework and pricing approach adopted by PC in 2012 and updated periodically to reflect progress in United Nations Framework Convention on Climate Change (UNFCCC) process.	Carbon Fund methodological framework and pricing approach for preparation of high-quality ER Programs developed [PC, FMT].
		At least five REDD countries submitted Emissions Reduction Program Idea Note (ER-PIN) by 2013; of which at least three undergo due diligence by the World Bank in preparation for signature of Emission Reduction Purchase Agreements (ERPAs) (taking into account the need to ensure equitable benefit sharing).	ER Programs prepared for signature [Countries, Carbon Fund Participants, World Bank, FMT].
		Carbon Fund capitalized up to US$350 million as a way of incentivizing large-scale ER Programs. Number of private participants in Carbon Fund increased to five as a way of testing scaling up positive incentives through private sector engagement.	Increased Carbon Fund capitalization [FMT] Enhanced interaction with, and marketing to the private sector [FMT].

Overall Objective	Outcomes	Outcome Indicators*	Outputs** [and party(ies) responsible]
		Activities to test equitable benefit sharing are included in design of ER Programs and developed in accordance with safeguards as per the FCPF guidelines and COP16 Decision.	Pilots that test integration of innovative approaches to benefit sharing in readiness planning and through ER Programs [Countries].
	3. Within the approach to REDD+, ways to sustain or enhance livelihoods of local communities and to conserve biodiversity tested.	The Indigenous Peoples (IP) and CSO capacity building programs support proposals that identify ways to sustain or enhance livelihoods of local communities.	Through their participation in the IP and CSO capacity building programs, IPs and CSOs demonstrate enhanced capacity to identify and support ways to sustain and enhance livelihoods [DPs, Observers, REDD Countries, FMT].
		Inclusion of SESA and an advanced draft of ESMF in 10 [or more] countries that submit their readiness packages and/or emissions reduction programs.	Through the analytical work conducted in the SESA priorities and opportunities for enhancing livelihoods and conserving biodiversity are identified and these are used in the development of ER Programs.
		1) R-Packages and ER Programs submitted to the FCPF demonstrate that relevant stakeholders have actively engaged in implementation of national REDD+ Readiness processes.	Through the identification of priorities and opportunities in the SESA, relevant stakeholders engage and collaborate in piloting approaches for enhancing local livelihoods and integrating biodiversity values in national Readiness planning and/or ER Program development [REDD countries].
		2) R-Packages and ER Programs submitted to the FCPF demonstrate that ways to sustain or enhance livelihoods of local communities are being tested.	
		3) R-Packages and ER Programs submitted to the FCPF demonstrate that ways to conserve biodiversity are being tested.	
	4. Knowledge gained in the development of the FCPF and implementation of Readiness Preparation Proposals (under the Readiness Fund) and ER Programs (under the Carbon Fund) broadly disseminated.	Increased number of users, including countries, access the website for information and utilize and reference FCPF knowledge products. New countries express interest in observing or joining the FCPF. Knowledge products distributed more widely and more frequently, using multiple media.	Strategy for dissemination of knowledge at the global level is finalized [FMT]. Lessons from piloting of Common Approach are disseminated [DPs, FMT]. Global and Regional Dialogues with IPs are conducted [DPs REDD Countries, FMT]. South-south learning activities, workshops, PC knowledge-sharing panels at the PC meetings, multi-

Overall Objective	Outcomes	Outcome Indicators*	Outputs** [and party(ies) responsible]
			stakeholder and public consultation of all key documentation, the FMT's presence in relevant international expert meetings, PC members feedback to their own institutions are used as means to help disseminate the knowledge gained in the FCPF [DPs, PC, Countries, Observers, FMT]. Knowledge products and lessons learned related to Outcomes 1, 2, and 3 are disseminated to target stakeholders in accordance with global and/or national dissemination strategy [FMT at the global level; countries at the regional and national levels].

