



# 2014

ANNUAL REPORT

—  
FOREST CARBON  
PARTNERSHIP  
FACILITY

**FOREST  
CARBON  
PARTNERSHIP  
FACILITY**



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## THE FOREST CARBON PARTNERSHIP FACILITY

Demonstrating activities that reduce emissions from deforestation and forest degradation

## Acronyms

|         |   |
|---------|---|
| BioCF   | BioCarbon Fund  |
| CF      | Carbon Fund   |
| CFP     | Carbon Fund Participants  |
| C&I     | Criteria and Indicators   |
| COP     | Conference of the Parties (to the UNFCCC)   |
| CSO     | Civil Society Organization  |
| DP      | Delivery Partner  |
| DRC     | Democratic Republic of Congo  |
| ER      | Emission Reductions   |
| ERPA    | Emission Reductions Payment Agreement   |
| ERPD    | Emission Reductions Program Document  |
| ER-PIN  | Emission Reductions Program Idea Note   |
| ESMF    | Environmental and Social Management Framework   |
| FAO     | Food and Agriculture Organization   |
| FCPF    | Forest Carbon Partnership Facility  |
| FIP     | Forest Investment Program   |
| FMT     | Facility Management Team  |
| FY      | Fiscal Year (World Bank fiscal year, July 1 through June 30)  |
| IDB     | Inter-American Development Bank   |
| IP      | Indigenous Peoples  |
| ISFL    | BioCarbon Fund Initiative for Sustainable Forest Landscapes   |
| Lao PDR | Lao People's Democratic Republic  |
| LOI     | Letter of Intent  |
| M&E     | Monitoring and Evaluation   |
| MF      | Methodological Framework  |
| MRV     | Measurement, Reporting, and Verification  |
| NGO     | Non-Governmental Organization   |
| PA      | Participants Assembly   |
| PMF     | Performance Measurement Framework   |
| PC      | Participants Committee  |
| REDD    | Reducing Emissions from Deforestation and Forest Degradation  |
| REDD+   | REDD <i>plus</i> conservation of forest carbon stocks, sustainable management of forests, and enhancement of forest carbon stocks |
| RL      | Reference Level   |
| R-PP    | Readiness Preparation Proposal  |
| SBSTA   | Subsidiary Body for Scientific and Technological Advice (under UNFCCC)  |
| SESA    | Strategic Environmental and Social Assessment   |
| SIS     | Safeguards Information System   |
| SMART   | Specific, Measurement, Relevant and (indicators) Time-bound (indicators)  |
| TAP     | Technical Advisory Panel  |
| UNDP    | United Nations Development Programme  |
| UNFCCC  | United Nations Framework Convention on Climate Change   |
| UN-REDD | United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries    |
| VRD     | Voluntary REDD+ Database  |



## Foreword



It is an exciting time for REDD+. At the COP19 in November 2013, the adoption of the “Warsaw REDD+ framework” provided renewed momentum for the REDD+ agenda with seven decisions on the building blocks of REDD+, including REDD+ finance, institutional arrangements and methodological issues. REDD+ was indeed the beacon of progress in the negotiations.

While the majority of funding for REDD+ was previously directed towards readiness activities, the progress in Warsaw leveraged substantial new pledges from donors for multilateral initiatives that are piloting results-based payments for emission reductions from land use programs at scale, such as the Forest Carbon Partnership Facility (FCPF).

Having been designed to provide practical insights and knowledge to inform evolving UNFCCC decisions on REDD+ and to pilot results-based demonstration activities on the ground, the FCPF Carbon Fund made major progress on its learning-by-doing path towards REDD+ at scale.

In December 2013, the approval of the Methodological Framework for the FCPF Carbon Fund marked a significant development as it unlocked financing from an international policy initiative by providing the operational structure for implementing results-based financing at scale. It also prompted momentum for innovation as countries competed to present their ideas for land-based carbon innovation at scale to the Carbon Fund.

The momentum was carried forward and culminated in the Climate Summit in September 2014 and delivered the New York Declaration on Forests. This was the first time that a critical mass of developed and developing country world leaders, CEOs of companies, leaders of Indigenous Peoples and Civil Society partnered around the goal of ending deforestation by 2030. The World Bank stands firmly behind the declaration and the impressive pipeline of large-scale emission reduction programs that countries have developed under the FCPF Carbon Fund will play an important role in

turning the commitments of the New York Declaration into action and results.

However, make no mistake, to overcome the underlying market, policy, and governance failures that drive deforestation and forest degradation, immense political will, backed with commitments from the highest level, as well as significant on-the-ground changes will be needed. Reforms will need to reach far beyond the forest sector to decouple agricultural commodity growth and infrastructure expansion from deforestation.

My hope is that climate finance can offer a lever to support the transformation that is needed; that it can incentivize countries to undertake ambitious land use reforms, to overhaul governance, and to catalyze much needed private capital to boost far-reaching investments to change the way land is managed. Innovative partnerships with the private sector are crucial too, and the appetite of the private sector for partnerships is now stronger than ever with more corporate commitments on non-deforestation commodity supply chains being made.

I'm optimistic that the multi-stakeholder partnerships that the FCPF represents can carry forward the renewed momentum created for REDD+ and contribute its share to take forests, land use and REDD+ to the next level. We need to seize the power of partnerships at global, national and local levels to take the action needed to transform rural landscapes and economies, bring prosperity to the poor and make a difference in the global climate change trajectory.

Ellysar Baroudy  
Coordinator, Forest Carbon Partnership Facility



# General Introduction

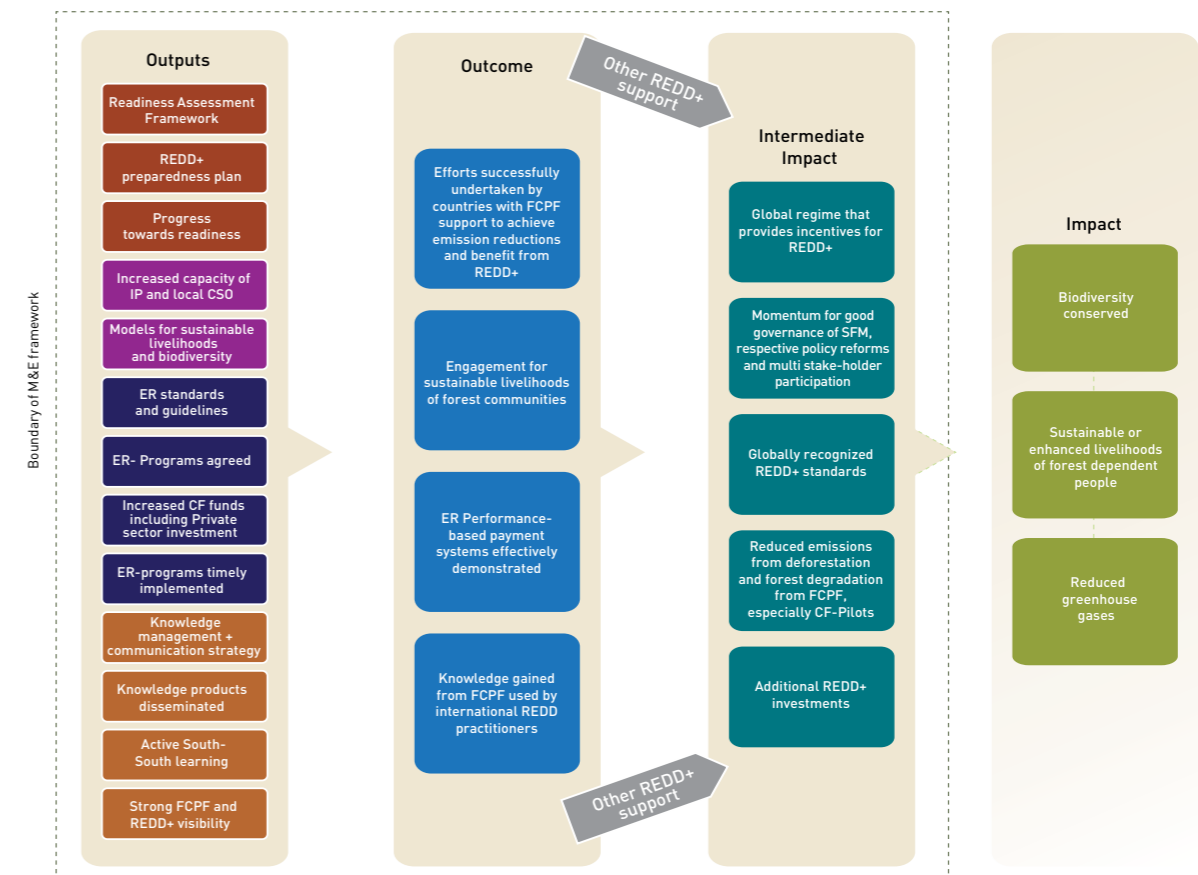
1

The 2014 Fiscal Year (FY14) report follows the structure of the Forest Carbon Partnership Facility (FCPF) Program Level Monitoring and Evaluation (M&E) Framework, adopted by the Participants Committee (PC) at its 14<sup>th</sup> meeting in March 2013. The M&E Framework is designed to keep track of the Facility's performance in a way that helps ensure lessons can be learned and adaptive management is possible at the Facility level.

In line with the M&E Framework's Performance Measurement Framework (PMF), this year's annual report provides information on the main achievements related to the intermediate impacts, outcomes (aligned with the four FCPF objectives), and outputs (short-term results), which together provide a strategic overview of the FCPF (see Figure 1). Specific, Measurable, Achievable, Relevant and Time-bound (SMART) indicators have been developed at the level of impact, outcome, and output to track the progress of the FCPF. The targets for each indicator have been designed in a way that ensures results can be achieved within the life span of the Facility. This report also builds on the reporting structure at the country level, which began last year—moving away from reporting on activities only and allowing for systematic,

country-specific assessment of readiness progress. As the FCPF's main focus has been on readiness and on laying the ground for future REDD+ activities and piloting performance-based payment systems, it is somewhat limited in its ability to report on longer-term and impact-level indicators at this stage. (Impact assessments will be part of the independent evaluations as planned in the M&E Framework.) With the new reporting structure framework in place as of last year, it is still a period of transition to the fully integrated new format. As a result, a limited number of countries have started using the new reporting structure and this report includes the information currently available and, for some indicators where portfolio-wide data was not available, country examples are provided.

Figure 1: Result chain of FCPF interventions



**\$830m**

was the total amount raised by FCPF's two funding mechanisms—the Readiness Fund and the Carbon Fund.



## Program Objectives

2

The Forest Carbon Partnership Facility (FCPF) is a global partnership of governments, businesses, civil society, and Indigenous Peoples (IP), focused on reducing emissions from deforestation and forest degradation, forest carbon stock conservation, the sustainable management of forests, and the enhancement of forest carbon stocks in developing countries (activities commonly referred to as REDD+).

As stated in its charter, the FCPF pursues four strategic objectives:

- To assist eligible REDD+ Countries in their efforts to achieve Emission Reductions (ER) 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+;
- To pilot a performance-based payments system for ER generated from REDD+ activities, with a view to ensuing equitable sharing and promoting future large-scale positive incentives for REDD+;
- Within the approach to REDD+, to test ways to sustain or enhance livelihoods of local communities and to conserve biodiversity; and
- To disseminate broadly the knowledge gained in the development of the Facility and implementation of Readiness Plans and ER Programs.

The FCPF has two separate but complementary funding mechanisms—the Readiness Fund and the Carbon Fund (CF)—to achieve its strategic objectives. Together the two

funds have raised \$830 million.

**The Readiness Fund** supports participating countries in the development of REDD+ strategies and policies, references emission levels (REL), measurement, reporting and verification (MRV) systems, and institutional capacity to manage REDD+, including environmental and social safeguards. The Readiness Fund became operational in 2008 and has a capital just under \$360 million.

**The Carbon Fund** builds on the progress made in readiness and is designed to pilot performance-based payments for ER from REDD+ programs in a small number of FCPF countries. The CF became operational in 2011 and has a capital of about \$470 million.

The FCPF has grown to 47 developing countries (18 in Africa, 18 in Latin America and the Caribbean, and 11 in the Asia-Pacific Region) and 17 financial contributors (comprising developed countries, private sector participants, and one Non-Governmental Organization (NGO)). It has six categories of observers, including IP and Civil Society Organizations (CSO). The core of the FCPF's inclusive governance structure is formed by the Participants Assembly (PA) and the Participants Committee (PC).



# Executive Summary

# 3

In its sixth year of operation, the Forest Carbon Partnership Facility (FCPF) made tremendous progress shaping a diverse portfolio of landscape-level programs for the Carbon Fund that can generate high-quality and sustainable emission reductions at scale, deliver environmental and community benefits, and cultivate important lessons.

The adoption of the Methodological Framework for the Carbon Fund in December 2013 marked the important milestone that spurred competition from REDD+ countries to present early ideas and full-fledged Emission Reduction Program Idea Notes (ER-PINs). In FY14, seven new and diverse ER-PINs were selected bringing the total to eight ER-PINs, and thus filling the pipeline for the Carbon Fund by two-thirds within half a year.

In FY14, the Carbon Fund attracted high interest from REDD+ countries and additional country observers joined meetings to participate in the unique opportunity the meetings provided to learn about countries' experiences in designing large-scale, cross-sectoral, multi-institutional programs that bring public and private sector partners together around forest conservation and sustainable land use. As the Carbon Fund is moving towards operationalization and eventually implementation of programs, its role will become even more relevant in generating on-the-ground, practical insights for piloting performance-based mechanisms for REDD+ and informing international negotiations in the UNFCCC process.

Remarkable progress was made under the Readiness Fund as well. A record number of 13 Readiness Preparation Proposals were assessed by the Participants Committee, allocating a total of just under \$50 million of readiness grant funding to REDD+ countries. A financial contribution from Norway of almost \$100 million to the Readiness Fund made it possible to select all 11 countries that had demonstrated interest and qualified into the FCPF. At the end of FY14, the FCPF grew to 47 REDD+ Country Participants, 45 of which have endorsed R-PPs, demonstrating the high interest from countries to benefit from the partnership's track-record of cross-country collaboration and capacity building and

to participate in the partnership's inclusive governance structure. It also confirms the partnership's cooperative spirit and central role in the REDD+ community.

The caliber of new R-PPs presented also demonstrated to what extent new countries are able to build on the wealth of knowledge generated by countries with more advanced REDD+ readiness. Four more of these front-runner countries advanced to the mid-term stage in FY14, providing a wealth of lessons on REDD+ readiness implementation for other countries in the partnership. Across the portfolio of REDD+ countries substantial progress was made to advance from R-PP endorsement to readiness preparation grant signature and implementation. An additional 13 grants were signed, including five through new Delivery Partners IDB and UNDP, more than doubling the total number of countries that have reached this second readiness milestone in FY14.

Looking ahead to FY15, REDD+ countries will have to focus on operationalizing both their emerging REDD+ strategies, as well as their proposals for large-scale REDD+ programs. At the readiness stage, that means building multi-sectoral national REDD+ strategies that prioritize key drivers of deforestation and forest degradation and propose actionable strategy options to address the underlying barriers such as natural resource rights, land tenure, and governance. For Carbon Fund countries, this means turning ER-PINs into actionable programs which can leverage public and private sector expertise and financial support and thus build investment packages that will generate emission reductions and ultimately results-based finance. Meanwhile, the FCPF FMT will focus on finalizing the legal and business standards and processes to support carbon finance transactions at scale and providing customized technical support to countries.

**+11**

countries were selected into the FCPF in FY14.

## Main Achievements and Results During the Period

### 4.1. Highlights

Building on the progress made in the past two years, a landmark decision was made in December 2013 to adopt the Methodological Framework for the Carbon Fund that provides a global standard for REDD+ transactions at scale.

# 4

It also completes the important progress made by the FCPF in the last two years putting in place the set of frameworks that govern the Facility and guide countries in their REDD+ activities. With the Readiness Assessment Framework, the M&E Framework, and Methodological Framework for the Carbon Fund endorsed, the FCPF advanced crafting and putting in place the remaining building blocks for successful results-based carbon finance. The business process, document templates, and most importantly, the General Conditions for Emission Reductions Payment Agreements (ERPA)—the legal underpinning for large-scale carbon transactions—were significantly advanced and are scheduled to be endorsed in FY15.

Meanwhile as countries acted to design and present five new early ideas and eight new ER-PINs to Carbon Fund Participants, seven additional ER-PINs from Chile, DRC, Mexico, Ghana, Nepal, the Republic of Congo, and Vietnam were selected into the Carbon Fund pipeline by the end of FY14. The FCPF prioritized extending country-tailored technical support to countries as they designed and developed their program ideas and further advanced important analytical work in support of technical aspects of REDD+ at scale. More specifically, tools were advanced to guide countries in developing reference levels and forest monitoring systems, as well as to assess different REDD+ cost elements.

The significant progress in the Carbon Fund also had a positive effect on REDD+ readiness progress. The process of designing concrete and actionable REDD+ programs helped countries to refocus and prioritize REDD+ readiness activities. Four additional countries (Costa Rica, Ghana, Indonesia, and Nepal) reached mid-term stage of readiness and annual progress reports from countries indicate that implementation is overwhelmingly proceeding as planned. A record number

of 13 R-PPs was endorsed by the PC and an additional 13 countries reached the next readiness milestone and signed readiness grant agreements. This brings the total number of R-PPs endorsed to 45, well exceeding the PMF's target of endorsing over 30 R-PPs by 2015. Furthermore, it brings the total number of countries implementing readiness activities to 22, more than doubling last year's total. The increased numbers also reflect 11 new countries that were selected into the Facility in FY14: Belize, Bhutan, Burkina Faso, Côte d'Ivoire, Dominican Republic, Fiji, Nigeria, Pakistan, Sudan, Togo, and Uruguay. By end of FY14, \$191 million in readiness grant funding had been allocated, and nearly \$90 million had been made available with signed grants, leveraging at least \$81 million in non-FCPF investments in readiness (this reflects country reporting which is not exhaustive).

New contributions to the FCPF increased. Committed and pledged funds to the Facility increased to about \$830 million. This includes an additional financial contribution from Norway of almost \$100 million to the Readiness Fund, now at \$358 million, and a pledge from the United Kingdom of £45 million to the Carbon Fund, now at \$470 million.

Maintaining the FCPF's commitment to social inclusion, multiple efforts to build capacity and raise awareness of the Common Approach have been taken, including applicable policies and procedures on environmental and social safeguards, information sharing, and grievance and accountability mechanisms. More specifically, three regional workshops with stakeholders in South America, Latin America and Francophone Africa were held in FY14. Further, locally-implemented projects under the IP/CSO Capacity Building Program continued to advance implementation evidenced by the disbursement of \$510,480 or 45 percent of total committed amounts.

# \$191m

in readiness grant funding had been allocated by the end of FY14.



## Large-scale Programs in the Carbon Fund Pipeline

This year, REDD+ countries have been making strides in developing large-scale REDD+ program proposals that have the potential to transform rural landscapes. As of the end of FY14, the Carbon Fund pipeline includes programs in Chile, Costa Rica, Democratic Republic of Congo, Ghana, Mexico, Nepal, Republic of Congo, and Vietnam. These eight programs take a landscape-level approach engaging actors in agriculture, energy, transport, land, mining, and forestry to achieve climate-smart land use, protect forests, restore degraded land, and improve local livelihoods. The Carbon Fund pipeline remains under development in FY15.

