Moving the goal posts?
Accountability failures of the World Bank’s Forest Carbon Partnership Facility (FCPF)

The Forest Carbon Partnership Facility (FCPF) is a new fund hosted by the World Bank. It aims to help tropical countries get ‘ready’ to receive international payments for ‘Reducing Emissions from Deforestation and Forest Degradation’ (REDD).

Introduction and summary
Responding to advocacy by indigenous leaders and civil society organisations, the World Bank has stated that it will apply safeguard policies to its activities (Box 1). It has also adopted important new rules under the FCPF Charter recognising the need to respect the rights of indigenous peoples and forest dwellers in accordance with applicable international obligations. A small FCPF fund to support indigenous and local participation in REDD planning activities has also been set up.

Notwithstanding these gains and important commitments, there are increasing concerns that after 15 months in operation, the FCPF is still not following its own standards and procedures. Nor has it explained clearly how it will meet its safeguard commitments in practice, or how it will ensure that ‘applicable international obligations’ are respected. Indigenous organisations and NGOs are troubled that the FCPF has so far repeatedly postponed applying its safeguards and has disregarded breaches of its rules.
Specific concerns relate to:

- approval of REDD concept notes (now known as Readiness Preparation Idea Notes – R-PINs) as the basis for country membership of the FCPF, despite non-compliance with FCPF rules and serious shortcomings identified by the FCPF technical advisors and NGOs
- Readiness Preparation Proposals (R-PPs) ‘going forward’ even though they have failed to meet FCPF criteria, e.g. Guyana and Panama
- failure of REDD participant countries and the FCPF to ensure that Readiness Preparation Proposals address critical social and governance matters raised by indigenous peoples on land tenure, customary rights and other vital issues like carbon rights
- the repeated reworking of FCPF rules, criteria and templates leading to confusion, ambiguity and apparent retro-fitting of these rules, in violation of transparency and due process standards
- vagueness over how tools like Strategic Environmental and Social Assessments (SEAS) and Poverty and Social Impact Assessment (PSIA) relate to Bank due diligence on safeguards
- continuing lack of clear mechanisms to fulfil commitments in the FCPF Charter to respect forest peoples’ rights in accordance with international obligations, and a lack of attention to these issues when reviewing R-PINs and R-PPs
- Bank proposals to amend the FCPF Charter that risk weakening its accountability
- absence of a clear and publicly available activity cycle showing where safeguards policies will apply and when key decisions on due diligence will be made for FCPF readiness and other activities.
- new Bank proposals (September 2009) for R-PP assessment that would leave open the possibility of approving a grant agreement without needing to comply with Bank and FCPF rules

Need for robust due diligence frameworks

Indigenous leaders and NGOs are calling on the World Bank to act immediately to establish robust and transparent due diligence procedures for the FCPF. They also request effective mechanisms to respect rights and apply safeguards and FCPF rules in REDD readiness activities on the ground.

This briefing provides key facts about the FCPF and highlights the main concerns of indigenous peoples and civil society organisations. Alongside several recommendations, the briefing concludes that if effective measures are put in place to respect rights (including benefit-sharing measures), enable positive reforms in domestic law and practice and ensure high quality readiness activities, then the FCPF may still have the potential to ‘do good’ as promised by the Bank. If these preconditions are not met, however, the World Bank is in danger of repeating past mistakes by financing top-down forestry programmes that deliver few local benefits and could do serious harm.
In 2009, many indigenous communities in Guyana report that they have neither heard of nor seen the REDD Readiness Plans sent to the World Bank by the Guyana Forestry Commission. Amerindian leaders have had to organise awareness-raising meetings (pictured) using independent resources.