Annex E. FCPF Composition

ParticipantsCommittee

<table>
<tr><th colspan="2">Fourth FCPF Participants Committee (2011–12)</th></tr>
<tr><td>REDD Country Participants

Central African Republic
Colombia
Ethiopia
Guatemala
Indonesia
Liberia
Mexico
Nepal
Nicaragua
Paraguay
Republic of Congo
Suriname
Uganda
Vietnam</td><td>Financial Contributors

Agence Française de Développement
Australia
Canada
Denmark
European Commission
Finland
Germany
Japan
Norway
Spain
Switzerland
The Nature Conservancy
The Netherlands
The United States</td></tr>
<tr><td colspan="2">Observers

Forest-Dependent Indigenous Peoples and Other Forest Dwellers
International Organizations
Nongovernmental Organizations
Private Sector
UNFCCC Secretariat
UN-REDD Program</td></tr>
<tr><td colspan="2">Delivery Partners

Food and Agriculture Organization of the United Nations
Inter-American Development Bank
United Nations Development Program</td></tr>
<tr><td colspan="2">Bureau of the Fourth FCPF Participants Committee (2011–12)

Australia
Canada
Central African Republic
Colombia
Ethiopia
Germany
Guatemala
Vietnam</td></tr>
</table>

REDD Country Participants

Argentina
Bolivia, Plurinational State of
Cameroon
Cambodia
Central African Republic
Chile
Colombia
Congo, Democratic Republic of
Congo, Republic of
Costa Rica
El Salvador
Ethiopia
Gabon
Ghana
Guatemala
Guyana
Honduras
Indonesia
Kenya
Lao People's Democratic Republic
Liberia
Madagascar
Mexico
Mozambique
Nepal
Nicaragua
Panama
Papua New Guinea
Paraguay
Peru
Suriname
Tanzania
Thailand
Uganda
Vanuatu
Vietnam

Carbon Fund Participants

Public Sector

European Commission
Government of Australia
Government of Germany
Government of Norway
Government of Switzerland
Government of the United Kingdom
DFID – UK Department for International Development
DECC – UK Department of Energy and Climate Change
Government of the United States

Private Sector and NGOs

BP Technology Ventures Inc.
CDC Climat
The Nature Conservancy

Donor Participants

Agence Française de Développement (AFD)
Government of Australia
Government of Canada
Government of Denmark
Government of Finland
Government of Germany
Ministry of Economic Cooperation and Development – BMZ

Ministry of Environment – BMU
Government of Italy
Government of Japan
MAFF – Ministry of Agriculture, Forestry and Fisheries
MOF – Ministry of Finance
Government of the Netherlands
Government of Norway
Government of Spain
Government of Switzerland
Government of the United Kingdom
DFID – UK Department for International Development
DECC – UK Department of Energy and Climate Change
Government of the United States of America

Annex F. Persons Consulted

Name	***Title***	***Organization***
Evaluators		
Alain Lafontaine	Associate Partner – Environment	Baastel
Tom Blomley	Director	Acacia Natural Resource Consultants Ltd.
Regional Coordinators – World Bank		
William Magrath	Lead Natural Resource Economist – Regional Coordinator FCPF South Asia Region	World Bank
Laurent Debroux	Senior Natural Resources Economist – Regional Coordinator FCPF Latin America and the Caribbean	World Bank
Carole Megevand	Senior Natural Resources Management Specialist – Regional Coordinator FCPF Africa	World Bank
FMT Team – World Bank		
Benoit Bosquet	Lead Carbon Finance Specialist – Member of the FMT, FCPF	World Bank
Neeta Hooda	Senior Carbon Finance Specialist – Member of the FMT, FCPF	World Bank
Haddy Jatou Sey	Senior Social Development Specialist – Member of the FMT, FCPF	World Bank
Eliza B. Winters	Senior Environmental Specialist – Member of the FMT, FCPF	World Bank
Erin Conner	Operations Analyst – Member of the FMT, FCPF	World Bank
Simon Whitehouse	Consultant – Member of the FMT, FCPF	World Bank
Werner L. Kornexl	Senior Climate Change Specialist – Member of the FMT, FCPF	World Bank
Andre Aquino	Carbon Finance Specialist – Member of the FMT, FCPF	World Bank
Daigo Koga	Carbon Finance Specialist – Member of the FMT, FCPF	World Bank
Peter W. Saile	Senior Carbon Finance Specialist – Member of the FMT, FCPF	World Bank
Leonel Iglesias	ETC – Member of the FMT, FCPF	World Bank
Kennan W. Rapp	Senior Social Development Specialist – Member of the FMT, FCPF	World Bank
Rajesh Koirala	ETC – Member of the FMT, FCPF	World Bank
Alexander Lotsch	Senior Carbon Finance Specialist – Member of the FMT, FCPF	World Bank
Kenneth J. Andrasko	Senior Methodology Specialist – Member of the FMT, FCPF	World Bank
Stephanie H. Tam	Operations Officer – Member of the FMT, FCPF	World Bank