### Chile:

Chile's program to reduce emissions from degradation in temperate forests is a cornerstone for the national forestry strategy. This program—which spans 16.5 million hectares over 5 regions in Chile—takes action to address the three main drivers of deforestation and degradation: illegal logging, forest fires and replacement of native forests by exotic plantations. The Government of Chile is committed to the development of this large-scale program to reduce deforestation and forest degradation by improving forest management and focusing on cross-sectoral issues which impact areas with most forest cover. Among the distinguishing elements of the program, which will serve as a reference point for other countries, is the high-level support from the private sector.

### Costa Rica:

Costa Rica's emission reductions program takes a national level approach to achieving and sustaining carbon neutrality and contributing to poverty reduction by expanding an inclusive forestry and agroforestry-based development model. Working with government agencies—led by the National Forestry Financing Fund (FONFIFO) coordinating between the emission reductions program and the national REDD+ strategy—as well as wood and environmental services providers and buyers, the program uses avoided deforestation activities and activities to enhance carbon stocks to target the drivers of deforestation: domestic demand for wood and the conversion to agricultural land. Since 1997, Costa Rica has had a Payment for Environmental Services Program (PESP). This emission reductions program builds on this progress of the PESP as part of the national REDD+ readiness strategy.

### Democratic Republic of Congo:

The Mai-Ndombe Emission Reductions Program is a jurisdictional program which serves as a pilot for green growth in the Congo Basin and significant climate action on the African continent. The Government of DRC is committed to this innovative large-scale program integrated in DRC's national REDD+ strategy framework. Aligned with the investments of Forest Investment Program (FIP) and Congo Basin Forest Fund (CBFF), the Mai-Ndombe Emission Reductions Program includes a balanced combination of enabling activities (strengthening governance, capacity building, local level land-use planning, securing and modernizing land tenure) and sectorial activities (reduce impact logging, agroforestry, fire management) over 12.3 million hectares of land in DRC. The program represents a unique a partnership to secure a long-term public and private commitment to reducing deforestation and finance for delivering emission reductions, poverty reduction and sustainable development at scale.

### Ghana:

Ghana's Cocoa Forest REDD+ Program is the first REDD+ program in the world to focus on an ecological landscape that is defined by the production of a globally important agricultural commodity—cocoa—which is responsible for significant emissions in the landscape. The program seeks to significantly reduce emissions driven by expansion of cocoa into forest areas, coupled with illegal logging. By tackling these drivers, Ghana aims to secure the future of its forests and significantly improve income and livelihood opportunities for farmers and forest users across the program area. Ghana's Forestry Commission and Cocoa Board are committed to jointly pursuing a programmatic, landscape strategy to reduce deforestation and forest degradation in the Cocoa Forest Mosaic Landscape.

### Mexico:

Building on more than 10 years of experience in sustainable forest management, Mexico's program for a Community-Based Landscape Approach to Reduce Greenhouse Gas (GHG) Emissions aims at transforming the management of forests at the territorial level, and even goes a step further to take an integrated approach at the landscape level. Under the FCPF Carbon Fund, Mexico has committed to broaching a community-level program spanning five states and almost 30 million hectares of land. Working in conjunction with the Forest Investment Program (FIP), the program will generate incentives for rural communities to sustainably reduce deforestation associated with carbon emissions over time. The program will scale up the lessons learned from previous experience and give continuity to the management of natural resources at the landscape level.

### Nepal:

Reaching a population of seven million people, 80 percent of which are forest dependent, the emission reductions program in Nepal's Terai Arc Landscape is poised to transform the landscape and many communities in the program area. The main drivers of deforestation are unsustainable and illegal wood harvesting, overgrazing, forest fires, land conservation (encroachment, resettlement). The Government of Nepal is committed to this landscape-level program which is estimated to generate 14 million tons of CO<sub>2</sub> emission reductions in five years. This program will provide substantial learning value for Nepal and for other REDD+ programs globally, as it is testing the community-based forest management model as a building block for scaled up REDD+ programs. The government is dedicated to making this REDD+ initiative successful in reducing emissions, improving forest governance, and enhancing the livelihood of forest dependent communities.



**Republic of Congo:**

The emission reductions program proposed by the Republic of Congo is a collaborative public-private partnership with Congolaise Industrielle des Bois (CIB) (owned by Olam International), the leading logging concessionaire in the country. Program activity is built around addressing the drivers of deforestation and degradation based on sustainable forest management in the logging sector and avoiding unplanned deforestation from shifting slash and burn agriculture in the program area. These interventions have substantial non-carbon benefits that support the national vision for a green economy building on sustainable management of natural ecosystems, participatory management and the fight against poverty. The emission reductions program works hand in hand with the national REDD+ strategy.

**Vietnam:**

The North Central Agro-Ecological Region is a landscape that is economically, environmentally and socially significant. The jurisdictional program impacting six provinces in the Northern Annamite Mountains aims to make substantial achievements through catalytic carbon finance for sustainable forest-agriculture. Vietnam's emission reductions program works across key sectors driving deforestation and forest degradation (agriculture, infrastructure; shifting cultivation; unsustainable forest harvesting; illegal logging) which can serve as a paragon of green growth for Vietnam and the wider Association of Southeast Asian Nations (ASEAN) region. The Government of Vietnam is committed to these interventions working with civil society and development partners.



**8** large-scale emission reductions programs selected into the Carbon Fund by end of FY14.

**4.2. Progress at the Impact Level**

In the following sections, progress is reported based on indicators at impact, outcome, and output level in line with the Performance Measurement Framework (PMF) as per the FCPF’s Monitoring and Evaluation (M&E) Framework that was adopted in March 2013. Several indicators including those related to emission reductions program implementation under the Carbon Fund (CF), are not yet applicable. Accordingly, they are not referred to in the narrative below. Moreover, some indicators require that information be generated at the country level and aggregated at the portfolio level. However, as a large number of REDD+ countries transitioned to the new reporting format for the first time in FY14, and are still at early stages of REDD+ implementation, data is not consistently available to allow a quantitative analysis across the portfolio. Instead available anecdotes and examples from countries have been provided. The FCPF Facility Management Team (FMT) expects to be able to report comprehensively at the portfolio level and provide some quantitative analysis in forthcoming reports. Please refer to Section 8 (Results Measurement Reporting Framework) for a tabular aggregation of targets and outputs.

**Impact-level Results 1.1: The FCPF has contributed to the design of a global regime under or outside UNFCCC that provides incentives for REDD+**

*Impact-level indicator 1.1.B: Examples of how FCPF learning and experience has fed into UNFCCC REDD+ decisions*

In 2014, the United Nations Framework Convention on Climate Change (UNFCCC) Ad Hoc Group on Durban Platform (ADP) organized a number of Technical Expert Meetings to focus on scaling up actions in areas of high mitigation potential with a view to achieving high emission reductions in the pre-2020 period.

The World Bank in its role as trustee of the FCPF was invited as one of the keynote speakers in the Technical Expert Meeting on Land Use that took place on June 11, 2014, as part of the ADP. Building largely on the experiences of the FCPF, the keynote provided an overview of the state of financing, technology transfer and capacity-building, including the role of partnerships, and major opportunities for investment and challenges.

**Impact-level Results 1.2: Reduced emissions from deforestation and forest degradation from FCPF, especially CF portfolio countries**

This impact-level result is not yet applicable.

**Impact-level Results 1.3: FCPF has catalyzed the creation of recognized standards for REDD+**

The FCPF is a global partnership initiative of 64 partners that has pioneered a framework for reducing deforestation and forest degradation—a major potential contribution to climate change mitigation by developing countries—through (i) finance, technical support, and knowledge sharing; and (ii) piloting of results-based finance for emission reductions from REDD+ programs at scale. The FCPF has enabled developing countries to follow a structured and stepwise approach to develop a strategic framework, build technical capacity, and promote an inclusive and broad-based process to manage forests more sustainably. In the process, the Facility has helped set standards for REDD+ and informed the UNFCCC process since its inception at the Conference of the Parties (COP) to the UNFCCC in Bali.

In the last two years, the FCPF contributed to the establishment of global standards for REDD+ with the adoption

of the Readiness Assessment Framework in March 2013 and the adoption of the Methodological Framework for the Carbon Fund in December 2013.

Over the past year, important progress has also been made with the development of the legal underpinning for large-scale carbon transactions for REDD+, e.g., the General Conditions for Emission Reductions Payment Agreements (ERPA), the preparation of the business process for the Carbon Fund, including a template and approval processes for ER-Program Idea Notes (ER-PINs), ER-Program Documents (ERPDs), and Emission Reductions Payment Agreements (ERPAs).

**BOX 1: FCPF FRAMEWORK DOCUMENTS**

The Readiness Assessment Framework guides REDD+ countries on how to measure and communicate their relative progress on REDD+ readiness, and builds on the foundation and multi-stakeholder platforms created during the readiness preparation phase. In addition to documenting country’s readiness progress, the self-assessment report or Readiness Package (R-Package) resulting from the readiness assessment also captures lessons learned, assesses remaining gaps, and identifies activities required to be able to transition to the implementation of performance-based activities.

The Methodological Framework for the Carbon Fund provides a global standard for REDD+ transaction at scale and will guide the piloting of results-based carbon finance transactions through the FCPF Carbon Fund. The ambition of the CF is to test large-scale approaches that require a mix of policies and investments, integration with national development strategies, use of innovative financial structures, and multi-stakeholder engagement. The CF thus moves beyond the project-based approach that most REDD+ transactions in the voluntary markets have relied on to date. The experiences made in the Carbon Fund are expected to inform the development of a REDD+ system under the UNFCCC.



*Impact-level indicator 1.3.A: Examples of non-participant countries that have adopted FCPF standards in their own REDD+ process*

A decision was made at the 14th Participant’s Committee meeting (PC14) in March 2013, to reopen the FCPF to new REDD+ countries. In order to qualify for consideration, non-participant countries were expected to demonstrate national commitment to REDD+ by preparing a Readiness Preparation Proposal (R-PP) and carrying out a consultative stakeholder process as per FCPF standards, without receiving dedicated financial support from the FCPF. Eleven non-participant countries, including Belize, Bhutan, Burkina Faso, Côte d’Ivoire, Fiji, Dominican Republic, Nigeria, Pakistan, Sudan, Togo and Uruguay adopted the common FCPF standards, carried out consultations, and developed and presented their R-PPs for formal assessment by the Technical Advisory Panel (TAP) and the Participants Committee (PC) at 16th Participants Committee meeting (PC16) in Geneva, in December 2013 and at the 17th Participants Committee meeting (PC17) in Lima, in July 2014. All eleven countries were selected into the FCPF and were allocated \$3.8 million each to support REDD+ readiness preparation.

However, when countries prepared their R-PPs there was not sufficient funding available in the FCPF Readiness Fund to select all. Nevertheless, countries viewed the consultative exercise of R-PP development and the thorough technical review processes by the TAP and PC as an opportunity to potentially be selected into the FCPF, but also to attract other bilateral and multilateral funding. These countries recognize that adopting an

R-PP development process also provides leverage to convene a broad range of national stakeholders across different sectors to identify strategy options to address drivers of deforestation.

The exceptionally high quality of the set of new R-PPs presented at PC16 and PC17 also demonstrated that new countries are able to build on the wealth of knowledge that has been generated by FCPF participant countries over the past years. The inclusion of the 11 new countries in FY14 strengthened the partnership’s cooperative spirit and confirms its central role in the REDD+ community.

*Impact-level indicator 1.3.B: Common Approach successfully implemented*

The Common Approach has been designed to provide the World Bank and the other FCPF Delivery Partners (DPs) with a common platform for risk management and quality assurance in the REDD+ readiness preparation process, using the safeguard policies of the World Bank as a minimum acceptable standard. In the few FCPF countries that are piloting the Common Approach and that have started with the implementation of FCPF-financed readiness preparation activities, the initial results are promising. For example, Guatemala has recently refined the Terms of Reference to be used for the implementation of Strategic Environmental and Social Assessment (SESA) and preparation of the Environmental and Social Management Framework (ESMF), and Peru has undertaken a number of mutually reinforcing consultation activities based on a robust and inclusive Stakeholder Engagement Plan. Both of these countries

are working with the Inter-American Development Bank (IDB) as their Delivery Partner.

Otherwise, in FY14, there have been multiple efforts to build capacity and raise awareness of the Common Approach, including applicable policies and procedures on environmental and social safeguards, information sharing, and grievance and accountability mechanisms. To support capacity building on the Common



Approach specifically, and social inclusion more generally, three regional workshops were held in FY14. These were the last three of a series of five workshops that started in FY13. A workshop in Bogota, Colombia, held in December 2013, brought together stakeholders from six South American countries—Chile, Colombia, Guyana, Paraguay, Peru, and Suriname. A second regional workshop was held in Antigua, Guatemala, in January 2014, and brought together stakeholders from eight Latin American countries—Argentina, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Panama. A third regional workshop was held in Brazzaville, Republic of Congo, in May 2014, and brought together stakeholders from seven Francophone African countries—Burkina Faso, Cameroon, Côte d’Ivoire, Democratic Republic of Congo, Madagascar, Republic of Congo, and Togo.

In addition, other events raised awareness about key elements of the Common Approach—for example, a training workshop of the National REDD+ Safeguards Committee in Antigua, Guatemala, from January 20–24, 2014, and the global Climate, Community & Biodiversity Alliance (CCBA) workshop for REDD+ Social and Environmental Standards (SES) development in Merida, Mexico from July 15–16, 2014. Elements of the Common Approach, such as the SESA/ESMF, are also being taken into account in approaches and tools that are being developed by the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD) Programme. Examples include UN-REDD’s Country Approach to Safeguards Tool (CAST) and its Benefit and Risks Tool (BeRT).

Finally, to support countries and DPs with risk management as per the Common Approach, the FMT is developing a safeguards and SESA/ESMF online learning module that will be launched in FY15.

**Impact-level Results 1.4: FCPF has catalyzed investment in REDD+ (CF, and grants)**

*Impact-level indicator 1.4.A: Amount of non-FCPF investments under R-PP process in Participant countries and for implementation of ER Programs (e.g., FIP, bilateral donors, private sector)*

The R-PP process, as supported by the FCPF, has helped countries leverage additional external funding to finance the cost of readiness activities. As per the FCPF’s criteria, development of the R-PP entails a participatory and inclusive process, requires government ownership, and encourages transparency. The process has therefore gained donors’ confidence and attracted additional funds to cover the costs of REDD+ readiness, which often exceed grant funding available from the FCPF Readiness Fund. The table below provides examples of non-FCPF investments received under the R-PP process and at the stage of ER program development. Figures in Table 1 below are based on progress reporting by countries and may not be exhaustive.

**Table 1: Amount of non-FCPF investments\***

| Amount of non-FCPF investments received under R-PP process |   |                     |
|--|---|---------------------|
| REDD+ Country  | Source  | Amount provided     |
| Cambodia   | UN-REDD   | \$4,001,050         |
|  | Government of Japan (JICA)  | \$14,000,000        |
| Chile  | Government of Switzerland (NAMA Forest)   | \$1,800,000         |
|  | IADB  | \$190,000           |
|  | Empresa Minera Barrick Zaldivar   | \$137,500           |
| Costa Rica   | Government of Germany (GIZ)   | \$2,000,000         |
|  | UN-REDD   | \$250,000           |
|  | Government of Norway (NORAD)  | \$105,000           |
|  | Government of US (USAID)  | \$500,000           |
| Republic of Congo  | Government of Costa Rica  | \$250,000           |
|  | UN-REDD   | \$4,000,000         |
|  | Government (State)  | \$600,000           |
|  | COMIFAC (Regional REDD+ Project and Regional Project MRV)                       | \$650,000           |
| Democratic Republic of Congo                               | UNDP  | \$3,110,690         |
|  | FAO   | \$2,926,450         |
|  | UNEP  | \$1,346,060         |
| Ethiopia   | Government of Norway  | \$5,000,000         |
|  | Government of UK (DFID)   | \$5,000,000         |
| Ghana  | Gordon and Betty Moore Foundation for stakeholder consultations and biomass map | \$148,063           |
| Guatemala  | Government of US (USAID)  | \$200,000           |
|  | IUCN  | \$20,000            |
|  | IADB  | \$100,000           |
| Guyana   | Government of Norway  | \$3,110,690         |
|  | Guiana Shield Facility  | \$490,000           |
|  | Government of Germany (KfW)   | \$627,000           |
| Nepal  | Government of US (USAID)  | \$1,136,600         |
|  | Government of UK (DFID/SDC)   | \$1,467,500         |
|  | Government of Finland   | \$780,000           |
|  | Government of Japan   | \$360,000           |
| Nicaragua  | Government of Germany (GIZ)   | \$100,000           |
|  | FAO   | \$5,000             |
| Peru   | Gordon and Betty Moore Foundation   | \$735,916           |
|  | Government of Germany (KfW)   | \$8,045,000         |
| Tanzania   | Government of Norway (Civil Society Organization program)                       | \$17,000,000        |
| Uganda   | Government of Austria   | \$830,286           |
| <b>TOTAL</b>   |   | <b>\$81,022,806</b> |

| Amount of non-FCPF investments received for implementation of ER Programs (e.g., FIP, bilateral donors, private sector), if relevant |   |                      |
|--|---|----------------------|
| REDD+ Country  | Source  | Amount provided      |
| Burkina Faso   | FIP   | \$30,000,000         |
|  | FIP DGM   | \$4,500,000          |
| Democratic Republic of Congo   | FIP   | \$60,000,000         |
|  | FIP DGM   | \$6,000,000          |
|  | Norway  | \$2,500,000          |
|  | Congo Basin Forest Fund (CBFF)  | \$25,000,000         |
| Ethiopia   | OIBT  | \$600,000            |
|  | COMIFAC   | \$305,000            |
|  | Norway (for Oromia REDD+ readiness program)   | \$3,000,000          |
| Ghana  | Norway (official pledge)  | \$50,000,000         |
|  | Norway (for national readiness performance)   | \$10,000,000         |
|  | Japanese Funded Forest Preservation Programme (FPP) Technology Transfer and Support for trend analysis of forest land change, Forest resource map, biomass and C-Stock estimation and Capacity building | \$7,800,000          |
| Guatemala  | GIZ Supporting Ghana in Forest Monitoring based on German Remote Sensing Technology   | \$638,525            |
|  | FIP   | \$50,000,000         |
|  | FIP DGM   | \$5,500,000          |
| Guatemala  | IADB  | \$500,000            |
| Indonesia  | Government of Germany (KfW)   | \$29,371,000         |
|  | Government of Germany (GIZ)   | \$22,348,000         |
|  | FIP   | \$105,000,000        |
| Lao PDR  | FIP DGM   | \$6,500,000          |
|  | Government of Germany (KfW)   | \$12,770,000         |
|  | Government of Germany (GIZ)   | \$5,683,000          |
| Mexico   | FIP   | \$30,000,000         |
|  | FIP DGM   | \$4,500,000          |
|  | FIP   | \$60,000,000         |
| Peru   | FIP DGM   | \$6,000,000          |
|  | FIP   | \$50,000,000         |
| Peru   | FIP DGM   | \$5,500,000          |
|  | <b>TOTAL</b>  | <b>\$594,015,525</b> |

\*It should be noted that figures are based on country reporting and may not be exhaustive.