Box 1 World Bank safeguard policies

Following damage to the environment and harm to indigenous and local communities caused by World Bank-financed projects in the 1960s–80s, including forestry projects, the Bank adopted a set of ten so-called social and environmental ‘safeguard policies’ to try and prevent or minimise harmful impacts. These policies are binding on Bank staff and can place obligations on governments where policy requirements are included in loan and grant agreements. The safeguards include policies on Indigenous Peoples, Involuntary Resettlement, Environmental Assessment, Natural Habitats, Forests, Pest Management, Safety of Dams, Physical Cultural Resources, International Waterways and Disputed Areas.18

The policy on Indigenous Peoples (OP4.10) specifies that, among other requirements, a project must:

- carry out early screening to identify potential impacts on indigenous peoples
- involve indigenous peoples at each stage of the project, ‘particularly during project preparation’, through a process of free, prior and informed consultation involving culturally appropriate, good faith and meaningful participation
- undertake a social assessment and disclose the draft study to affected communities
- pay ‘particular attention’ to land rights, including collective customary rights and attachment to lands or territories traditionally owned, or customarily used or occupied
- develop an Indigenous Peoples Plan or planning framework, including an action plan for the legal recognition of indigenous peoples’ lands
- ensure provision of social and economic benefits
- ascertain the level of community support or dissent for the project
- only proceed where the World Bank can confirm that affected indigenous peoples provide ‘broad community support’ for the project

(OP4.10, paragraph 1)19 (emphasis added)
**FCPF fact sheet**

**What is the FCPF?**
The Forest Carbon Partnership Facility (FCPF) is one of 14 carbon funds hosted by the World Bank Group’s Carbon Finance Unit (CFU). This forest fund was approved by the Bank’s Board in September 2007 and became active in June 2008. It is intended to act as a ‘catalyst’ to promote public and private investment in national programmes for Reducing Emissions from Deforestation and forest Degradation (REDD). The FCPF will support ‘readiness activities’ for the development and implementation of national REDD strategies and then test finance for forest-related Emissions Reduction Programs (ERPs) in selected tropical countries.

**How does the FCPF work?**
The Facility consists of a Readiness Fund and a Carbon Fund. The readiness mechanism is financed by donor governments (Box 2), while the Carbon Fund is financed by governments and the private sector. FCPF decisions and oversight are undertaken by a Participants Assembly and a Participants Committee (Box 3). Participants are selected to become FCPF members on submission and approval of REDD readiness concept notes known as R-PINs.

- **The Readiness Fund** supports countries to develop and implement Readiness Preparation Proposals (R-PPs) that contain a plan, budget and schedule to develop a Readiness Package (R-Package) consisting of three basic components:
  1. a national REDD strategy
  2. a country system for monitoring, measurement and verification of emission reductions from deforestation, and
  3. a national reference baseline for deforestation.

A preparation grant of $200,000 may be received to develop an R-PP. A readiness grant (R-grant) of up to US$3.4 million is available to implement the R-PP in order to develop an R-Package. Once an R-Package is approved, countries may receive payments for emissions reductions in the forest sector via the FCPF Carbon Fund.

**Ready for what?**
In REDD jargon, ‘readiness’ is intended to prepare developing country laws, policies and government agencies for REDD schemes. The priority for governments and large conservation NGOs tends to be the need to set up systems for measuring and monitoring carbon and getting ready for carbon markets. However, social justice groups and indigenous leaders stress that ‘Readiness’ must establish consultation mechanisms, clarify land rights, identify the underlying causes of deforestation, identify and enable required governance and forest sector reforms, and promote transparency and accountability.

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**Box 2 Donors to FCPF readiness fund (October 2009)**

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<thead>
<tr>
<th></th>
<th>(US$ million)</th>
<th>Year</th>
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<tbody>
<tr>
<td>Australia</td>
<td>9.5</td>
<td>2009</td>
</tr>
<tr>
<td>Finland</td>
<td>9.0</td>
<td>2009</td>
</tr>
<tr>
<td>France</td>
<td>5.0</td>
<td>2009–10</td>
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<td>Japan</td>
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<td>2009–12</td>
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<td>Norway</td>
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<td>2009–11</td>
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<tr>
<td>Spain</td>
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<td>2009</td>
</tr>
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<td>Switzerland</td>
<td>8.2</td>
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<tr>
<td>UK</td>
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<td>2010</td>
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<tr>
<td>USA</td>
<td>5.0</td>
<td>2009–10</td>
</tr>
<tr>
<td>Germany</td>
<td>20.0</td>
<td>2010</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>US$129 million</strong></td>
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**Box 3 Governance and oversight**

**Participants Assembly**
Meets annually and involves all FCPF donor and country Participants and observers (see Boxes 1 and 5). It elects members of the Participants Committee (PC) each year and can overrule PC decisions.