Name	***Title***	***Organization***
World Bank Forest and Climate Change Staff		
Robert Ragland Davis	Senior Forestry Specialist – Task Team Leader (TTL) FCPF projects in Argentina and Chile	World Bank
Augusto Garcia	Operations Officer – TTL FCPF projects in Nicaragua and Guatemala	World Bank
Peter Jipp	Senior Natural Resources Management Specialist – TTL FCPF projects in Laos and Thailand	World Bank
Oliver Braedt	Senior Rural Development and Natural Resources Management Specialist The World Bank Liberia Country Office	World Bank
André Aquino Rodrigues	Carbon Finance Specialist/FMT Democratic Republic of Congo	World Bank
Khamlar Phonsavat	Climate Change Specialist LAO PDR	World Bank
BioCarbon Fund		
Ellysar Baroudy	Senior Carbon Finance Specialist – Head, BioCarbon Fund	World Bank
Forestry Unit Anchor – World Bank		
Madhavi M. Pillai	Natural Resources Management Specialist	World Bank
CSOs		
Joshua Lichtenstein	Manager, Forest Campaign	BIC
Rick Jacobsen	Senior Policy Advisor	Global Witness
Mark W. Roberts	Partner	McRoberts & Roberts, LLP
Simone Lovera	Co-founder and Managing Coordinator	Global Forest Coalition – NGO
Kapupu Diwa Mutimanwa	Coordinator	REPALEAC / LINAPYCO
Government Officials and Staff		
Josefina Braña Varela	Directora de Cambio Climático y Promoción Comercial, Unidad de Asuntos Internacionales y Fomento Financiero	Conafor Mexico
Pagnangde Tapsoba		Burkina Faso
Samuel Yeye	Technical Advisor, Ministry of the Environment and Standard of Living	Burkina Faso
Juan Cusanero	PC member representative	Guatemala
Jennifer Lee Morales	PC member representative	Guatemala
Marcel Oseida	PC member representative	Guatemala
Khampay Manivong	Director General	Department of Forestry, Ministry of Forestry and Agriculture
Moses D. Wogbeh, Sr.	Forest Development Authority, Director	Liberia
Kederick F. Johnson	Forest Development Authority,	Liberia