**Impact-level Result I.5: The FCPF has generated momentum to address governance and transparency issues and policy reforms related to sustainable forest resource management and REDD+**

*Impact-level indicator I.5.B: Number of policy reforms initiated, completed or underway complying with REDD+ standards in Participants' country, potentially include issues of land tenure*

While FCPF Readiness Grant funding is making important contributions to REDD+ Readiness, it must be seen as an element within larger, dynamic national processes. In many countries, FCPF REDD+ readiness funding is essential to promote capacity building, analytical work, social inclusion processes, and highly technical work related to forest carbon assessments and monitoring. While these activities support and feed policy reform processes in support of REDD+, initiation and completion of policy reform requires collective action across sectors and leadership at national and sub-national levels that go beyond the leverage of FCPF readiness grant funding. As such, the following examples provide a snapshot of important progress made in FY14 on policy reform that guides and informs REDD+, but that must be viewed in the context of broader national processes.

In July 2013, the Government of Guatemala adopted the Framework Law on Climate Change, which creates a legal framework that enables the use of the forest sector as a greenhouse gas (GHG) emission reductions mechanism. The new law reinforces Guatemala's institutional and political commitment to REDD+ and, in Articles 20 and 22, creates a

legal platform for carbon markets as well as an obligation for energy producers using fossil fuels to seek compensation for their GHG emissions. The new law relates to the existing Forest Law 101-96, which itself has been reinforced through laws establishing the Programa de Incentivos Forestales (PINFOR) and Programa de Incentivos para Pequeños Poseedores de Tierras de Vocación Forestal o AgroForestal (PINPEP) forest incentive programs, which have given rise to more than 300,000 hectares of forest protection, reforestation and agroforestry establishment under a nationwide program with more than 900,000 beneficiaries. Of the two incentive programs, PINPEP is especially inclusive and innovative in that it supports forestry activities by smallholders without land title, on areas as small as 0.1 hectares, thus promoting participation and economic development of the poorest and most vulnerable groups, including Indigenous Peoples and women's groups. Guatemala also has a number of new initiatives under preparation to strengthen the existing forest governance framework and help achieve GHG emission reductions in the forest sector. One example, the proposed PROBSOQUES Law, currently before the Congress of Guatemala, will help scale up existing forest incentive programs, by devoting 1 percent of the national budget to incentivize the establishment of an additional 40,000 hectares of natural forest protection, reforestation and agroforestry.

In September 2013, Indonesia's President Yudhoyono signed Presidential Regulation No. 62/2013 establishing the REDD+ Agency. The REDD+ Agency will report directly to the President and will be tasked with coordinating, synchronizing, planning, facilitating, managing, monitoring, overseeing, and controlling

REDD+ in Indonesia. The creation and operationalization of the REDD+ Agency is an important milestone for REDD+ implementation in Indonesia as it triggers the second phase of performance-based funding as per the climate change partnership between the Government of Norway and Indonesia.

In December 2013, the Government of Mozambique adopted a new regulation (Decree 70/2013) that establishes rules and procedures to guide investments in REDD+ and defines the legal treatment of REDD+ demonstration projects (that is, legal jurisdiction to grant permission for REDD+ projects, legal nature of carbon credits). The regulation standardizes the requests from the private sector, NGOs, and communities for permits to undertake REDD+ projects and eventually trade carbon credits that derive from these projects. More specifically, the regulation deals with the process and competencies for granting such permits (for example, safeguards and consultation

requirements). The regulation also establishes the Technical Unit for REDD+ as a subordinate to the two Ministers of Environment and Agriculture, and sets institutional aspects and responsibilities of the Technical Unit for REDD+. With technical assistance from the FCPF, the government prepared the decree in a highly participatory fashion and with active collaboration from national NGOs, research centers, and the private sector.

In December 2013, the Government of Liberia and the European Union (EU) entered into a Voluntary Partnership Agreement (VPA), a bilateral trade agreement central to the fight against illegal logging. Under the VPA, Liberia is developing a system to verify that its timber exports are legal and the EU has agreed to accept only licensed imports from the country.

In February 2014, the Government of Chile prepared a formal request to the UNFCCC Secretariat nominating the National Forest Corporation (CONAF) as the national REDD+ focal point in response to the REDD+ decision adopted at the 19th Conference of the Parties (COP19) in Warsaw, which invited countries to designate national focal points or national designated authorities for REDD+. As per Chile's National Forest and Climate Change Strategy, REDD+ is managed at the national level by the National Advisory Team on Climate Change and the Forest and Climate Change Board under the Ministry of Agriculture. Under the Forest and Climate Change Board, CONAF is responsible for the Technical Secretariat and specifically for its Forestry Governance Climate Change Unit. The tasks of the Forest and Climate Change Board include coordination of sector activities and decisions on reduction of emissions caused by deforestation and degradation.

**12/2013**  
**Methodological Framework approved by Carbon Fund Participants.**



**Outcome-level Result 3: Engagement of all stakeholders (governments, CSO, IP, private sector, delivery partners) to sustain or enhance livelihoods of local communities and to conserve biodiversity within the approach to REDD+**

*Outcome-level indicator 3.A: Design of national REDD+ strategies, monitoring systems and ER Programs addresses indicators for enhancement of livelihoods of local communities and for biodiversity conservation.*

The Democratic Republic of Congo's (DRC) National REDD+ Framework Strategy, developed through national multi-stakeholder processes, demonstrates how indicators for the enhancement of livelihoods and biodiversity conservation can be incorporated into the national approach to REDD+. Considering the importance of growth and poverty alleviation for the DRC, a national prescriptive framework for implementation of REDD+ has been developed that aims to guarantee REDD+ co-benefits. The national framework incorporates environmental and social considerations, in full compliance with the Cancún Agreements and associated international standards. The current version of these national standards, which were designed in a participatory manner, include seven principles, 25 criteria, and 43 indicators as well as means of verification tailored to specific national circumstances. For proper management, monitoring, reporting, and evaluation of these standards, a Safeguards Information System (SIS) has been developed through a SESA. The SIS will be fully integrated into the National REDD+ Registry to simplify implementation by project developers. More broadly, the 2012 National REDD+ Framework Strategy is integrated into national development policy and envisages more sustainable land use and the stabilization of the forest cover at 63.5 percent of the national territory by 2030.

The REDD+ Task Force has developed Principles, Criteria and Indicators for REDD+ Safeguards in Indonesia (PRISAI) which consist of 10 governance, social, and environmental safeguard principles. PRISAI's principles are based on UNFCCC guidance, and translate the safeguards approach from the Cancun Agreement into the Indonesian context. It has been tested in Berau, Central Kalimantan, and Jambi. This work is continued by the REDD+ Agency. Concurrently, the Ministry of Forestry, with the support of FCPF and GIZ, has developed a Safeguards Information System for REDD+ (SIS REDD+), which includes the SESA and ESMF as well as PRISAI. The two initiatives serve different purposes, but have the potential to be integrated. The SIS builds on existing safeguards systems and was tested in Central Kalimantan and East Kalimantan provinces. A web-based information system is under development for the integration of the SIS.

In Costa Rica, FONFIFO has advanced the development of a Safeguards Information System (SIS). As part of the development process, a review of 35 indicators to address the seven Cancun safeguards was completed. The National Biodiversity Institute for Tropical Agronomist Research and Training Center (InBio-CATIE) is also working to identify and quantify co-benefits, which may include protection of

biodiversity, regulation of flow, quality, and quantity of water for human consumption and irrigation, pollination services and biological control for coffee cultivation, wood production on forest plantations and through natural management of primary and secondary forests, and bioenergy. There are also ongoing efforts to incorporate other non-carbon aspects associated with REDD+ into the information system.

At global level, countries have been following two parallel discussions on non-carbon benefits of REDD+ ongoing in different forums of the UNFCCC. As part of the Subsidiary Body for Scientific and Technological Advice (SBSTA), countries have been requesting clarity on the type of non-carbon benefits and related methodological issues. Also, as part of the discussion on results-based finance, countries are exploring ways to incentivize non-carbon benefits. The challenge that remains is the difficulty to monitor and attribute a wide range of potential non-carbon benefits.

**Outcome-level Results 4: Knowledge gained in the development of the FCPF and implementation of Readiness Preparation Proposals (under the Readiness Fund) and emission reductions programs (under the Carbon Fund) broadly shared, disseminated and used by international REDD+ practitioners**

*Outcome-level Indicator 4.A: Number of new countries/stakeholders requesting to become FCPF members/observers*

In FY13, 17 countries (Belize, Bhutan, Burkina Faso, Burundi, Chad, Côte d'Ivoire, Dominican Republic, Fiji, Jamaica, Nigeria, Pakistan, Philippines, Republic of Sudan, South Sudan, Sri Lanka, Togo, and Uruguay) expressed interest in joining the FCPF after the PC decided to reopen the partnership to new countries. In FY14, 11 of the above countries (Belize, Bhutan, Burkina Faso, Côte d'Ivoire, Dominican Republic, Fiji, Nigeria, Pakistan, Republic of Sudan, Togo, and Uruguay) submitted their R-PPs for consideration for selection into the FCPF. All 11 countries were selected into the FCPF and are proceeding with the World Bank's due-diligence review prior to signature of REDD+ Readiness Preparation Grants.

*Outcome-level indicator 4.B: Examples of utilization of/or reference to FCPF knowledge products*

The *Guide to the FCPF Readiness Assessment Framework* continues to be the most utilized knowledge product to inform countries at different stages of readiness preparation. Although no country has advanced to the point of preparing a Readiness Package, countries have used the Assessment Framework to plan readiness preparation activities, including development of relevant progress monitoring systems (i.e., countries that recently signed readiness grants), to take stock of readiness progress and inform the roadmap to readiness (i.e., countries at mid-term stage), and to support prioritization and refocus of readiness preparation activities for countries advancing towards readiness.

In FY14 technical support shifted to providing customized support to countries that were preparing early ideas or ER-

PINs for presentation to the Carbon Fund. Several countries received technical assistance for designing reference levels and forest monitoring systems for their future REDD+ programs and for presentation in their ER-PINs. Technical assistance was facilitated with the draft version of the decision support tool for reference level and MRV design that is expected to be launched in FY15.

**4.4. Progress by Output**

**Output 1.1: Readiness Assessment Framework is agreed upon and disseminated**

*Output-level indicator 1.1: Existence of published assessment framework on Readiness Package*

As per the target set in the FCPF M&E Framework, the Readiness Assessment Framework was adopted at the PC14 in FY13. In FY14, several countries confirmed that the Readiness Framework has proven useful for tracking progress throughout the entire readiness phase, and not just at the time of submission of the Readiness Package. The assessment criteria for each of the nine readiness subcomponents are particularly useful benchmarks for a country's self-assessment of readiness progress at mid-term. In FY14, Costa Rica, Ghana, Indonesia, and Nepal applied the Readiness Assessment Framework as a tool for stock-taking to inform their mid-term review and focus readiness activities going forward.

**Output 1.2: Countries demonstrate an adequate plan to achieve preparedness for REDD+ funding**

*Output-level Indicator 1.2.a: Number of R-PPs endorsed by PC*

In FY14, a record number of 13 R-PPs—from Belize, Bhutan, Burkina Faso, Côte d'Ivoire, Dominican Republic, Fiji, Madagascar, Nigeria, Pakistan, Paraguay, Sudan, Togo, and Uruguay—were endorsed by the PC, bringing the total number of R-PPs endorsed to 45, well exceeding the PMF's target of endorsing over 30 R-PPs by 2015. This means that all 45 active countries of the total 47 REDD+ countries<sup>1</sup> participating in the FCPF have now met this important milestone in the stepwise approach to REDD+ readiness. Total grant resources allocated in FY14 to these 13 countries for REDD+ readiness preparation sum up to just short of \$50 million.

In FY13, the TAP and PC noted the continuous increase in the quality of R-PPs, which reflects countries' improved understanding of essential REDD+ readiness elements. In FY14, the TAP emphasized that the submissions in FY14 present the strongest set of R-PPs ever submitted, confirming the mutually reinforcing learning process of the FCPF. TAP reviewers noted, among other things, that the budget focus in the recent R-PPs has shifted away from technical components related to Reference Levels and Measurement, Reporting, and Verification (MRV), toward the analytical, strategic, institutional, and participatory elements of developing national REDD+ strategies.

<sup>1</sup> Two countries are currently not active in the FCPF: Bolivia and Gabon.

**Output-level Indicator 1.2.b: Number of Readiness Preparation Grant agreements signed**

Substantial progress was also made on this subsequent major milestone. In FY14, 13 additional Readiness Preparation Grants were signed by Cambodia, Cameroon, Chile, El Salvador, Guatemala, Guyana, Honduras, Mexico, Mozambique, Nicaragua, Peru, Suriname, and Uganda. Compared to last year, this more than doubled the total number of countries that had entered the REDD+ readiness preparation stage. As a result, there are a total of 22 countries implementing their Readiness Preparation Grants, just short of the PMF’s target of reaching 24 Readiness Preparation Grants signed by 2014.

This figure also includes readiness agreements for all three countries that selected the Inter-American Development Bank (IDB)—Guyana, Guatemala, and Peru—and for two countries that selected the United Nations Development Programme (UNDP)—Cambodia and Guyana—as DPs under the Readiness Fund. The PC approved the UNDP as the DP under the FCPF for Cambodia, Central African Republic, Honduras, Panama, Paraguay, Papua New Guinea, and Suriname.

At least another seven countries (Colombia, Côte d’Ivoire, Fiji, Lao PDR, Panama, Thailand and Vanuatu), either completed due diligence on the final R-PP and internal review meetings in FY13 or are well advanced in this process. They are consequently expected to reach the milestone of grant signature in FY15.

The FMT, in coordination with the World Bank and other DPs, meanwhile, focused on providing technical assistance and guidance to countries to accelerate implementation and, with it, the disbursement of funds in countries with active grant agreements.

**Output 1.3: Countries progress adequately on implementation of their R-PP and Grant Agreements**

**Output-level Indicator 1.3.a: Number of mid-term progress reports presented by countries that follow agreed reporting standards and are presented in a timely manner**

During FY14, four countries (Costa Rica, Ghana, Indonesia, and Nepal) presented their mid-term progress report on the national REDD+ readiness process at either PC16, in December 2013, in Geneva, or PC17, in July 2014, in Lima. These mid-term progress reports were complemented with reports from the World Bank, and in the case of Ghana also by an independent evaluation. Additionally, Costa Rica, Ghana, and Indonesia submitted requests for additional funding and each were allocated total additional funding of \$5 million. The additional funding grants are expected to be signed in early FY15.

These mid-term reports included a detailed and transparent readout on progress made and shared valuable experiences for the benefit of other REDD+ countries. It was noteworthy that all countries were encouraged to continue efforts to strengthen communication and coordination mechanisms between central REDD+ management structures and decentralized levels, including local stakeholders.

**Output-level Indicator 1.3.b: Percentage of countries that are achieving planned milestones according to approved Readiness Preparation grant (> \$3.4 million)**

All of the reports from Delivery Partners (e.g., Grant Reporting and Monitoring reports) for the 22 countries that have entered the readiness preparation stage indicate that Readiness Preparation Grants overall are well aligned, and progressing according to readiness objectives to be achieved with FCPF support, as per approved grant agreements.

**Output-level Indicator 1.3.c: Percentage of countries that are overall achieving planned milestones for subcomponent as per country annual reporting scale**

As per the PMF, the target by 2015 is for 50 percent of countries implementing R-PPs to show performance (at the subcomponent level) advancing with 50 percent of subcomponents rated as “further development required.” By 2018, the PMF states, 100 percent of countries would be expected to have progressed to 80 percent of subcomponents rated at “progressing well” or above.

As of FY14, the current status is as follows: 17 of the 22 countries with signed grant agreements are reporting progress at the subcomponent level in the new reporting format or submitted detailed MTRs in lieu of annual progress reporting. Six countries have overall achieved planned milestones (Costa Rica, DRC, Ethiopia, Ghana, Indonesia, and Liberia). Five countries have mixed progress against planned milestone (Madagascar, Mexico, Mozambique, Nepal, and Vietnam). Nine countries are in the very early stages of R-PP implementation (first year or less) and the progress at subcomponent level is early for countries to assess although some used the new format (Cambodia, Chile, El Salvador, Guatemala, Guyana, and Peru). Other countries opted to use the old reporting format, which does not differentiate progress at subcomponent level (Cameroon, Honduras, Nicaragua, Suriname). Two countries did not submit annual progress reports since October 2013 (Republic of Congo, Uganda).

**Output-level Indicator 1.3.d: Percentage of countries with a disbursement rate that is in line with agreed Readiness Preparation Grant (> \$3.4 million) disbursement plans of grant agreement (up to 10% variance with plans)**

For FY14, of the 22 countries with grant agreements signed by the end of FY14, six are disbursing beyond targets, they are: Cameroon, DRC, Ghana, Indonesia, Mozambique, and Nicaragua. Seven other countries are disbursing at a rate between 20-50 percent of their plan. These are Costa Rica, Ethiopia, Liberia, Nepal, Republic of Congo, Uganda and Vietnam. Of those with signed grants, three are not yet disbursing: Chile, El Salvador and Mexico. The latter only signed their grant agreement in March 2014, while both Chile and El Salvador signed in January 2014. No reporting on disbursement rates was available from IDB and UNDP.

Disbursement commitments for early FY15 indicate that many countries will be advancing from a rate of 20-50 percent

of what is planned to more than 50 percent of what is planned within the next quarter. See Table 2.

**Output 2.1: Standards and preparations in place for high-quality ER Programs discussed and endorsed by CF Participants and/or PC**

Output-level Indicator 2.1: Number and types of standards and management tools discussed and endorsed by CF participants and/or PC for ER programs including:

**2.1.a: Methodological Framework and Pricing Approach**

**Methodological Framework**

The Methodological Framework (MF) was adopted by Carbon Fund Participants (CFP) at the Eighth Carbon Fund meeting (CF8), in December 2013, in Paris. The adoption was a landmark decision for the Carbon Fund following an intensive design process. The resulting MF provides a global standard for REDD+ transactions at scale. Additionally, the early experiences that are gained from applying it could feed into the development of a REDD+ system under the UNFCCC.

For the purpose of the Carbon Fund, the MF is a critical component to guide REDD+ countries in designing their ER program proposals, to inform implementation of ER programs to meet CF requirements, as well as to assist Carbon Fund Participants with the review and selection of programs into the Carbon Fund portfolio.

The Methodological Framework was developed over a two-year period and builds on the *Guiding Principles on the Methodological Framework for the Carbon Fund*, adopted by the FCPF PC in June 2012. The development process included discussions and input for the design of the MF at four CF and PC meetings, three working group meetings, three design forums, and a period open to public comments. The final MF is a set of 37 criteria and related indicators (C&I), associated with five major aspects of emission reductions programs: level of ambition, carbon accounting, safeguards, sustainable program design and implementation, and ER Program transactions. The MF may be refined over time, as pilots are implemented and new lessons are learned through its application.

**Pricing Approach**

In FY14, Carbon Fund Participants continued several rounds of discussions on the Pricing Approach for the CF. They agreed that, under current conditions, fixed pricing is preferred, although this might be reconsidered, based on the possibility of having a relevant price reference. Several REDD+ countries indicated their concern that a fixed price was inconsistent with the spirit of the Pricing Approach.

At the Tenth Carbon Fund meeting (CF10), in June 2014, in Bonn, CFPs expressed their collective view on their current willingness to pay, while recognizing the ultimate price is subject to negotiations at the time of ERPA negotiations. Carbon Fund Participants jointly stated: “In order to provide

**Table 2: Disbursement rates of countries with Readiness Preparation Grants signed by end of FY14**

| Disbursement rate      |                       |                   |                    |                                     |
|------------------------|-----------------------|-------------------|--------------------|-------------------------------------|
| More than plan (>100%) | More than 50% of plan | 20-50% of plan    | Not yet disbursing | No disbursement reporting available |
| Cameroon               |                       | Costa Rica        | Chile              | Cambodia                            |
| DRC                    |                       | Ethiopia          | El Salvador        | Guatemala                           |
| Ghana                  |                       | Liberia           | Mexico             | Guyana                              |
| Indonesia              |                       | Nepal             |                    | Honduras                            |
| Mozambique             |                       | Republic of Congo |                    | Peru                                |
| Nicaragua              |                       | Uganda            |                    | Suriname                            |
|                        |                       | Vietnam           |                    |                                     |

6 countries 0 countries 7 countries 3 countries 6 countries

guidance to REDD Country Participants for their ER Program development, including the preparation of their ER-PD, and acknowledging the policy guidance on pricing methodologies ... adopted by the PC at PC12 [Twelfth Participants Committee meeting] in Santa Marta as well as the views expressed by observers at CF10, the Carbon Fund Participants note their current willingness to pay up to \$5/tCO<sub>2</sub>e.”

REDD+ countries in turn are encouraged to provide signals on their price expectations. Recognizing the need for capacity building of REDD+ countries on costs assessment and financial analysis of their ER programs, a draft REDD+ Cost Assessment Tool has been developed and will be finalized in FY15. This should help guide discussions but it should be noted that REDD+ is meant as an incentive mechanism and is not expected to provide full cost recovery for a country’s REDD+ actions.

**Output-level Indicator 2.1.c: Legal documents (General Conditions, ERPA term sheet)**

The M&E Framework set targets for the endorsement of the ERPA Term Sheet, by PC14, and the General Conditions, by PC16. The ERPA Term Sheet was endorsed at PC14 in March 2013, in Washington, DC, meeting the target. While the General Conditions build on the ERPA Term Sheet, they also hinge upon the Methodological Framework for the Carbon Fund. Consequently, once the Methodological Framework was approved in December 2013, a series of information and learning sessions on the implications of the Methodological Framework on the General Conditions were deemed necessary to address questions and comments from FCPF participants. Learning and feedback sessions were offered at PC16, PC17, CF9, and CF10. In addition, country-specific outreach and regional video-conference sessions were held to address questions and comments. Accordingly, endorsement of the ERPA General Conditions has been scheduled for PC18 in November 2014, in Arusha, Tanzania.

**Output 2.2: Countries have entered in the portfolio of the CF**

*Output-level Indicator 2.2.a: Number of early ideas or ER Programs presented by countries to the CF*

To date, 15 countries have presented an early idea with the aim to receive early feedback and expert advice on the evolving ER program ideas or a full-fledged ER-PIN with the aim of being selected into the Carbon Fund pipeline (see Table 3).

With the Methodological Framework of the Carbon Fund approved at CF8 in Paris, in December 2013, there was a steep increase of early ideas and ER-PINs presented in FY14 compared to earlier years. At CF9 and CF10, presentations were made by Colombia, Cambodia, Chile, DRC, Indonesia, Mexico, Ghana, Guatemala, Madagascar, Nepal, Peru, Republic of Congo, and Vietnam.

In FY14, seven additional ER-PINs from Chile, DRC, Mexico, Ghana, Nepal, Republic of Congo, and Vietnam were selected into the Carbon Fund pipeline, in addition to Costa Rica previously selected in FY13. Based on preliminary portfolio simulations, Carbon Fund Participants agreed to aim for inclusion of 10-12 ER-PINs in the Carbon Fund pipeline and confirmed their preference to close the pipeline at the Eleventh Carbon Fund meeting (CF11) in October 2014 assuming adequate quality of ER-PINs will be presented at such time.

In FY14, the Democratic Republic of Congo (DRC) was the second country to enter into a Letter of Intent (LOI) with the World Bank in its role as the trustee for the FCPF Carbon Fund. Many other countries selected into the pipeline are currently in the process of negotiating LOIs. However, before negotiations

of ERPAs can start, these countries will first need to design ER programs consistent with the MF and in accordance with the World Bank's due diligence process. They will also need to prepare their Readiness Package and have such Readiness Package endorsed by the PC before submitting their ER Program Document for potential selection into the Carbon Fund portfolio. Based on country capacity and expected timelines to progress through the Carbon Fund business process, current indications suggest that the first ERP submissions to the Carbon Fund could be expected in FY16. Therefore, the feasibility of signing five ERPAs by 2015 as per target in the FCPF M&E Framework is unlikely.

**Output 2.3: Increased levels of private sector investment for incentivizing, testing, and supporting up-scaling of ER activities**

*Output-level indicator 2.3: Number of private sector participants in Carbon Fund*

*Target: Two new private sector participants by 2014*

With the current state of carbon markets, the interest of the private sector in buying carbon assets has diminished. As a result the FCPF Carbon Fund is currently not actively pursuing new private sector participants.

However, the links between the FCPF and the private sector have been strengthened over the last year based on a new approach taken to build private sector relationships. With climate change impacting the bottom line of private sector business and the security of supply chains, combined with growing consumer awareness of the deforestation impact

of certain commodities, the private sector has an increased interest in developing working relationships with the public sector to address underlying constraints. Such constraints include the need for land policy reform, improved smallholder capacity in supply chain management, transformative shifts to sustainable farming practices, and improved enabling environments for private sector to decouple increased agricultural production from deforestation.

The FCPF is actively facilitating such public-private partnerships. For example in Ghana the FCPF supports a partnership between the national cocoa board, small-scale cocoa farmers and cocoa-sourcing private sector companies. In Costa Rica the FCPF is engaged in a partnership between the national timber industry and the government aimed at reducing the carbon-intensity of the building sector, as part of national carbon-neutrality goals. Similarly, in Republic of Congo the FCPF helps incentivize the timber industry to turn some forest concessions into conservation concessions and practice reduced impact logging.

In addition, at a global level, the FCPF is engaged in a dialogue with private sector companies that have pledged to reduce deforestation in commodity supply chains through the Tropical Forest Alliance (TFA) and the Consumer Goods Forum (CGF).

**Output 3.1: Enhanced capacity of IP and CSOs to engage in REDD+ processes at the country level**

*Output-level indicator 3.1.a: (i) Number and type of examples of in-country REDD+ actions where IP and CSOs and local communities participate actively*

*Target: Various new examples exist with strong evidence of IP and CSO active participation and broad community support in REDD+ programs/readiness by 2015*

In Ethiopia, a national REDD+ Awareness Workshop was conducted in January 2014 involving about 400 people, including government officials and technical staff from different sectoral ministries, CSO representatives active in natural resources management, and specialists from research and academic institutions. Subsequently three regional level awareness workshops were held in Southern Nations, Tigray, and Benishagul-Gumuz regions to involve decentralized stakeholders. Furthermore, a series of meetings and workshops were held at a number of universities, including Hawassa University, Addis Ababa University, Jima University, and the Ethiopian Forestry Society. Over 1,200 people in Ethiopia representing different stakeholder groups participated and benefited from these outreach activities. Most of the events were also covered by national and local media outlets including radio, TV and newspapers.

In Indonesia, a well-planned, and systematic national consultation protocol was developed by the National Forestry Council (Dewan Kehutanan Nasional, DKN), which is a semi-autonomous constituent-based organization with five chambers comprising community groups, the private sector, government representatives, civil society and academics. The new protocol now serves as a basis for informing all consultation processes and is used by the Ministry of Forestry. In addition, community level protocols are under development and will be followed for consultations with Indigenous Peoples and other local forest dependent communities. The Council's mission is to help

Table 3: Countries that have presented early ideas or ER-PINs to the Carbon Fund

| Country                      | CF2        | CF3        | CF4        | CF5        | CF6        | CF7        | CF9        | CF10       |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Cambodia                     |            |            |            |            |            |            |            | Early Idea |
| Colombia                     |            |            |            |            |            |            |            | Early Idea |
| Chile                        |            |            |            |            |            | Early Idea | ER-PIN     | ER-PIN     |
| Costa Rica                   | Early Idea |            | Early Idea | ER-PIN     | ER-PIN     |            |            |            |
| Democratic Republic of Congo | Early Idea |            | Early Idea |            |            | ER-PIN     | ER-PIN     |            |
| Ethiopia                     |            |            |            |            | Early Idea |            |            |            |
| Indonesia                    | Early Idea |            |            |            |            | Early Idea |            | Early Idea |
| Mexico                       | Early Idea |            |            |            |            | Early Idea | ER-PIN     |            |
| Ghana                        |            | Early Idea |            |            |            |            | ER-PIN     |            |
| Guatemala                    |            |            |            |            |            |            |            | Early Idea |
| Madagascar                   |            |            |            |            |            |            |            | Early Idea |
| Nepal                        |            | Early Idea |            |            |            |            | ER-PIN     |            |
| Peru                         |            |            |            |            |            |            | Early Idea | ER-PIN     |
| Republic of Congo            |            |            |            |            | Early Idea |            | ER-PIN     | ER-PIN     |
| Vietnam                      |            |            | Early Idea | Early Idea | Early Idea |            |            | ER-PIN     |





with the formulation of effective policies through increased communication among stakeholders and the government, increased agreement on important forestry issues, and increased dissemination of information on the performance of the forestry sector.

In Costa Rica, “cultural mediators” (*mediadores culturales*) have played a key role in communicating and facilitating the understanding of the national REDD+ process. They have strengthened the participation of Indigenous Peoples and *campesino* groups in the dialogue around REDD+. Culturally appropriate materials and information were developed in order to reach Indigenous Peoples more broadly. To honor the sociopolitical and cultural differences of the different indigenous groups, a consultation and participation process will be held.

*Output-level indicator 3.1.a: (ii) Examples of resources made available to enable active participation of IP, CSOs, and local communities in national REDD+ readiness*

Strengthening the capacity-building programs was one of the priority activities identified in the series of regional dialogues with Indigenous Peoples that took place in FY13 and resulted in the issuance of the Global Action Plan. Owned by Indigenous Peoples, the Global Action Plan provides a comprehensive and pragmatic roadmap for the engagement between IP and the FCPF.

To make available resources to IP, CSOs, and local communities under the Capacity Building Program, the FMT

has relied on the World Bank’s vendor system. Using the vendor system, the FCPF allocated \$1,732,844 to finance 25 Projects in Asia, Latin America and Africa, of which 11 have closed and 14 are currently under implementation (Phase I of the IP/CSO Capacity Building Program). More recently, based on suggestions from indigenous and civil society organizations to enhance their ownership of the programs, it was decided to discontinue the vendor system and replace it with a small grants system (also referred to as Phase II of the IP/CSO Capacity Building Program). It was also agreed to use regional intermediary organizations to administer the program. Based on an open call for submission, and review against agreed criteria, six organizations were selected (see Table 4). Criteria included the organization’s representativeness, regional credibility, track record on REDD+, experience in collaborating regionally, fiduciary and safeguards capacity, and the capacity to address grievances and provide redress mechanisms.

Each of the six regional intermediary organizations (for IP and CSOs respectively) will be responsible for selecting and supporting small capacity-building projects within their regions. A general set of eligibility criteria for project selection has been agreed upon, but regional intermediaries retain the flexibility to adopt a competitive small grants scheme or, alternatively, targeted regional work programs around prioritized topics or themes, depending on the regional context.

As a first step toward operationalization of the new delivery modes and for facilitation of the flow of funds to the regional

**Table 4: Intermediary organizations selected for implementation of the capacity-building programs in FY14 and FY15**

| Region        | Indigenous Peoples  | Civil Society Organizations  |
|---------------|---|--|
| Africa        | Mainyoto Pastoralist Integrated Development Organization (MPIDO)                      | Pan-African Climate Justice Alliance (PACJA)   |
| Asia          | Indigenous Peoples’ International Centre for Policy Research and Education (Tebtebba) | Asia Network for Agriculture and Sustainable Bioresources (ANSAB)                                      |
| Latin America | Association Sotz’il   | Asociación Coordinadora Indígena y Campesina de Agroforestería Comunitaria de Centroamérica (ACICAFOC) |

intermediaries, the World Bank has undertaken a number of processing steps related to due diligence for small and micro grants, in line with World Bank policies and procedures. The regional intermediary organizations will receive support to complete the necessary fiduciary, procurement, and safeguards capacity building and training; as part of this process, they will need to specify how they plan to administer the funds. This should provide the basis for the preparation and signing of the six grant agreements by the middle of FY15.

Meanwhile, during FY14 the Capacity Building Program continued financing activities under Phase I of the program to provide forest-dependent indigenous peoples, other forest dwellers and southern CSOs with information, knowledge and awareness on REDD+ and to engage more meaningfully in the implementation of REDD+ activities at the regional and country level. These 14 grants currently under implementation cover a broad spectrum of activities, including:

- Preparing studies on the underlying causes of deforestation and related land tenure issues.
- Carrying out trainings on community monitoring of Carbon (and Non-Carbon) Stocks and development of Forest Inventories.
- Developing a geographic information system in local communities to monitor deforestation and degradation.
- Carrying out capacity building to enhance understanding on benefits sharing for IPs on carbon and co-benefits from REDD+ mechanism and indicators.
- Developing indicators for monitoring environmental and social safeguards.

During FY14, these activities have been successfully carried out at the country level and in accordance with the approved work plans, presenting only minor delays that have not been obstacles to the overall implementation of the activities.



**BOX 2: INDIGENOUS PEOPLES/CIVIL SOCIETY ORGANIZATIONS CAPACITY BUILDING PROGRAMS**

**Africa: Pan African Climate Justice Alliance (PACJA)**

As part of the Capacity Building Program, Pan African Climate Justice Alliance (PACJA) implemented a project from January 2013 to June 2014, with the objective of enhancing the capacity of African civil society and Indigenous Peoples to participate in the evolving REDD+ debates, both at national and international levels. This program was implemented in Ethiopia, Kenya and Uganda over a period of 18 months and some of the main achievements of the project included:

- The participation of approximately 300 representatives from civil society organizations, local communities, private sector and government entities in workshops to develop P3D model maps and community forest inventories in Uganda, Ethiopia (covering four regions in the Bale Forest Mountain region) and Kenya (covering the Mau and Mt. Kenya Forest regions).
- The attendance of over 20 representatives from government entities, civil society, and local communities to a two day monitoring and evaluation workshop, which included a technical evaluation of the R-PP's for Kenya, Uganda and Ethiopia.
- The participation of 95 representatives from civil society and government entities from Kenya (30), Uganda (30) and Ethiopia (35) in trainings on consultation and participation, FGRM, SESA, and ESMF.
- The preparation of country specific research studies on the underlying causes of deforestation covering Ethiopia, Kenya and Uganda, and the carrying out of validation workshops on each one of the reports.

**Asia: Nepal Law Society (NLS)**

From August 2013 through October 2014 the Nepal Law Society is implementing a program with the objective of enhancing capacity of CSOs to engage in REDD+ decision-making processes at all levels and enhancing their ability to understand, use and share information about climate change, forests and REDD+. To date the project has achieved the following:

- The design of a curriculum to serve as REDD+ orientation to CSOs. The major contents of the curriculum included:
  - o Climate change and REDD+,
  - o Evolution of REDD+ concept and its development,

- o Role of FCPF in REDD+, REDD+ SESA and other safeguard measures, free prior informed consent (FPIC),
- o Measurement, Reporting and Verification (MRV),
- o Forest Carbon Trade and benefit sharing, and
- o Role of CSOs on REDD+.

- The implementation of a five-day “training of trainers” program to certify 250 trainers. It is expected that these trainers will conduct “training of trainers” sessions at the regional level (covering 40 out of 75 districts) to raise awareness on REDD+ to the local communities, including the established of regional level REDD+ networks, including, civil society organizations, government officials, and community based organizations.
- The participation of over 800 stakeholders in workshops and trainings to enhance their knowledge on climate change and REDD+, and to understand the main opportunities and challenges of REDD+ implementation in Nepal.

**Latin America: Instituto para el desarrollo Sustentable en Mesoamérica A.C (IDESMAC)**

The objective of the project currently implemented by IDESMAC is to facilitate debates that incorporate community participation, increase social cohesion, and generate a territorial grounding in preparation for the implementation of the REDD+ program in Mexico. To date some of the main achievements of the project included:

- The strengthening of relationships with social actors on the community and regional levels.
- The participatory community analysis and sustainable development planning to set the building stones for the achievement of this project’s goals of facilitating the participation of forest-dependent communities in the debates on the national and international levels.
- The characterization of 6,729 hectares in the Biosphere Reserve’s region of influence.
- The preparation of methodological models for community participation in the key debates on climate change mitigation and adaptation.

Steady implementation of the activities is evidenced by the disbursement of \$510,480, which accounts for 45 percent of the total committed amount. Box 2 illustrates the results of the Capacity Building Program.

*Output-level indicator 3.1.b: Number of IP and REDD+ country CSO representatives (men/women and/or youth) that have participated and benefitted from FCPF organized workshops/trainings on SESA, governance, MRV aspects/related aspects of REDD+*

The PMF targets for training IP and CSOs were easily surpassed with three regional workshops on capacity building for social inclusion in REDD+ readiness that were carried out in FY14. These three workshops were the last in a series of five workshops that started in FY13. The FCPF continues to place high emphasis on consistently reaching out to a critical mass of IP and CSOs at a global and regional level, while building up in-country capacity to expand social inclusion to sub-regional and local levels.

The Capacity Building for Social Inclusion in REDD+ Readiness Workshops focused on three interrelated aspects of social inclusion in the REDD+ readiness process: (i) the Strategic Environment and Social Assessment (SESA) and the Environmental and Social Management Framework (ESMF), (ii) consultation, participation, and communication (C&P&C) dynamics, and (iii) feedback and grievance redress mechanisms (FGRM). The three workshops carried out in FY14 were:

- **December 2–6, 2013. Bogota, Colombia.** The workshop was attended by a broad range of stakeholders from six FCPF countries in South America (Chile, Colombia, Guyana, Paraguay, Peru, and Suriname). The workshop featured 46 people total, 32 of them from these FCPF countries.
- **January 20–24, 2014. Antigua, Guatemala.** The workshop was attended by stakeholders from eight FCPF countries in Central and South America (Argentina, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Panama). The workshop featured 62 people total, with 44 of them representing these FCPF countries.
- **May 12–16, 2014. Brazzaville, Republic of Congo.** The workshop in Brazzaville was attended by a diverse group of stakeholders from seven FCPF countries in Francophone Africa (Burkina Faso, Cameroon, Côte d’Ivoire, Democratic Republic of Congo, Madagascar, Republic of Congo, and Togo). The workshop featured 54 people total, with 40 of them representing these FCPF countries.