Name	***Title***	***Organization***
	Assistant Director	
Kirsfianti Ginoga	Research and Development Director for Climate Change, Ministry of Forestry	Indonesia
Niken Sakuntaladewi	Forestry Research and Development Agency, Ministry of Forestry	Indonesia
Rocio Malleux Hernani	Director of Forest Production and Wildlife Ministry of Agriculture	Peru
Eduardo Perochena Llerena	Assessor Ministry of Agriculture	Peru
Rafael Ramirez Arroyo	Director of Department of Information and Control of Forestry and Wildlife Ministry of Agriculture	Peru
Gabriel Quijandria Acosta	Vice Minister of Strategic Development of Natural Resources Ministry of Environment	Peru
Honorable Beda Machar Deng	Deputy Minister Ministry of Agriculture and Forestry	South Sudan
Victor Wurda LoTombe	Director General of Environmental Affairs Ministry of Environment	South Sudan
Lt. General Charles Yoasm Acire	Under Secretary Ministry of Wildlife, Conservation and Tourism	South Sudan
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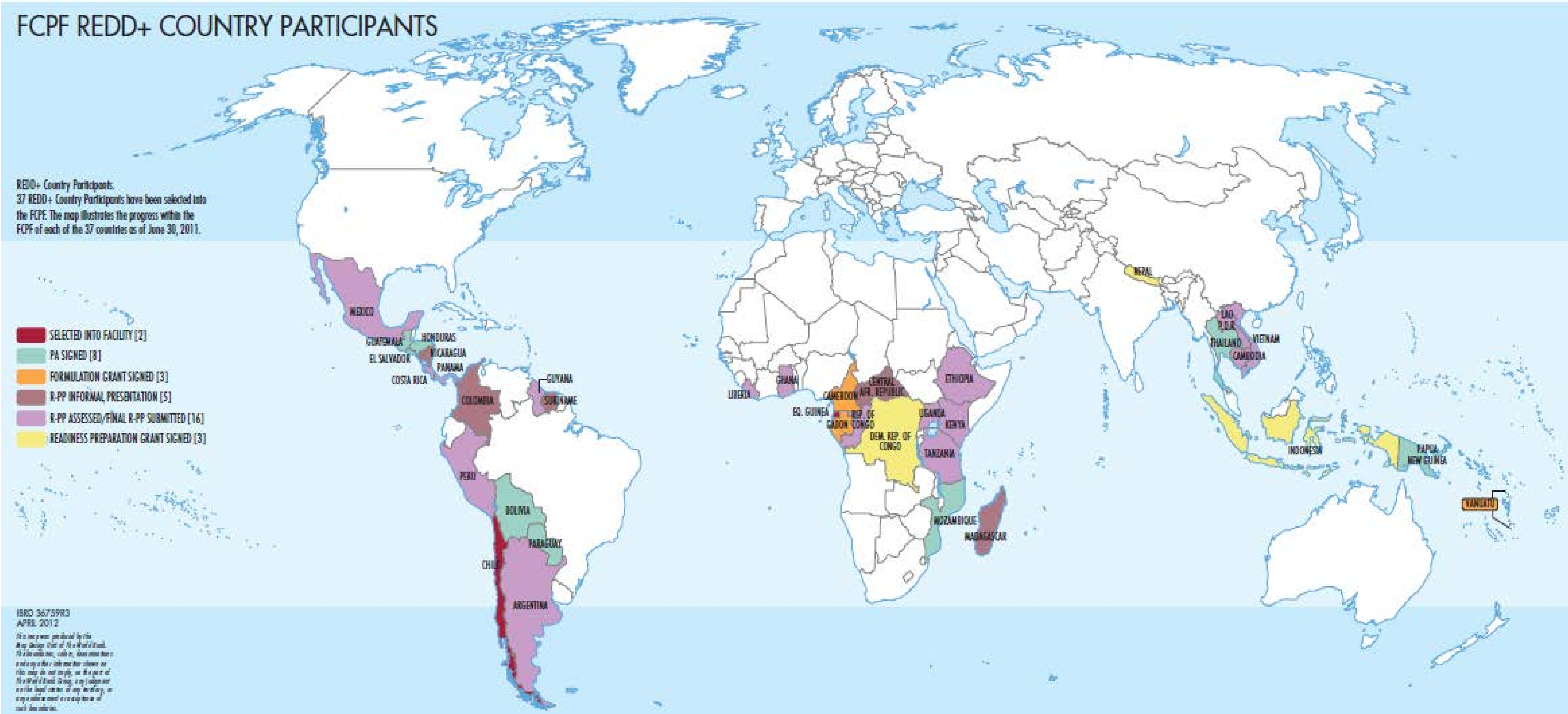
Name	***Title***	***Organization***
	of State	
Delivery Partners		
Hanna Katariina Uusimaa	Infrastructure and Environment Sector	IDB
Tina Vahanen	Senior Officer	FAO
Technical Advisory Panel Members		
Stephen Cobb	Director	The Environment & Development Group, Oxford

Annex G. Map



Source: FCPF Annual Report 2011 Map# 36759R3 – update requested by IEG April 2012.

Annex H. Response of the Program to IEG's Global Program Review

The Facility Management Team (FMT) of the Forest Carbon Partnership Facility (FCPF) appreciates the diligence of the IEG task team in this Global Program Review (GPR) of the FCPF.

The GPR offers in-depth review of the Facility's experience to date and strategic issues going forward. The FCPF FMT appreciates the acknowledgement of the significant value the program has already added at both global and country levels by being "willing to take risks and pioneer new ways of doing business." The recognition of the FCPF's creation of an inclusive forum for REDD+, its rekindling interest in addressing old challenges that have traditionally plagued the forest sector, and its design of processes to guide countries through REDD+ Readiness, is also gratefully acknowledged.

The FMT agrees that for REDD+ to be successful it will need to be central to countries' national development strategies. As a matter of fact the FMT and the Bank's Regions have closely collaborated to ensure that the support from the FCPF is an integral part of the World Bank's country policy dialogue.

As such the FMT supports the report's recommendation for the Bank to undertake high-level strategic discussions on how it will be involved in REDD+ going forward. REDD+ certainly entails significant challenges, but the potential social and environmental impacts that arise are significant, as the emerging experience from several FCPF countries already suggests. The Bank therefore needs to stand behind national efforts and itself deploy the full potential of its SDN network to help countries address the cross-sectoral challenges that are at the core of REDD+.