The main purpose of these workshops was to address gaps in knowledge and understanding that still exist in relation to relevant aspects of the chosen themes. The workshops were very participatory and hands-on, allowing participants to interact, analyze, share and learn about the various themes and

determine where they stand in the readiness process in relation to them. The target audience consisted of government officials, Indigenous Peoples, forest-dwelling communities, special-issue groups, southern CSOs, World Bank technical specialists, FCPF Delivery Partner technical specialists, and consultants for both donor agencies and governments.

These workshops were designed to provide an opportunity for a range of stakeholder representatives engaged in REDD+ readiness at a national level from different countries to take stock, analyze lessons learned, share and constructively debate on progress and challenges regarding social inclusion in REDD+. It also provided an opportunity to digest the latest FCPF guidance on topics related to social inclusion in REDD+, including the Readiness Fund Common Approach to Environmental and Social Safeguards for Multiple Delivery Partners and UN-REDD—FCPF Guidelines on Stakeholder Engagement in REDD+ Readiness with a Focus on Indigenous Peoples and Other Forest Dependent Communities. Based on experiences during the workshops, participants were challenged to develop country-specific measures to enhance meaningful social inclusion of REDD+ readiness in effective and feasible ways.

*Output-level indicator 3.1.c: Examples of IPs and REDD+ country-CSO representation in institutional arrangements for REDD+ at the national level*

Governments are paying increasing attention to effective processes and institutional arrangements for engagement of IPs and civil society in national and sub-national REDD+ planning and implementation. This is not only based on the FCPF’s commitment to social inclusion, but also increasingly a result of positive experiences made by countries that have led the way with inclusive institutional arrangements and seen benefits, such as constructive ways to prevent grievance, ensure input from all stakeholders, and improve the overall public perception of REDD+ processes.

As a result, IP are now represented in many national institutional arrangements for REDD+, such as national REDD+ technical bodies and steering committees. In many countries, they are actively contributing to the planning and design of REDD+ readiness implementation as well as the design of REDD+ pilots and programs. In countries where IP and CSO groups are not yet represented in the highest-level of national REDD+ committees (typically at the ministerial level), efforts continue to be made by these groups for permanent inclusion into these top-level coordination arrangements.

While not exhaustive, the countries that are known to have IPs and CSOs representation as part of national REDD+ technical bodies and/or national institutional arrangements for REDD+ include Chile, Colombia, Costa Rica, DRC, El Salvador, Fiji, Guatemala, Guyana, Honduras, Indonesia, Kenya, Mexico, Nepal, Nicaragua, Panama, Peru, Republic of Congo, Thailand, Uganda, and Vanuatu. In Ethiopia, Ghana, Liberia, and Uruguay CSOs and local communities (in the case of African countries) are part of these structures.

**Output 3.2: Pilots have been successfully implemented on ways to sustain and enhance livelihoods and conserve biodiversity**

*Output-level indicator 3.2.a: Number of countries where stakeholder engagement platforms proposed in RPPs have taken up work and meet regularly*

The majority of countries have established or are in the process of operationalizing stakeholder engagement platforms and associated inclusion process to deepen participation and collaboration with a wide range of local, subregional, and national stakeholders relevant to REDD+. A few examples are provided as follows.

In Uganda, the ‘legitimacy’ of CSO and IP representatives to national REDD+ coordination arrangements is being enhanced through a self-selection process with CSOs and IPs drafting the criteria for self-selection to ensure that IP and CSO representation in national REDD+ implementation is transparent, open and legitimate. It is expected that this innovative approach will also support better information flow down to community levels.

In Liberia, stakeholder engagement activities as part of the SESA process involved a diversity of CSOs and traditional communities from all provinces of the country. The Government of Liberia entrusted a stakeholder engagement specialist from one of Liberia’s most vocal and influential environmental NGOs to help guide and manage the engagement processes and effectively reach a diverse range of stakeholders.

In Colombia, information dissemination activities, early dialogue with key stakeholders and regional SESA workshops have involved approximately 288 organizations and over 1,870 people that include indigenous peoples, afro-Colombian communities, *campesinos*, NGOs, productive sector and academia.

**Output 4.1: Knowledge products and lessons from piloting of REDD+ in general and FCPF activities in particular are developed and disseminated, in accordance with global knowledge management and communication strategy and annual work plans**

In FY14, the FCPF Secretariat prioritized targeted and country-tailored support for learning and application of existing knowledge products developed in FY13 over creation of new knowledge products. A particular emphasis was placed on assisting countries with the understanding and use of the FCPF Readiness Assessment Framework, the M&E Framework, as well as the Methodological Framework for the Carbon Fund. Several learning sessions in-country, via video-conference, and an online webinar were carried out. The webinar attracted about 70 online participants and received very positive feedback.

Over the last year, the FCPF continued to improve the content, visual appeal and ease of navigation on its website. In parallel, the FCPF re-activated its Facebook page, which is being used as a digital knowledge tool. The FCPF activity on Facebook complements its active Twitter presence. The World Bank’s Climate Change Twitter account (@wbclimatechange) to which FCPF contributes has 25,000 followers. Boosting social media visibility and messaging has likewise drawn an increased number of visitors to the FCPF website. Per month, the FCPF website has nearly 5,000 visits. Overall, FCPF website traffic has increased over the past year, with a substantial amount of visitors from REDD+ countries, including Peru, Indonesia, Mexico, Vietnam, Colombia and Costa Rica.

Introducing website analytics to monitor online visibility has provided valuable input to expand and improve the FCPF’s online presence over the next year, to continue building content for social media, introducing more multimedia, and offering multi-lingual content, i.e., translating key content to Spanish and French.

**Output as per PMF 4.2: Participants actively engage in South-South learning activities**

*Output-level Indicator 4.2.a: Number of S-S learning activities and/or events connecting FCPF countries*

Several South-South learning activities took place in FY14 and fostered active exchange amongst participants:

Capacity Building for Social Inclusion Workshops:

- Brazzaville, Republic of Congo—May 12–16, 2014
- Antigua, Guatemala—January 20–24, 2014
- Bogotá, Colombia—December 2–6, 2013

South-South Exchanges:

- Asia Regional Workshop on Linking Local REDD+ Initiatives with National REDD+ Strategies: Jakarta, Indonesia—June 2–4, 2014
- South-South exchange and learning session on the development of reference levels: Mexico—January 14–16, 2014
- Joint FCPF–UN-REDD Programme Knowledge Exchange Day in the context of the UN-REDD Policy Board and FCPF PC meetings in Geneva, in December 2013

*Output-level Indicator 4.2.b: Total number of participants to South-South knowledge exchange activities by category*

Since the FCPF M&E framework was adopted by the PC in March 2013, monitoring participants’ South-South knowledge activities by category (female, male, youth, etc.) has been carried out inconsistently. Additional PMF data management capacity will need to be established in the FCPF Facility Management Team to consistently track and report this data.

**Output 4.3: Strong visibility of REDD+ and FCPF is achieved**

*Output-level Indicator 4.3.a: Number of neutral/positive mentions of FCPF and REDD+ issues in different key media worldwide per X period*

During FY14 positive mentions in media increased. Sparks of positive media attention related in particular to the adoption of the FCPF Methodological Framework, the selection of new countries into the FCPF Readiness Fund and Carbon Fund, and new funding pledges to the two funds. Media attention was enhanced with online stories that were actively promoted through social media channels.

*Output-level Indicator 4.3.b: Number of negative mentions of FCPF and REDD+ issues in different key media worldwide per year*

Negative mentions of FCPF and REDD+ issues in different media worldwide per year have remained fairly constant. However, it was noticeable that particularly critical and negative mentions appear to be concentrated on a number of known media outlets that cater to a base of followers that drive an anti-REDD+ agenda.

Key issues related to negative mentions continue to relate to land tenure and carbon rights, as well as proper safeguards applications. Other negative mentions, although much less prolific, relate to the low disbursement of FCPF funds. However, compared to previous years, there is increased understanding in general media about the role of results-based finance and the consequently growing recognition that disbursements under the Carbon Fund are not expected to increase significantly in the very near-term, but only once emission reductions have been delivered, verified, and paid. Proactive outreach to key media and provision of notes to editors has contributed to increasingly accurate reporting on the FCPF.

**BOX 3: EXAMPLES OF CSO AND IP REPRESENTATION IN NATIONAL INSTITUTIONAL ARRANGEMENTS FOR REDD+**

In **Peru**, the two organizations representing IP, the Asociación Interétnica de Desarrollo de la Selva Peruana (AIDESEP) and the Confederación de Nacionalidades Amazónicas del Perú (CONAP) serve as the Mesa Nacional de REDD+ Indígena de Perú. The Platform is the main interlocutor between IP and all other actors involved in REDD+ in Peru.

In **Chile**, the Roundtable for Forest and Climate Change (Mesa de Bosques y Cambio Climático) aims to facilitate broad stakeholder participation and inter-sectoral coordination at the national level that include representatives of the sectoral government, indigenous peoples, civil society organizations, small farmers association, big landowners association, and academia, among others. Additionally, Indigenous Peoples are also involved the National Technical Group of Experts (Grupo Técnico Nacional de Expertos–GTNE) composed of consultancy firms, national and internal NGOs with the aim to provide technical advisory support and expertise in reference to the forest sector in Chile.

In **El Salvador**, the government created a special platform (Mesa Nacional Indígena), which includes 15 IP leaders representing all four indigenous areas in the country. An important milestone was reached when the Ministry of Environment and Natural Resources (MARN) issued a Ministerial Decree to formalize the Mesa Nacional Indígena.

**BOX 4: SOUTH-SOUTH EXCHANGES**

**Workshop on the development of reference levels:** The FCPF organized a technical workshop to support REDD+ Program Development in Guadalajara, Mexico, from January 14–16, 2014. The event was hosted by Conafor and supported by Winrock International. The objectives of the workshop were to provide technical assistance to countries in the region in designing reference levels and forest monitoring systems for future REDD+ programs, as well as potential submissions of Emission Reductions Program Idea Notes (ER-PIN) to the FCPF Carbon Fund. To facilitate the discussion, the FCPF tested a preliminary version of a decision support tool for reference level and MRV design, which had been developed with funds provided to the FMT in the FY14 budget.

**Workshop on linking local REDD+ initiatives with national REDD+ strategies:** Together with the Ministry of Forestry of Indonesia the FCPF co-hosted the “Asia Regional Workshop on Linking Local REDD+ Initiatives with National REDD+ Strategies” in Jakarta, from June 2–4, 2014. This activity brought together national-level representatives of REDD+ countries (primarily from Asia but also from other regions) and representatives of entities implementing REDD+ activities and pilot projects on the ground. Participants learned how pilot projects have informed Indonesia’s national strategy, and shared pilot projects and national strategies within their countries. Forty participants attended the workshop, representing 13 REDD+ countries as well as districts and civil society organizations within Indonesia.

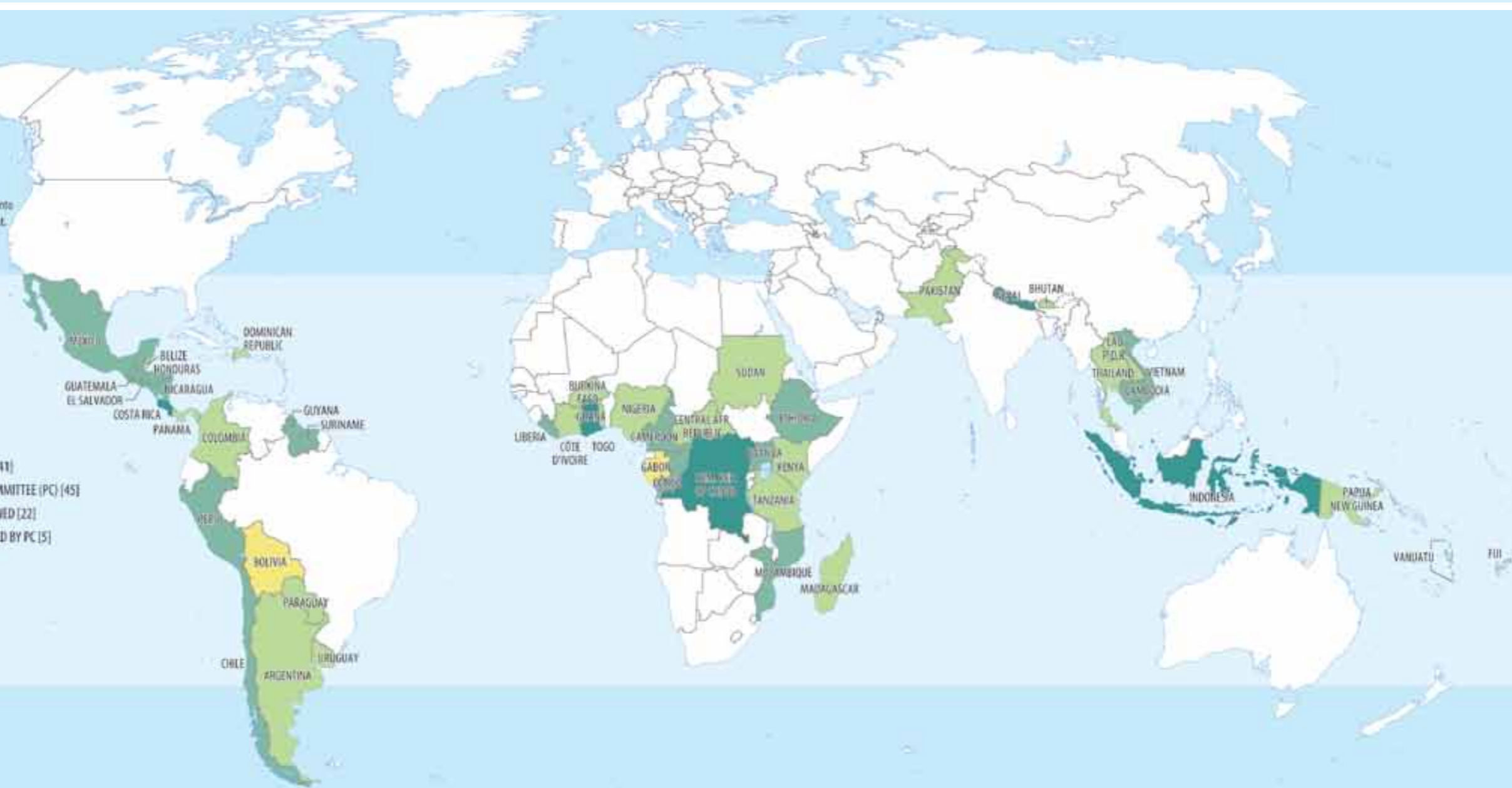
# FCPF REDD+ COUNTRY PARTICIPANTS

**REDD+ Country Participants**

47 REDD+ Country Participants have been selected into the FCPF. 41 have signed the Participation Agreement. The map illustrates the progress within the FCPF of each of the 47 countries as of July 5, 2014.

- PARTICIPATION AGREEMENT SIGNED (41)
- R-PP ASSESSED BY PARTICIPANTS COMMITTEE (PC) (45)
- READINESS PREPARATION GRANT SIGNED (22)
- MIDTERM PROGRESS REPORT ASSESSED BY PC (5)

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## Coordinating with other REDD+ Initiatives

REDD+ has a challenging agenda given its multi-sectoral and multi-stakeholder dimensions, and the large financial and capacity needs involved. It is important, therefore, that development partners come together to provide a package of financial and technical assistance to better serve their client countries.

### UN-REDD Programme

In FY14, the FCPF and the UN-REDD Programme continued their cooperation in providing assistance to countries to get ready for REDD+. There was an emphasis on in-country coordination, and joint country missions and sharing responsibility for financing readiness activities. At the global level, coordination between the FCPF and the UN-REDD Programme involved joint scheduling of governance body meetings, the coordination of analytical and capacity-building efforts, and the joint delivery of secretariat services to the REDD+ Partnership. In FY14, several knowledge activities were planned and carried out jointly, including a joint Knowledge Exchange Day organized in conjunction with the next UN-REDD Policy Board and FCPF Participants Committee meeting that brought together participants and stakeholders from both initiatives to jointly reflect on progress and achievements made with REDD+ readiness as well as implementation since the two initiatives became operational five years ago.

Progress was also made in synchronizing country reporting to the FCPF and UN-REDD Programme. To reduce reporting burden on countries, common deadlines were agreed for submission of country progress reports, and greater flexibility was introduced for the few countries with dual FCPF and UN-REDD program reporting requirements.

### Forest Investment Program

The Forest Investment Program (FIP) supports developing country efforts to reduce deforestation and forest degradation, and promote sustainable forest management that leads to ER and enhancement of forest carbon stocks (REDD+). The FIP focuses on sizable investments in a smaller number of key countries in order to achieve economic transformation and generate global knowledge. The FIP is currently active in eight pilot countries (Brazil, Burkina Faso, the DRC, Ghana, Indonesia, Lao PDR, Mexico, and Peru), all of which are also FCPF REDD+ countries (with the exception of Brazil).

Implementation at the country level is based on FIP investment plans that have been developed through a country-led process and that build on FCPF readiness or equivalent processes and draw on the R-PPs and the emerging REDD+ strategies. Coherence and cooperation across the different FIP and FCPF activities have been achieved especially in the DRC, Ghana, Indonesia, and Mexico, as governments ensure that activity planning is closely coordinated between the two initiatives. At the secretariat level, the FCPF is an observer to the FIP governing body and has shared pertinent information with the Committee, for instance, on the FCPF Readiness Assessment Framework. FIP has equally participated in the PC17 meeting in Lima, Peru and presented an update of implementation activities in FIP countries, which are also supported by the FCPF Readiness Fund. The FIP has also continued to take advantage of the established FCPF roster of experts for the independent review of investment plans prior to their endorsement by the FIP Sub-Committee. The FIP has commissioned an in-depth study on the link between FIP investment funding and REDD+ performance-based mechanisms. At the FIP Sub-Committee meeting in June 2014, it was requested to prepare a paper providing guidance on the link between FIP investment funding and REDD+ performance-based mechanisms, taking into account the REDD+ architecture, and the Warsaw Framework for REDD+.

### BioCarbon Fund

The BioCarbon Fund (BioCF) is a public-private carbon fund, operational since 2004, that pioneers projects that sequester or conserve carbon in forest- and agro-ecosystems, mitigating climate change and improving livelihoods. The overall goal of the Fund is to demonstrate that land-based activities can generate high-quality emission reductions with strong environmental and socio-economic benefits for local communities. In the first-generation trust funds, about 80 percent of the BioCF's resources were earmarked for afforestation and reforestation projects under the Clean Development

Mechanism (CDM); the remainder was allocated to REDD+ and sustainable land management projects (including agriculture). BioCF projects have a range of different objectives, including fuel wood production, timber production, and environmental restoration. With the development of 10 CDM-approved methodologies and a variety of capacity and outreach activities, the BioCF has actively promoted the development of the forest carbon market and pioneered forest carbon transactions on the basis of local know-how. The BioCF delivered 80-90 percent of the carbon assets to its Participants. Most of the carbon assets will be used to meet compliance targets under the UNFCCC's Kyoto Protocol, which ended in 2012.

In FY14 the BioCF scaled up efforts on the new Initiative for Sustainable Forest Landscapes (ISFL). Launched in FY13, ISFL builds on the lessons and experience from a successful 10-year track record on project-based carbon finance in the land-use sector. The multilateral facility promotes and rewards reduced greenhouse gas emissions from the land sector, including REDD+, more sustainable agriculture, as well as smarter land use planning and policies. ISFL will help countries identify and promote climate-smart agricultural and low-carbon land-use practices in selected geographical areas where agriculture is a major cause of deforestation. The initiative will build a portfolio of jurisdictional programs spread across diverse geographies that have significant impact and transform rural areas by protecting forests, restoring degraded lands, enhancing agricultural productivity, and by improving livelihoods and local environments. The first jurisdiction to be added to the ISFL pipeline was Oromia, Ethiopia. The BioCF is also adding a program in Zambia.

### REDD+ Partnership

The REDD+ Partnership, for which the FCPF FMT serves as co-secretariat with UN-REDD, is an international interim platform for its partner countries to scale up actions and finance for REDD+. Fiscal Year 2014 marked the first year of regional workshops in Asia (Palangka Raya, Indonesia), Latin America (Santo Domingo, Dominican Republic), and Africa (Accra, Ghana). These regional workshops furthered the process of country needs assessments, strengthened the ability to take key steps in readiness, and built capacity to access REDD+ finance. Importantly, at the Palangka Raya meeting, Partners agreed to begin supporting some self-selected IP and CSO representatives. The regional workshops also provided a forum for discussion of the emerging "landscape approach" within the regional context. A capacity building workshop was also held on the Voluntary REDD+ Database (VRD) to increase the number of African countries reporting on REDD+ financial flows. A working group on the VRD was later established to investigate options for continuation and improvements of the VRD.

Global meetings of the Partnership were held in Bonn and Warsaw. These affirmed the 2013-14 work programmes, and provided guidance on reports to be sponsored by the Partnership. In 2014, studies on the following topics were commissioned: Public-Private-Partnership models of investment in forests and conservation; case studies of fast-start finance among REDD+ countries, analysis of the VRD, and the selection of consultants for the REDD+ Partnership Assessment.



5

# Issues and Challenges

The overall progress on FCPF outputs and outcomes as intended for the FY14 reporting period has been satisfactory. Progress was made on resolving challenges identified in the previous reporting period, including development of ERPA General Conditions and private sector engagement.

The approval of the ERPA General Conditions was initially planned for PC16 in December 2013, but was postponed subject to approval of the Methodological Framework (MF) and review of implications of the MF on the General Conditions. Based on progress made over the last year, the General Conditions are now scheduled for approval at PC18 in November 2014 (also refer to indicator 2.1.c.).

In line with a new engagement approach, the FCPF has actively reached out to the private sector over the past year. Fostering public-private partnerships at the country and program level has been a focus of the FCPF. Progress has been made to connect the public sector with the private sector interested in greening their commodity supply chains and transforming their carbon, and overall environmental, footprint (also refer to indicator 2.3.).

While progress has also been made to address other previously identified challenges related to disbursement and country-level Monitoring and Evaluation (M&E) reporting, the Facility Management Team (FMT) will continue its efforts to address these additional further follow-up action in FY15.

### 5.1. Disbursements

The value of grant allocations to REDD+ Countries at the end of FY14 was more than \$190 million whilst signed grant agreements represent firm commitments of almost \$90 million. This represents an increase of \$8.2 million in FY14 or an increase of almost 70 percent compared to the previous year. In addition, the number of readiness grants signed in FY14 almost doubled to a total of 22. Several countries reached mid-term status in the past year and are now in the process of signing additional grants of \$5 million each. It is therefore expected that disbursement will continue to increase significantly in the coming year.

To ensure that the number of new REDD+ countries included in the FCPF can swiftly overcome potential

disbursement bottlenecks, the FCPF will continue to assist countries with a set of actions to address procurement and financial management challenges as presented and discussed at PC16 in December 2013 (refer to FMT Note 2013-6).

### 5.2. Country-level M&E Frameworks and Readiness Reporting

National M&E systems at the country level are fundamental to the robust design and implementation of national REDD+ readiness and eventual REDD+ programs. Monitoring and Evaluation (M&E) systems help countries keep track of activities, results and readiness progress, and identify and address gaps, shortfalls, and program underperformance as they emerge. The FCPF's M&E Framework uses the readiness requirements set out for each component in the Readiness Assessment Framework to help guide country reporting. At the FCPF program level, the Facility M&E Framework is designed to keep track of the performance of the Facility building on the outputs and outcomes shared through country-level progress reporting. Analysis of data collected helps to ensure lesson learning and adaptive management at the Facility level.

A number of countries (Nepal, Liberia, Ghana, and Kenya) have developed M&E frameworks at the country level and reported positively on the impact on overall REDD+ readiness planning, implementation, and monitoring. However, at the portfolio level, progress of national level M&E frameworks has been slow.

In FY14, the FMT continued to reach out to countries to offer guidance and support for preparation of M&E frameworks, but demand has remained low. In FY15, the FMT will solicit further feedback and suggestions from countries on challenges for timely completion of meaningful semi-annual reporting. A discussion in the PC could further determine whether additional measures should be considered to improve reporting compliance and quality.

22

Readiness Grants signed in total by end of FY14.



# FCPF

supports countries efforts to achieve emission reductions from deforestation and/or forest degradation, and to benefit from possible future systems of positive incentives for REDD+.

# 6

## Monitoring of Assumptions and Risk

An assumption in most cases indicates areas/circumstances that are beyond the control of the governance framework of the FCPF. However, tracking of assumptions is important to gauge unforeseen consequences in case the assumptions did not hold true.



# Risk:

Across the portfolio completion of SESAs and ESMFs is still low.

The following table presents a snapshot of assumptions identified in the Logical Framework (LF) against key impacts, outcomes and outputs, the level of risk associated with these assumptions, and the proposed mitigation measure as relevant. An assumption in most cases indicates areas/circumstances that are beyond the control of the governance framework of the FCPF. However, tracking of assumptions is important to gauge

unforeseen consequences in case the assumptions did not hold true. Reference to the impact, outcome and output where the assumption was referenced in the Logical Framework of the Monitoring and Evaluation (M&E) Framework is included in Column 1 of the table. A second table with new risks that were previously not identified in the Logical Framework is also included.

| Level at which assumption is referred to in LF                                | Original assumptions from LF   | Current level of risk | Explanation of risk rating   | Mitigation measure proposed   |
|---|--|-----------------------|--|---|
| Impact 1.1<br>Outcome 1<br>Output 2.3<br>Outcome 3<br>Outcome 4<br>Output 4.3 | Global climate change negotiations under UNFCCC remain supportive.                                 | Medium                | The progress in the negotiations has been slow over the last year and the timeline for decisions and further guidance on REDD+ is uncertain.   | The risk associated with this assumption is beyond the direct control of the FCPF. The FCPF continues to remain responsive and to inform the negotiation process. |
| Outcome 1<br>Outcome 3<br>Outcome 4   | The incentives provided by REDD+ schemes are sufficient.   | Low                   | The risk relates to incentives for countries to advance to the Readiness Package, stakeholder engagement, and knowledge dissemination of experiences. Sufficient resources are available to countries through the FCPF, other bilateral and multilateral resources to advance to the R-Package, while maintaining adequate levels of stakeholder engagement. | No mitigation measure is required at this stage.  |
| Outcome 1   | For purposes of the Readiness Fund, submission of the R-Package by REDD+ Participants is voluntary | N/A                   | -  | The assumption does not require monitoring.   |
| Outcome 1   | There are no extraordinary circumstances in the country that prevent submission of RPs             | Medium                | The risk rating has been increased with the inclusion of 11 new countries in the FCPF. At the portfolio level, some countries have socio-political circumstances that could slow submission of the R-Package. However, the assumption is that not all countries will submit RPs.   | No mitigation measure is required at this stage at the portfolio level.   |



| Level at which assumption is referred to in LF | Original assumptions from LF   | Current level of risk | Explanation of risk rating   | Mitigation measure proposed   |
|--|--|-----------------------|--|---|
| Output 1.2                                     | Plans and targets were realistically assessed by technical experts before approval in view of existing baseline capacities and participant countries' contexts         | Low/ Medium           | R-PPs of all 45 active countries have assessed by the PC. At the portfolio level, signing of grant agreements has more than doubled since FY13. The risk rating has therefore been lowered.  | DPs are actively pursuing the signing of grant agreements.  |
| Output 1.3                                     | The political and socio-economic context in the Participant countries remains stable enough over the implementation period so that the capacity built remains in place | Low                   | The overall risk at the portfolio level associated with the political and socio-economic context for readiness implementation remains low.   | The diversity of REDD+ countries in the portfolio is a built-in mitigation measure.   |
| Outcome 2                                      | Interest in performance-based payments remains high enough   | Low                   | The interest of donors in performance-based payments schemes has been high in the reporting period. In the context of the Carbon Fund, interest in performance-based payments by REDD+ countries is evident from the submission of 7 new ER-PINs and 5 new early ideas to the CF by the end of FY14.   | The risk will be monitored continuously in the forthcoming periods.   |
| Output 2.2                                     | A large enough number of countries have the capacity to meet all standards and FCPF/DP administrative processes do not put undue burden on the CF operation            | Low                   | The assumption is in relation to the likelihood of countries entering the CF portfolio. The risk rating is subjective and based on the early feedback from REDD+ countries in the course of the development of the MF. The risk rating has been downgraded to low based on capacity demonstrated by countries in the development of ER-PINs. | Piloting of the MF in the first few REDD+ countries is proposed and will provide a realistic assessment of country capacity to meet the standards.  |
| Output 2.4                                     | Five REDD+ countries have signed ERPAs by 2015   | High                  | The successful selection of ERPDs will indicate the timelines for ERPA signing and program implementation. This indicator will be monitored closely in FY14.   | The business process (under preparation) is realistic.  |
| Output 3.1                                     | Relevant guidelines in the Common Approach are followed and processes such as SESA are actually implemented in countries, providing for a receptive environment        | Low/ Medium           | The first SESA reports and ESMFs have been completed and will serve other countries for learning purposes. However, across the portfolio, completion of SESAs and ESMFs is still low.  | At the portfolio level, some stakeholder groups identified a need to enhance in-country understanding of the SESA. Among other efforts, the FMT has held additional regional-level, social inclusion workshops to mitigate this gap and ensure proper SESA implementation in FY15. Further monitoring may be required at country-level. |

| Level at which assumption is referred to in LF | Original assumptions from LF  | Current level of risk | Explanation of risk rating   | Mitigation measure proposed   |
|--|---|-----------------------|--|---|
| Output 4.2                                     | Events managed directly by countries (not organized by FMT itself) are timely and effectively planned to feed into the process of learning and involve key stakeholders | Medium                | There is diversity in the FCPF portfolio on how events are managed at the country level. Assessment is based on feedback. Broad feedback received by the FMT from country stakeholders suggests that the processes in country have been inclusive. | Countries continue to enhance communication and stakeholder engagement capacity through readiness grants and other bilateral sources. |

| New risks/previously unidentified risks that have a bearing on annual work planning and intervention logic | Mitigation measure proposed  |
|--|--|
| 1. Weak procurement capacity has delayed the start of readiness implementation in some countries           | Readiness grants are recipient-executed and are supporting the hiring of procurement experts and/or the procurement training needs of relevant staff of national REDD+ coordination office. Mitigation measures proposed in FY13 were carried out and efforts in FY14 have helped countries to address bottlenecks in procurement. |



# FY14 Financial Report of the Facility

7

The value of grant allocations to REDD+ Countries at the end of FY14 was more than \$190 million whilst signed grant agreements represent firm commitments of almost \$90 million.

## 7.1. Financial Overview of the Facility

Committed and pledged funds to the Readiness Fund and the Carbon Fund of the FCPF at the end of FY14 total almost \$830 million, with \$358 million committed to the Readiness Fund and \$470 million committed and pledged to the Carbon Fund (see Tables 6 and 12). Both funds are well-resourced with committed and pledged funding more than adequately covering *current* funding needs.

Fund balances at the end of FY14 total \$750 million, made up of \$286 million in the Readiness Fund and \$464 million in the Carbon Fund, with cash balances of \$225 million in the Readiness Fund and \$316 million in the Carbon Fund (see Tables 5 and 11).

The value of grant allocations to REDD+ Countries at the end of FY14 was more than \$190 million (Table 10) whilst signed grant agreements represent firm commitments of almost \$90 million. Grant disbursements from the Readiness Fund have accelerated as predicted and at the end of FY14 were \$40.8 million, including transfers to Delivery Partners other than the World Bank for onward transfer to REDD+ countries of \$22.8 million (Table 5).

## 7.2. The Readiness Fund

### 7.2.1. Fund Balance

Table 5 shows the summary financial statement for the fund from the opening of the fund to the end of FY14. The Readiness Fund balance at the end of FY14 is a healthy \$286 million, with a cash balance of \$225 million. The difference of \$61 million is represented by outstanding contributions from Norway and the European Commission.

Total Donor Contributions received to date are \$296.6 million. Investment income of \$7.9 million brings the total receipts to date to \$304.5 million. Total disbursements to the end of FY14 are \$79.6 million and consist of \$38.8 million in cash disbursements, \$18 million in grants to REDD+ countries, and \$22.8 million in disbursements to Delivery Partners for Readiness Grants to countries.

Total new funds into the account during FY14 totaled about \$58 million, made up of donor contributions of \$54 million (see Table 6) and investment income of almost \$4 million earned on

the account balance. Total disbursements on a cash basis during FY14 were \$28.9 million, made up of cash expenditures of \$9.4 million, grant disbursements of approximately \$8.2 million, and disbursements to Delivery Partners for grants of \$11.4 million.

### 7.2.2. Funding Sources

#### a) Donor Contributions

Table 6 presents the committed contributions to the Readiness Fund as at the end of FY14. The fund continued to grow in financial terms during FY14, with total contributions of \$358 million at the end of FY14 compared to a total as at the end of FY13 of \$258 million. The additional commitment from Norway during FY14 of almost \$100 million represents almost all of this increase.

In terms of cash, the Readiness Fund received donor contributions of \$54 million over the past year. This was made up of \$38.7 million from Norway, \$13.9 million from Germany, and \$1.4 million from the European Commission. This brought the total cash contributions to the end of FY14 to \$296.6 million. This leaves outstanding contributions of \$61 million from existing signed agreements to be paid by Norway (\$59.6 million) and the European Commission (\$1.4 million) into the Readiness Fund in the coming years. These outstanding contributions represent agreed phased contributions spread out over a number of years.

#### b) Investment Income

Table 5 shows Investment Income figures over the life of the fund. Amounts paid into the trust fund, but not yet disbursed (the fund balance), are managed by the International Bank for Reconstruction and Development (IBRD), which maintains a pooled investment portfolio (the Pool) for all of the trust funds administered by the World Bank Group. The FCPF Readiness Fund receives an allocated share of investment income from this Pool. The investment income for the Readiness Fund (on the Readiness Fund balance) up to the end of FY13 was \$3.9 million. Investment income for the Carbon Fund (on the Carbon Fund balance) up to the end of FY13 was \$2.02 million. This \$2.02 million had incorrectly been credited to the Carbon Fund. In fact, all Participation Agreements with Carbon Fund Participants indicate that any interest generated

\$90m

available for REDD readiness through signed grant agreements.



by prepaid contributions shall be channeled to the Readiness Fund. In order to correct this, the \$2.02 million previously credited to the Carbon Fund has therefore been transferred to the Readiness Fund during FY14. Investment income on the

combined Readiness and Carbon Fund balances during FY14 of \$1.96 million has been credited to the Readiness Fund. Total investment income in the Readiness Fund to the end of FY14 is therefore \$7.9 million.

**Table 5: FCPF Readiness Fund Summary Financial Statement FY14 (in \$ thousands)**

| Description                                 | Total          | FY14           | FY13           | FY12           | FY11           | FY10          | FY09          |
|---|----------------|----------------|----------------|----------------|----------------|---------------|---------------|
| <b>Beginning Balance</b>                    |                | 195,830        | 189,999        | 165,804        | 77,695         | 50,945        |               |
| Donor Contributions                         | 296,616        | 54,004         | 30,009         | 31,538         | 94,880         | 32,290        | 53,895        |
| Investment Income                           | 5,881          | 1,960          | 897            | 924            | 732            | 821           | 547           |
| Investment Income (Transferred from the CF) | 2,023          | 2,023          |                |                |                |               |               |
| <b>Total Receipts</b>                       | <b>304,520</b> | <b>57,987</b>  | <b>30,906</b>  | <b>32,462</b>  | <b>95,612</b>  | <b>33,111</b> | <b>54,442</b> |
| Cash Disbursements                          | 38,828         | 9,373          | 8,752          | 5,383          | 6,421          | 5,402         | 3,497         |
| Grant Disbursements*                        | 18,021         | 8,173          | 4,923          | 2,884          | 1,082          | 959           |               |
| Disbursements to the DPs for Grants         | 22,800         | 11,400         | 11,400         |                |                |               |               |
| <b>Total Disbursements</b>                  | <b>79,648</b>  | <b>28,946</b>  | <b>25,075</b>  | <b>8,267</b>   | <b>7,503</b>   | <b>6,361</b>  | <b>3,497</b>  |
| <b>Fund Balance (cash)</b>                  | <b>224,870</b> | <b>224,870</b> | <b>195,830</b> | <b>189,999</b> | <b>165,804</b> | <b>77,695</b> | <b>50,945</b> |
| plus Outstanding Contributions              | 61,011         |                |                |                |                |               |               |
| <b>Fund Balance</b>                         | <b>285,882</b> |                |                |                |                |               |               |

\*Includes \$593,535 of Bank-executed grant disbursements (FY14 \$138,338).

**Table 6: FCPF Readiness Fund Donor Contributions as of end of FY14 (in \$ thousands)**

| Participant name         | Total          | Outstanding*  | FY14          | FY13          | FY12          | FY11          | FY10          | FY09          |
|--------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Australia                | 23,892         |               |               |               | 6,330         | 7,997         |               | 9,565         |
| Canada                   | 41,360         |               |               |               |               | 41,360        |               |               |
| Denmark                  | 5,800          |               |               |               |               |               | 5,800         |               |
| European Commission      | 5,417          | 1,365         | 1,364         |               | 2,688         |               |               |               |
| Finland                  | 19,966         |               |               | 5,261         | 5,749         |               |               | 8,956         |
| France                   | 10,340         |               |               |               | 5,136         |               | 592           | 4,612         |
| Germany                  | 52,982         |               | 13,913        | 13,113        |               | 25,956        |               |               |
| Italy                    | 5,000          |               |               |               |               | 5,000         |               |               |
| Japan                    | 14,000         |               |               |               | 4,000         |               | 5,000         | 5,000         |
| Netherlands              | 20,270         |               |               | 7,635         | 7,635         |               |               | 5,000         |
| Norway                   | 128,572        | 59,646        | 38,727        |               |               | 8,801         | 16,398        | 5,000         |
| Spain                    | 7,048          |               |               |               |               |               |               | 7,048         |
| Switzerland              | 8,214          |               |               |               |               |               |               | 8,214         |
| United Kingdom           | 5,766          |               |               |               |               | 5,766         |               |               |
| United States of America | 9,000          |               |               | 4,000         |               |               | 4,500         | 500           |
| <b>Committed Funding</b> | <b>357,627</b> | <b>61,011</b> | <b>54,004</b> | <b>30,009</b> | <b>31,538</b> | <b>94,880</b> | <b>32,290</b> | <b>53,895</b> |

\*Amounts may vary due to exchange rate fluctuations.