The FMT recognizes the change in external environment of the FCPF, and the questions this raises for the mission of the Carbon Fund in particular. This discussion is actually ongoing among the Carbon Fund Participants. So far they have chosen to provide payments to a small number (about five) of countries showing progress on the Readiness front and with innovative and credible programs designed to reduce emissions, but the question whether to create similar incentives for a larger number of countries is on the table. In any case, the FMT and the Bank's Regions will work together to identify and support country programs under Carbon Fund.

As far as the question of what REDD+ should start financing, the FMT agrees that issues such as policy support, land tenure and governance are among the key topics that need to be discussed and addressed. And these are in fact very much part of what the FCPF Readiness Fund and the Forest Investment Program are helping countries tackle. The Readiness Preparation grant agreements signed with countries (seven of them so far, with quite a few more in preparation) also emphasize strategy options and strategic environmental and social assessment, including consultations. This focus does not take away from the necessary effort of the FCPF Carbon Fund to lay the groundwork for future payments for performance. Performance-based payments for REDD+ are indeed still a potential game-changer in for forest protection, economic development and climate change mitigation. The current lack of financial incentives provided by the international community under a regulatory system, which remains elusive, makes initiatives like the FCPF Carbon Fund all the more important to provide a bridging solution.

With respect to the efficiency of the FCPF, the FMT acknowledges that disbursements have generally been slow due to a number of factors, including many beyond the Program's control. However, financial commitments and disbursements from the FCPF Readiness Fund are now progressing where the Bank is the Delivery Partner, and the Transfer Agreements are now signed with UNDP and imminent with the IDB, paving the way for advancement in the countries that will be working with these organizations as Delivery Partners.

The Program continues to hold that the $200,000 formulation grants to support R-PP formulation have been an efficient way of achieving FCPF objectives. All countries working with the World Bank as Delivery Partner that requested such a grant have already accessed it.

With respect to the $3.6 million grant supporting R-PP implementation, quite a bit of work is required between the time an R-PP is assessed by the Participants Committee (PC) and the Bank signs the grant. The country has to revise its R-PP to address the issues highlighted by the PC. The broad framework provided by the R-PP then needs to be translated into a set of operational arrangements that the Bank can support. This takes time, especially in countries with limited institutional capacity. Changes in government in several countries have also caused delays. Recipient-executed grants require time, not surprisingly, but they also build ownership, which is itself a requirement for REDD+ to be sustainable.

Despite all the challenges, we believe the efforts and adjustments made in the first few years of the FCPF will prove beneficial in the future. Based on the lessons learnt to date and the sharing of experiences across countries and regions, the remaining operations will go more quickly. The improvement in the financial performance of the Facility should in turn comfort developing countries that the FCPF is providing them with real support, and donor countries that the FCPF is an effective vehicle for channeling financial support to the intended beneficiaries.

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	Issue #3	The Forest Carbon Partnership Facility

GPR

The **Forest Carbon Partnership Facility (FCPF)** is a global partnership whose mission is to help countries benefit from future large-scale payments for reduced emissions from deforestation and forest degradation (REDD). The FCPF was launched in 2007 at the 13th Conference of the Parties to the United Nations Framework Convention on Climate Change in Bali. The FCPF comprises two trust funds: the Readiness Fund, which helps countries formulate and implement their REDD+ readiness strategies, and the Carbon Fund, which is designed to provide performance-based payments for verified emissions reductions. Since its inception, the FCPF has made a major contribution to defining the substance and modalities of REDD+ readiness through regular meetings among donors and forested countries, civil society, indigenous peoples and forest-dependent communities, and other stakeholders. The FCPF also conducts knowledge dissemination activities, encourages South-South knowledge exchange, and supports a global dialogue with indigenous peoples' groups on REDD+. To date, it has helped 24 countries formulate their REDD+ readiness strategies, although the implementation of these strategies at the country level is still at an early stage. Given the scale and cross-sectoral nature of REDD+, the FCPF needs enhanced strategic alignment with World Bank corporate goals and greater integration with country operations to be effective. At the same time, the uncertainty regarding future financial flows for REDD+ has complicated the FCPF's mission. The World Bank needs to articulate a vision around how it plans to support REDD+ going forward, to meet client expectations about future financing flows.

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