**7.2.3. Funding Uses**

**a) Cash Disbursements**

Cash disbursements represent all non-grant disbursements and total \$38.8 million from the opening of the fund to the end of FY14. Table 7 shows the annual expenditures by activity, whilst Table 8 compares the approved budget with the actual expenditures by activity for FY14.

As the FCPF moves ahead in the implementation phase, annual expenditures have predictably increased in areas with a focus on country support. This is the case for the REDD Methodology Support, Country Advisory Services and Country Implementation Support activities. Total cash disbursements for these country focused activities over the lifetime of the fund represent 73 percent of cash disbursements, whilst administrative costs represent only 6 percent of total cash disbursements. Combined the cash disbursements for these country focused activities of \$25.5 million with the grant disbursements of \$18 million and the disbursements to Delivery Partners for grants of \$22.8 million, these country focused disbursements represent 83 percent of total disbursements of \$79.6 million. Administrative and Secretariat costs (which include the cost of all Participants Committee (PC) and Participants Assembly (PA) meetings, including travel costs for REDD+ country participants and some observers) over the lifetime of the fund of \$11.6 million represent less than 15 percent of total disbursements of \$79.6 million, whilst administrative costs alone represent less than 3 percent of total disbursements. Refer to Tables 5 and 7 for details.

The FY14 budget for the Readiness Fund net of Shared Costs of \$10.6 million compares to the total Readiness Fund expenditures for the year of \$9.4 million (see Table 8). The fiscal year therefore closed with spending at 88 percent of budget and an underspend of almost \$1.3 million.

Expenditures on Readiness Trust Fund Administration costs were 89 percent of budget. These administrative costs reflect the work of all World Bank staff involved in fund management,

contributions management, accounting, legal, and other services required by the Readiness Fund Trustee, including the development of the Monitoring and Evaluation Framework for the FCPF.

FCPF Secretariat expenses were \$1.5 million (or 108 percent of budget), compared to the budget of \$1.4 million. Expenditures included the standard costs for program management, organization of the annual PA and PC meetings, and travel costs for REDD+ countries and some observers to those meetings. Increasingly, knowledge and learning events on REDD+ and other key partner meetings (e.g., the UN--REDD Programme or REDD+ Partnership) are jointly organized to maximize the use of participant time. FCPF Secretariat costs include the costs of hosting and maintaining the FCPF website, communications to FCPF stakeholders, and expanded translation of FCPF materials. Secretariat costs at \$1.5 million, while over budget for FY14, are less than the previous year's costs of \$1.7 million. The overspend against budget on the FCPF Secretariat costs of \$108,000 is primarily due to the high costs of the PC/PA meeting held in Geneva, Switzerland in December 2013, held back-to-back with the UN-REDD meetings with the aim of achieving better coordination between the two bodies.

With the budget for REDD Methodology Support activities set at almost \$2.3 million for FY14, and total expenditures at \$1.8 million, spending was 80 percent against FY14 plans. Costs reflect the expenses of the independent TAPs supporting the FCPF (consulting contracts and travel and meeting costs), including the Carbon Fund TAP, and the considerable work on finalizing the Pricing and Methodological Framework.

The underspend of \$459,000 is primarily due to delays in the work on Reference Levels and Measurement, Reporting and Verification (MRV) systems which have been budgeted for and will be completed in FY15.

The line item for Country Advisory Services came to about \$2.3 million, or about 6 percent over the amount originally budgeted in FY14 of \$2.2 million. The majority of these costs came from Facility Management Team (FMT), forestry, and

**Table 7: FCPF Readiness Fund Cash Disbursements (in \$ thousands)**

| Activity   | % of Total  | Total         | FY14          | FY13         | FY12         | FY11         | FY10         | FY09         |
|--|-------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Readiness Trust Fund Administration                              | 6%          | 2,356         | 397           | 404          | 356          | 366          | 362          | 471          |
| FCPF Secretariat   | 24%         | 9,256         | 1,515         | 1,690        | 2,056        | 1,685        | 1,321        | 989          |
| REDD Methodology Support   | 22%         | 8,651         | 1,796         | 1,842        | 999          | 1,921        | 1,266        | 827          |
| Country Advisory Services  | 19%         | 7,304         | 2,342         | 1,750        | 1,073        | 545          | 793          | 801          |
| Country Implementation Support                                   | 32%         | 12,617        | 3,730         | 3,213        | 1,701        | 1,904        | 1,660        | 409          |
| IP and CSO Program   | 5%          | 2,107         | 751           | 1,089        | 267          |              |              |              |
| <b>Total Readiness Fund (including Carbon Fund Shared Costs)</b> |             | <b>42,292</b> | <b>10,532</b> | <b>9,988</b> | <b>6,452</b> | <b>6,421</b> | <b>5,402</b> | <b>3,497</b> |
| Less Carbon Fund Shared Costs                                    | -9%         | (3,464)       | (1,159)       | (1,236)      | (1,069)      |              |              |              |
| <b>Total Readiness Fund</b>                                      | <b>100%</b> | <b>38,828</b> | <b>9,373</b>  | <b>8,752</b> | <b>5,383</b> | <b>6,421</b> | <b>5,402</b> | <b>3,497</b> |

social development staff advice and guidance to REDD+ countries on their programs. Expenditures in FY14 included the costs of three Capacity Building for Social Inclusion workshops held during the year. The overspend on Country Advisory Services is primarily due to the high combined costs of these Social Inclusion workshops, compared to budget.

Costs for Country Implementation Support totaled \$3.7 million, or 93 percent of the planned budget. This line item reflects the direct assistance of Delivery Partner country teams to REDD+ countries, including technical assistance, grant supervision, and assessments provided to the PC.

Overall, the largest share (\$0.8 million) of the underspend is due to delays in implementing the new Capacity Building Program for Indigenous Peoples, Civil Society Organizations and other forest dwellers (the IP and CSO Program). The principal reason for these delays is the change to a new process and structure whereby IP and CSO Communities administer the Capacity Building program themselves through 6 Regional Intermediaries (three for IP groups and three for CSO groups). The budget for this Program for FY14 of \$1.6 million includes support through contracts/grants of \$1.2 million. The unspent balance on contracts/grants will be carried over to future financial years.

**b) Shared Costs**

As part of the approval of the Readiness Fund budget, the FCPF Charter indicates that the PC shall make decisions on all Shared Costs for activities that cut across and benefit both the Readiness and Carbon Funds. In practice, the Shared Costs have typically included FCPF Secretariat and REDD+ Methodology Support activities, such as the costs of travel and expenses for REDD+ countries to attend the Participants Assembly and PC meetings and the work of the TAP.

Pursuant to the Charter, the Readiness Fund pays 65 percent and the Carbon Fund pays 35 percent of Shared Costs, unless the PC decides otherwise. The PC approved resolutions waiving cost sharing through the end of FY11 (to reflect the fact that the Carbon Fund was only fully operational as of May 2011) and paying 100 percent of the Shared Costs from the Readiness Fund. In addition, the PC agreed that cost sharing at the 65/35 level would commence from FY12 onward. However, there is an important caveat in Resolution PC/8/2011/8 approved in March 2011, in that the PC agreed to a lifetime cap of \$12 million on the Shared Costs that it will charge to the Carbon Fund. This resolution responded to the concerns of several existing and potential Carbon Fund Participants that an upward limit be placed on such costs given that the PC otherwise makes all decisions regarding their composition and annual approvals.

Shared Costs transferred to the Carbon Fund for FY14 came in close to budget at \$1.2 million. Shared Costs over the lifetime of the Facility up to the end of FY14 stand at \$3.5 million (see Tables 7 and 8).

**c) Grant Disbursements**

An important aspect of the Readiness Fund is that it makes available grant funding to countries—the grants are now up to \$3.8 million per REDD+ country—in support of country-led readiness work. The REDD+ countries manage and utilize the grants for REDD+ activities and expenses. These are counted as disbursements in World Bank financial statements only after the REDD+ country completes reimbursement from the grant resources. By the end of FY14, 12 Readiness Preparation Grants were disbursing. Signed Formulation and Readiness Preparation Grant agreements represent firm commitments of almost \$90 million.

Grant disbursements from the Readiness Fund have accelerated as predicted and at the end of FY14 were \$40.8 million, including transfers to Delivery Partners other than the World Bank for onward transfer to REDD+ countries of \$22.8 million (see Table 5).

Grant disbursements, excluding those through Delivery Partners other than the World Bank, total more than \$18 million at the end of FY14, an exponential increase on previous years. Grants disbursed during FY14 were \$8.2 million, representing an increase of almost 70 percent on the previous year. Of the total grant disbursements to date of approximately \$18 million, more than \$10.5 million of these disbursements have been made in Africa. The details of the grant disbursements are provided in Table 9.

In addition, disbursements to Delivery Partners for grants of \$22.8 million represent six Readiness Preparation Grants of \$3.8 million, three each in FY13 and FY14.

**Table 8: FCPF Readiness Fund Cash Disbursements for FY14 (in \$ thousands)**

| Activity  | Budget        | Actual expense | Variance     | Expense rate (%) |
|---|---------------|----------------|--------------|------------------|
| Readiness Trust Fund Administration                       | 447           | 397            | 50           | 89               |
| FCPF Secretariat  | 1,407         | 1,515          | (108)        | 108              |
| REDD Methodology Support                                  | 2,255         | 1,796          | 459          | 80               |
| Country Advisory Services                                 | 2,206         | 2,342          | (136)        | 106              |
| Country Implementation Support                            | 4,023         | 3,730          | 293          | 93               |
| IP and CSO Program  | 1,571         | 751            | 820          | 48               |
| Total Readiness Fund (including Carbon Fund Shared Costs) | 11,909        | 10,532         | 1,377        | 88               |
| Less Carbon Fund Shared Costs                             | (1,282)       | (1,159)        | (123)        |                  |
| <b>Total Readiness Fund</b>                               | <b>10,627</b> | <b>9,373</b>   | <b>1,254</b> | <b>88</b>        |

**Table 9: FCPF Readiness Fund Grant Disbursements (in \$ thousands)**

| Description                                   | Total         | FY14         | FY13         | FY12         | FY11         | FY10       |
|---|---------------|--------------|--------------|--------------|--------------|------------|
| <b>AFRICA</b>                                 |               |              |              |              |              |            |
| Cameroon                                      | 571           | 379          | 134          | 3            | 55           |            |
| Democratic Republic of Congo                  | 3,530         | 1,161        | 1,381        | 797          | 14           | 177        |
| Ethiopia                                      | 858           | 258          | 400          |              | 100          | 100        |
| Ghana   | 2,182         | 1,270        | 312          | 400          |              | 200        |
| Kenya   | 170           |              |              |              | 170          |            |
| Liberia                                       | 776           | 289          | 305          |              | 107          | 75         |
| Mozambique                                    | 998           | 911          | 87           |              |              |            |
| Republic of Congo                             | 1,294         | 481          | 237          | 381          | 108          | 87         |
| Uganda  | 166           |              |              | (14)         | 140          | 40         |
| <b>AFRICA subtotal</b>                        | <b>10,545</b> | <b>4,749</b> | <b>2,856</b> | <b>1,567</b> | <b>694</b>   | <b>679</b> |
| <b>LATIN AMERICA &amp; CARRIBEAN</b>          |               |              |              |              |              |            |
| Colombia                                      | 200           |              |              | 66           | 134          |            |
| Costa Rica                                    | 1,015         | 479          | 375          |              | 22           | 139        |
| El Salvador                                   | 192           | 42           | 98           | 52           |              |            |
| Nicaragua                                     | 578           | 378          | 77           | 123          |              |            |
| <b>LATIN AMERICA &amp; CARRIBEAN subtotal</b> | <b>1,985</b>  | <b>899</b>   | <b>550</b>   | <b>241</b>   | <b>156</b>   | <b>139</b> |
| <b>EAST ASIA &amp; PACIFIC</b>                |               |              |              |              |              |            |
| Indonesia                                     | 2,998         | 1,233        | 1,247        | 518          |              |            |
| Lao PDR                                       | 173           |              |              |              | 123          | 50         |
| Thailand                                      | 200           |              | 163          | 37           |              |            |
| Vanuatu                                       | 127           |              | 106          | 21           |              |            |
| Vietnam                                       | 501           | 501          |              |              |              |            |
| <b>EAST ASIA &amp; PACIFIC subtotal</b>       | <b>3,999</b>  | <b>1,734</b> | <b>1,516</b> | <b>576</b>   | <b>123</b>   | <b>50</b>  |
| <b>SOUTH ASIA</b>                             |               |              |              |              |              |            |
| Nepal   | 1,492         | 792          |              | 500          | 109          | 91         |
| <b>SOUTH ASIA subtotal</b>                    | <b>1,492</b>  | <b>792</b>   |              | <b>500</b>   | <b>109</b>   | <b>91</b>  |
| <b>Total Grant Disbursements</b>              | <b>18,021</b> | <b>8,173</b> | <b>4,923</b> | <b>2,884</b> | <b>1,082</b> | <b>959</b> |

**7.2.4. Financial Commitments over the Longer Term**

Since the term of both funds runs until December 31, 2020 (with Carbon Fund Emission Reductions Payment Agreement (ERPA) payments expected to dominate the latter years of financial operations), the annual budgets need to fit into a long-term financial planning framework for each fund, consistent with World Bank policies for the financial management of trust funds. These policies generally require funds to be fully set aside for commitments made by the participants as well as for meeting the fiduciary obligations entered into by the World Bank as Trustee.

In order to plan resources over this longer-time horizon, the PC issues resolutions from time to time to establish funding priorities and commitments for the coming years. These commitments are considered “notional” when the PC has set aside or allocated financial resources of the Readiness Fund that are not yet signed into formal grant agreements or contracts. They are converted to “full” commitments once the grant agreements (or vendor contracts) are signed by recipients and/or by the World Bank as Trustee of the Readiness Fund, or expenditures are made.

As noted above, full signed commitments amount to almost \$90 million. However, there has been a considerably higher level of notional grant commitments made by the FCPF to REDD+ countries. Table 10 provides a more complete picture of the level of these notional commitments, together with the necessary notional commitments to operate the fund for its full term, including the direct implementation support costs and associated country services costs.

This long-term financial plan includes commitments for the operation of the Secretariat by the FMT and the trustee role of the World Bank over the full term of the Fund—reflecting the fact that the Facility is expected to be fully active through that time, even when the Carbon Fund is supporting programs in selected REDD+ countries and making ERPA payments.

Table 10 shows the long-term notional commitments or planned uses of the fund. The table shows that, as of the end of FY14 notional commitments of full grants to all 45 active countries and the estimated associated costs of the fund during its lifetime amount to more than \$270 million.

Total committed and pledged funding to the Readiness Fund as of June 30, 2014, is approximately \$358 million (see Table 6). This level of funding is therefore adequate to meet the notional commitments of full Readiness Preparation Grants of up to \$3.8 million to all 45 active selected REDD+ countries, together with the estimated costs of the fund during its lifetime, including the estimated associated country services for those countries. Funds are also available to provide additional grants of up to \$5 million for those countries showing significant progress.

**7.3. The Carbon Fund**

**7.3.1. Fund Balance**

Table 11 shows the summary financial statement for the fund from the opening of the fund to the end of FY14. The Carbon

**Table 10: Summary of Long-Term Uses of Readiness Funding (in \$ million, as of July 2014)**

| Committed Uses for Funds  |              |
|---|--------------|
| Commitments (grants) to REDD+ countries (47 @ \$3.8 million)  | 178.6        |
| Additional grant funding to REDD+ countries that demonstrate significant progress on readiness (4 @ \$5 million) <sup>1</sup> | 20.0         |
| Less grants to REDD+ countries who did not submit R-PPs by PC14 (2 @ \$3.8) <sup>2</sup>                                      | (7.60)       |
| <b>Net Grant Commitments</b>  | <b>191.0</b> |
| <b>Administrative, Operations, and Country Support, of which:</b>   |              |
| FY09–FY14 Actual costs  | 38.8         |
| FY15 Budgeted costs   | 10.6         |
| FY16–FY20 Projected costs <sup>3</sup>  | 30.0         |
| Reserve for Delivery Partner capacity for dispute resolution  | 2.0          |
| <b>Total Uses</b>   | <b>272.4</b> |

1. DRC, Costa Rica, Ghana, Indonesia.
2. Per Resolution PC/10/2011/1.rev, includes Bolivia and Gabon.
3. Steady operational budget through FY16 (including an estimate for continuing additional activities), with 20% annual cuts thereafter.

Fund balance at the end of FY14 is a healthy \$464 million, with a cash balance of \$316 million. The difference of \$148 million is represented by outstanding balances on promissory notes, an outstanding contribution from Germany and an outstanding pledge from the United Kingdom.

Total Donor Contributions received to date are \$337.4 million. Total disbursements to the end of FY14 are \$6.3 million, made up solely of cash disbursements. The Carbon Fund has only been fully operational since May 2011, so there are no payments for emission reductions to date.

Total receipts during FY14 were \$25.2 million, including donor contributions of \$27.3 million (see Table 11).

Amounts paid into the trust fund, but not yet disbursed (the fund balance), are managed by the International Bank for Reconstruction and Development (IBRD), which maintains a pooled investment portfolio (the Pool) for all of the trust funds administered by the World Bank Group. Investment income for the Carbon Fund (on the Carbon Fund balance) up to the end of FY13 was \$2.02 million. This \$2.02 million had incorrectly been credited to the Carbon Fund. In fact, all Participation Agreements with Carbon Fund Participants indicate that any interest generated by prepaid contributions shall be channeled to the Readiness Fund. In order to correct this, the \$2.02 million previously credited to the Carbon Fund has therefore been transferred to the Readiness Fund during FY14.

**Table 11: FCPF Carbon Fund Summary Financial Statement FY14 (in \$ thousands)**

| Description                           | Total          | FY14           | FY13           | FY12           | FY11          | FY10          | FY09          |
|---------------------------------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|
| Beginning Balance                     |                | 293,275        | 122,283        | 86,390         | 24,700        | 20,356        |               |
| Donor Contributions                   | 337,395        | 27,280         | 171,866        | 36,912         | 71,800        | 4,181         | 25,356        |
| Investment Income (transferred to RF) | (2,023)        | 901            | 520            | 256            | 346           |               |               |
| <b>Total Receipts</b>                 | <b>337,395</b> | <b>25,257</b>  | <b>172,767</b> | <b>37,432</b>  | <b>72,056</b> | <b>4,527</b>  | <b>25,356</b> |
| Cash Disbursements                    | 6,263          | 2,058          | 2,117          | 1,539          | 366           | 183           |               |
| ER Payments                           |                |                |                |                |               |               |               |
| <b>Total Disbursements</b>            | <b>6,263</b>   | <b>2,058</b>   | <b>2,117</b>   | <b>1,539</b>   | <b>366</b>    | <b>183</b>    |               |
| less Promissory Note balances         | (14,658)       |                | 342            |                | (10,000)      |               | (5,000)       |
| <b>Fund Balance (cash)</b>            | <b>316,474</b> | <b>316,474</b> | <b>293,275</b> | <b>122,283</b> | <b>86,390</b> | <b>24,700</b> | <b>20,356</b> |
| plus Outstanding Promissory Notes     | 14,658         |                |                |                |               |               |               |
| plus Outstanding Contributions        | 56,240         |                |                |                |               |               |               |
| plus Outstanding Pledges              | 76,658         |                |                |                |               |               |               |
| <b>Fund Balance</b>                   | <b>464,030</b> |                |                |                |               |               |               |

**Table 12: FCPF Carbon Fund Donor Contributions as of end of FY14 (in \$ thousands)**

| Participant Name                      | Total          | Outstanding*   | FY14          | FY13           | FY12          | FY11          | FY10         | FY09          |
|---------------------------------------|----------------|----------------|---------------|----------------|---------------|---------------|--------------|---------------|
| Australia                             | 18,393         |                |               |                | 5,658         | 12,735        |              |               |
| BP Technology Ventures                | 5,000          |                |               |                |               | 5,000         |              |               |
| Canada                                | 5,015          |                |               | 5,015          | 5,015         |               |              |               |
| CDC Climat                            | 5,000          |                |               |                |               | 5,000         |              |               |
| European Commission                   | 6,709          |                |               |                |               |               | 362          | 6,347         |
| Germany                               | 134,472        | 56,240         | 27,280        | 6,556          | 15,443        | 21,125        | 3,819        | 4,009         |
| Norway                                | 171,310        |                |               | 161,310        |               |               |              | 10,000        |
| Switzerland                           | 10,796         |                |               |                | 10,796        |               |              |               |
| The Nature Conservancy                | 5,000          |                |               |                |               |               |              | 5,000         |
| United Kingdom                        | 17,940         |                |               |                |               | 17,940        |              |               |
| United States of America              | 14,000         |                |               | 4,000          |               | 10,000        |              |               |
| <b>Committed Funding</b>              | <b>393,635</b> | <b>56,240</b>  | <b>27,280</b> | <b>171,866</b> | <b>36,912</b> | <b>71,800</b> | <b>4,181</b> | <b>25,356</b> |
| Pledged Funding                       |                |                |               |                |               |               |              |               |
| United Kingdom                        | 76,658         | 76,658         |               |                |               |               |              |               |
| <b>Committed Funding Plus Pledges</b> | <b>470,293</b> | <b>132,898</b> | <b>27,280</b> | <b>171,866</b> | <b>36,912</b> | <b>71,800</b> | <b>4,181</b> | <b>25,356</b> |

\*Amounts may vary due to exchange rate fluctuations.

Total disbursements on a cash basis during FY14 were just over \$2 million, solely made up of cash expenditures.

**7.3.2. Funding Sources**

**Donor Contributions**

Table 12 presents the committed and pledged contributions to the Carbon Fund as at the end of FY14. The fund continued to grow in financial terms during FY14, with total contributions of \$470 million at the end of the fiscal year compared to a total as at the end of FY13 of \$388 million. The pledge from the United Kingdom of £45 million (\$76.7 million) represents most of that increase. The remainder of the increase is due to exchange rate fluctuations.

In terms of cash, the Readiness Fund received donor contributions of \$27.3 million over the past year from Germany. This brought the total cash contributions to the end of FY14 to \$337.4 million. This leaves an outstanding contribution of \$56 million from existing signed agreements to be paid by Germany into the Readiness Fund in the coming years. This outstanding contribution represents agreed phased contributions spread out over a number of years.

**7.3.3. Funding Uses**

**Cash Disbursements**

Cash disbursements total \$6.3 million from the opening of the fund to the end of FY14. Table 13 shows the annual expenditures by activity, whilst Table 14 compares the approved budget with

**Table 13: FCPF Carbon Fund Cash Disbursements (in \$ thousands)**

| Activity                   | Total        | FY14         | FY13         | FY12         | FY11       | FY10       |
|----------------------------|--------------|--------------|--------------|--------------|------------|------------|
| Carbon Fund Administration | 2,297        | 626          | 652          | 470          | 366        | 183        |
| Program Development        | 502          | 273          | 229          |              |            |            |
| Shared Costs               | 3,464        | 1,159        | 1,236        | 1,069        |            |            |
| <b>Total</b>               | <b>6,263</b> | <b>2,058</b> | <b>2,117</b> | <b>1,539</b> | <b>366</b> | <b>183</b> |

**Table 14: FCPF Carbon Fund Cash Disbursements for FY14 (in \$ thousands)**

| Activity                   | Budget       | Actual Expense | Variance     | Expense Rate |
|----------------------------|--------------|----------------|--------------|--------------|
| Carbon Fund Administration | 730          | 626            | 104          | 86%          |
| Program Development        | 1,520        | 273            | 1,247        | 18%          |
| Shared Costs               | 1,265        | 1,159          | 106          | 92%          |
| <b>Total</b>               | <b>3,515</b> | <b>2,058</b>   | <b>1,457</b> | <b>59%</b>   |

the actual expenditures by activity for FY14.

The total cash disbursements from the opening of the fund to the end of FY14 of \$6.3 million are made up of \$2.3 million

administration costs, \$0.5 million of Program Development costs and \$3.5 million of Shared Costs (see Table 13).

The total Carbon Fund expenditures for the year of \$2.1 million compares to the final budget for the Carbon Fund, including Shared Costs, of \$3.5 million. The fiscal year therefore closed with spending at 59 percent of budget and an underspend of more than \$1.4 million. Refer to Table 14 for details.

Expenditures on Carbon Fund Administration costs were 86 percent of budget. These administrative costs reflect the work of all World Bank staff involved in fund management, contributions management, accounting, legal, and other services required by the Carbon Fund Trustee, including a share of the costs of the development of the Monitoring and Evaluation Framework for the FCPF.

Program Development costs were underspent against budget by more than \$1.2 million, making up much of the underspend for FY14. Early pipeline development costs were marginally less than budget, whilst the pipeline was deliberately held back to ensure consistency with the Methodological Framework, which was only approved in December 2013. Thus, the anticipated Program Development costs for developing programs after selection into the pipeline was significantly underspent. Shared Costs came in close to budget with an expense ratio of 92 percent.

**7.3.4. Financial Commitments over the Longer Term**

As outlined above for the Readiness Fund, since the term of both funds runs until December 31, 2020 (with Carbon Fund ERPA payments expected to dominate the latter years of financial

operations), the annual budgets need to fit into a long-term financial planning framework for each fund that is consistent with World Bank policies for the financial management of trust funds. These policies generally require funds to be fully set aside for commitments made by the participants as well as for meeting the fiduciary obligations entered into by the World Bank as Trustee. The long-term financial plan presented to the Carbon Fund Participants at the Tenth Carbon Fund meeting (CF10) in June 2014 indicated that approximately \$433 million would be available for the purchase of emission reductions from about nine emission reductions programs.

**7.4. Budget Approval Process**

The budgets for both the Readiness Fund and the Carbon Fund are based on the World Bank's fiscal year (beginning July 1) and are approved annually in accordance with the FCPF Charter. The Participants Committee (PC) is responsible for approval of the annual budget for the Readiness Fund and the Shared Costs of the Facility, whilst the participants of the Carbon Fund are responsible for approval of the annual budget for the Carbon Fund as a separate trust fund. Both budgets are usually approved in June of the preceding fiscal year.

To date, the PC has approved seven budgets for the Readiness Fund for FY09-FY15, along with some revisions to those budgets during each fiscal year. Four annual budgets have been approved for the Carbon Fund (FY12-FY15). Informal guidance was sought by the Facility Management Team (FMT) for developmental expenditures prior to that time (before the fund became fully operational).



# Results Measurement Reporting Framework

FCPF and REDD+ Countries transitioned to a new reporting format in FY13. FY14 is only the second year of implementation for the new Monitoring and Evaluation (M&E) Framework, as such data is not yet consistently available from all countries to allow a quantitative analysis.



## SMART

Specific, measurable, attainable, relevant, time-bound (SMART) indicators are measured for each impact, outcome and output in the M&E Framework.

| Impact/Outcome/ Output and Relevant Indicators  | Baseline | Expected #/ Target Year   | Current (as of end FY14)                | Traffic Light |
|---|----------|---|---|---------------|
| <i>Impact 1.1. The FCPF has contributed to the design of a global regime under or outside UNFCCC that provides incentives for REDD+ (1.1. not yet applicable)</i>   |          | Indicators for impacts 1.1 to 1.5 not yet applicable. Impact level indicators will be assessed at the time of the independent evaluation. | See section 4 for examples of progress. |               |
| <i>I.2. Reduced emissions from deforestation and forest degradation from FCPF, especially CF portfolio countries (indicators for 1.2 are not yet applicable)</i>  |          | As above  |   |               |
| <i>I.3. FCPF has catalyzed the creation of recognized global standards for REDD+</i>  |          | As above  |   |               |
| I.3.B. Common approach successfully implemented   | Concept  | Common approach is implemented and examples/ lessons learnt are used in standard setting for REDD+  | See section 4 for examples of progress. |               |
| <i>I.4. FCPF has catalyzed investment in REDD+ (CF, and grants)</i>   |          | As above  |   |               |
| <i>I.5. The FCPF has generated momentum to address governance and transparency issues and policy reforms related to sustainable forest resource management and REDD+ (not yet relevant)</i>   |          | As above  |   |               |
| Outcome 1. Efforts successfully undertaken by countries with FCPF support, to achieve emission reductions from deforestation and/or forest degradation, and to benefit from possible future systems of positive incentives for REDD+ (Readiness Fund) |          | Indicator for outcome 1 is not yet applicable.  |   |               |

| Impact/Outcome/<br>Output and Relevant Indicators   | Baseline | Expected #/<br>Target Year                      | Current<br>(as of end<br>FY14)  | Traffic Light |
|---|----------|---|---|---------------|
| <b>Output 1.1. Readiness Assessment Framework is agreed upon and disseminated</b>   |          |   |   |               |
| Indicator 1.1. Existence of published assessment framework on readiness package   | 0        |   | completed   |               |
| <b>Output 1.2. Countries demonstrate an adequate plan to achieve preparedness for REDD+ funding</b>   |          |   |   |               |
| Indicator 1.2.a. Number of R-PPs endorsed by PC   | 36       | 30+ by 2015                                     | 45  |               |
| Indicator 1.2.b. Number of Readiness Preparation Grant agreements signed  | 7        | 24 by 2014                                      | 22  |               |
| <b>Output 1.3. Countries progress adequately on implementation of their R-PP and Grant Agreements</b>   |          |   |   |               |
| Indicator 1.3.a. Number of mid-term progress reports presented by countries that follow agreed reporting standards and are presented in a timely manner   | 1        | 7 by June 2014                                  | 5   |               |
| Indicator 1.3.b. Percentage of countries that are achieving planned milestones according to approved Readiness Preparation grant (> \$3.4 million)  | 0        |   | 11/22 or 50% (based on GRM progress reports)  |               |
| Indicator 1.3.c. Percentage of countries that are overall achieving planned milestones for sub component as per country annual reporting scale Sub Component 1 to 9   | 0        |   | Too early to assess at portfolio level. See section 4.  |               |
| Indicator 1.3.d. Percentage of countries with a disbursement rate that is in line with agreed Readiness Preparation grant (> \$3.4 million) disbursement plans of grant agreement (up to 10% variance with plans) | 0        | 60% (of countries with signed grant agreements) | 6/16 or 38% of those countries that reported (total of 22 countries have signed grants, 3 are not disbursing, 6 have not reported, and 7 are disbursing below the target 5) |               |

| Impact/Outcome/<br>Output and Relevant Indicators  | Baseline   | Expected #/<br>Target Year  | Current<br>(as of end<br>FY14)                                 | Traffic Light |
|--|--|---|--|---------------|
| <b>Outcome 2. Selected FCPF countries demonstrate key elements (carbon accounting, programmatic elements and pricing) 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).</b> |  |   |  |               |
| Indicators 2A, 2B and 2C for Outcome 2 are not yet applicable.   |  |   |  |               |
| <b>Output 2.1. Standards and preparations in place for high-quality ER Programs discussed and endorsed by CF Participants and/or PC</b>  |  |   |  |               |
| Indicator 2.1. Number and types of standards and management tools discussed and endorsed by CF participants and/or PC for ER programs including:   |  |   |  |               |
| 2.1.a. Methodological framework and Pricing Approach   | Completed  | Fully developed draft by CF7 and final version endorsed by CF8.                               | MF endorsed at CF8.  |               |
| 2.1.b. Business processes (ER-PD, ER-PIN, ERPA)  | ER-PIN, ER-PD, ER-PA under development                       | Fully developed draft by CF7 and final version endorsed by CF12.                              | ER-PIN and ERPD are on track but ERPA is still to be endorsed. |               |
| 2.1.c. Legal documents (General Conditions, ERPA term sheet)   | Term sheet and general conditions for ERPA under development | Fully defined ERPA Term Sheet draft by PC14 and General Conditions for ERPA endorsed by PC16. | Term Sheet is completed, General Conditions postponed to PC18. |               |
| <b>Output 2.2. Countries have entered in the portfolio of the CF</b>   |  |   |  |               |
| Indicator 2.2.a. Number of early ideas or ER Programs presented by countries to the CF   | 0  | 10 by 2015  | 15   |               |
| Indicator 2.2.b. Number of REDD countries that have signed ERPA  | 0  | 5 by 2015   | 2 LOI signed   |               |
| <b>Output 2.3. Increased levels of private sector investment for incentivizing, testing, and supporting up-scaling of ER activities</b>  |  |   |  |               |



| Impact/Outcome/<br>Output and Relevant Indicators   | Baseline | Expected #/<br>Target Year   | Current<br>(as of end<br>FY14) | Traffic Light |
|---|----------|--|--------------------------------|---------------|
| Indicator 2.3.a. Number of private participants in CF   | 2        | 2 new private sector participants by 2014  | Target it no-longer relevant.  |               |
| Output 2.4. ER Programs are being implemented in a timely manner  |          | Indicator 2.4.a. is not yet applicable   |                                |               |
| <b>Outcome 3. Engagement of all stakeholders (government, CSOs, IP, private sector, delivery partners) to sustain or enhance livelihoods of local communities and to conserve biodiversity within the approach to REDD+</b> |          |  |                                |               |
| Indicator 3.A. Design of national REDD strategies, monitoring systems and ER Programs addresses indicators for enhancement of livelihoods of local communities and for biodiversity conservation                            | 0        | All national REDD+ strategies, monitoring systems and ER programs incorporate indicators related to biodiversity conservation and forest community livelihood development.                   | See section 4 for examples.    |               |
| Indicator 3.B Actual examples on the inherent social and biodiversity benefits of REDD+ and how they are used to inform REDD+ agenda and to scale up results  | 0        | International REDD+ agenda by 2017 is informed by documented results from ER Programs.   |                                |               |
| <b>Output 3.1. Enhanced capacity of IPs and CSOs to engage in REDD+ processes at the country level</b><br>3.1.b. not yet applicable   |          |  |                                |               |
| Indicator 3.1.a. (i) Number and type of examples of in-country REDD+ actions where IPs and CSOs and local communities participate actively  | 0        | Various new examples exist with strong evidence of IP and CSO active participation and broad community support in REDD+ programs/readiness by 2015.  | See section 4                  |               |
| Indicator 3.1.a. (ii) Examples of resources made available to enable active participation of IPs, CSOs, and local communities in national REDD+ readiness   | N/A      | Examples exist with evidence of resources being made available through national and/or bilateral support to IPs and CSO networks to enable active participation in national REDD+ readiness. |                                |               |

| Impact/Outcome/<br>Output and Relevant Indicators  | Baseline  | Expected #/<br>Target Year  | Current<br>(as of end<br>FY14)  | Traffic Light |
|--|---|---|---|---------------|
| Indicator 3.1.b. Number of IP and REDD+ country CSO representatives (men/women and/ or youth) that have participated and benefitted from FCPF organized workshops/trainings on SESA, governance, MRV aspects/related aspects of REDD+  | Examples of early participation of stakeholders exist until FY12  | At least 20 men and 20 women and/or 20 youth reps. participated and/or trained per country, in a minimum of 15 participant countries by 2015. |   |               |
| Indicator 3.1.c. Examples of IPs and REDD+ country-CSO representation in institutional arrangements for REDD+ at the national level  | Representation of IPs and CSOs at national level institutional arrangements had started to get attention during R-PP formulation process. | Examples in all REDD+ Participant Countries, of institutional arrangements for national REDD+ readiness where IPs and CSOs are represented.   | See section 4.  |               |
| <b>Output 3.2. Pilots have been successfully implemented on ways to sustain and enhance livelihoods and conserve biodiversity (3.2. b. is not yet applicable)</b>  |   |   |   |               |
| Indicator 3.2.a. Number of countries where stakeholder engagement platforms proposed in RPPs have taken up work and meet regularly   | 7 in FY12   | All countries that have signed Readiness grants   | See section 4 or data not available at that level of detail in country reports. |               |
| <b>Outcome 4. Knowledge gained in the development of the FCPF and implementation of Readiness Preparation Proposals (under the Readiness Fund) and Emission Reductions Programs (under the Carbon Fund) broadly shared, disseminated and used by international REDD+ practitioners</b> |   |   |   |               |
| Indicator 4.A. Number of new countries/ stakeholders requesting to become FCPF:<br>- Observers<br>- Members  | 0   | A number of new requests to become:<br>- country observers (2015)<br>- country members (2015)   | 11 Countries.   |               |
| Indicator 4.B. Examples of utilization of/or reference to FCPF knowledge products  | 0   | An increasing number of examples exist by 2015 and remains stable afterwards until 2020   | See section 4.  |               |

| Impact/Outcome/<br>Output and Relevant Indicators   | Baseline | Expected #/<br>Target Year  | Current<br>(as of end<br>FY14)                    | Traffic Light |
|---|----------|---|---|---------------|
| Output 4.1. Knowledge products and lessons from piloting of REDD+ in general and FCPF activities in particular are developed and disseminated, in accordance with global knowledge management and communication strategy and annual work plans  |          | Indicators for Output 4.1. are not yet applicable.                    |   |               |
| Output 4.2. Participants actively engage in South-south-learning activities   |          |   |   |               |
| Indicator 4.2.a. Number of S-S learning activities and/or events connecting FCPF countries  | in FY12  | TBD in work plans   | Shift in focus to direct country support in FY14. |               |
| Indicator 4.2.b. Total number of participants to South-south knowledge exchange activities by category:<br>- REDD+ member countries (men/women)<br>- non-REDD+ member countries (men/women)<br>- IP/CSO representatives from region (men/women)<br>- Private sector representatives from region (men/women) |          | TBD in work plans   | Shift in focus to direct country support in FY14. |               |
| Output 4.3. Strong visibility of REDD+ and FCPF is achieved   |          |   |   |               |
| 4.3.a. Number of neutral/positive mentions of FCPF and REDD+ issues in different key media worldwide per X period   | n/a      | Increase in neutral and positive mentions worldwide—tbd in work plans | Yes   |               |
| 4.3.b. Number of negative mentions of FCPF and REDD+ issues in different key media worldwide per year   | n/a      | Decrease of negative mentions worldwide                               | Comparable to FY13                                |               |

## Acknowledgments

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