**Participants Committee (PC)**
Meets at least twice a year and consists of 10 government and private sector donors (to Readiness Fund or Carbon Fund, or both) and 10 REDD Country Participants. The PC takes decisions through resolutions (min. two-thirds majority).

**Facility Management Team (FMT)**
Bank staff responsible for the day-to-day management of the Facility and for carrying out resolutions of the PC.

**Technical Advisory Panel (TAP)**
A group of experts hired by the FCPF to review R-PINs and R-PPs and provide reports to the PC. Experts may include, and have already involved, indigenous peoples’ experts (see below).

**Observers**
International organisations, NGOs, ‘forest dependent indigenous peoples and forest dwellers’ and private sector entities may each have one observer in a PC meeting at the invitation of the FMT. Observers have no voting rights.
Early controversy
The FCPF was heavily criticised during its rushed design phase and at its premature public launch in 2007 for having failed to consult properly with forest peoples. It attracted early condemnation for its failure to ensure proper rights and accountability mechanisms for its governance structure and planned operations.6

Important FCPF rules and commitments
In response to intense criticism, the Bank back-tracked and held retroactive consultations with indigenous peoples and civil society. These resulted in a series of important FCPF rules and commitments on social and rights issues and application of the Bank's safeguards. Key rules include:

- FCPF requirements to comply with World Bank safeguard policies during readiness phase and in Emission Reduction Programs – due diligence must ensure safeguard compliance in R-PPs and grant agreements7
- The rights of forest-dependent indigenous peoples and forest dwellers must be respected in FCPF decisions and operations, including its readiness activities, in accordance with national law and applicable international obligations9
- Countries that have endorsed the UN Declaration on the Rights of Indigenous Peoples will be expected to adhere to the principles of free, prior and informed consent.9

Modest participation fund
In addition, the first meeting of the FCPF Participants in October 2008 agreed to establish a US$1 million participation fund for indigenous peoples. In 2009 it started issuing grants to indigenous organisations and NGOs for capacity building and consultation on REDD (e.g., in Panama, the Amazon basin and Africa).10

Box 4 R-PP components and review criteria20

1 Consultation
- plan for ‘readiness management’ arrangements including multi-stakeholder procedures
- inclusive, transparent and informed consultation on R-PP
- dissemination of draft R-PP by the government
- ‘ownership’ of the draft R-PP by government and other stakeholders
- address indigenous peoples’ land, resource and property rights, including customary rights21
- inclusion of a ‘Consultation and Participation Plan’ endorsed in a national ‘stakeholder workshop’
- the consultation plan must address the expressed concerns and recommendations of stakeholders and/or ‘expressions’ of support for the R-PP

2 REDD strategy preparation
- inclusion of a land use, forest policy and governance assessment, giving special attention to land tenure, underlying causes, ‘natural resource rights’ and governance issues and their ‘implications for REDD’, including addressing issues like ‘who owns the carbon?’ (gaps, challenges and opportunities)
- summary of emerging national REDD strategy, including an analysis of social risks, an implementation framework and assessment of social and environmental impacts ‘in compliance with the Bank’s safeguard policies’
- a work plan for how to cope with the Bank’s Safeguard Policies

3 A national reference scenario
(past and present deforestation rates agreed publicly)

4 Monitoring system
(measurement and verification of forest cover and carbon)

5 Schedule and budget for the readiness activities

6 Evaluation framework
(including indicators to assess REDD impacts/performance)
Since the FCPF began operation in June 2008, 37 countries have been selected as REDD participants, of which 20 are already identified for possible grants of up to $3.4 million for readiness activities (Box 5).

**Rushed readiness planning**
Notwithstanding the efforts of the FCPF to promote participation, ongoing concerns remain about the failure of the FCPF to apply its own rules. All 37 R-PINs have been approved by the Participants Committee, despite widespread failure to meet FCPF criteria (Box 6).

Serious concerns are now being raised about the more detailed Readiness Plans (R-Plans) being prepared by REDD countries. Critics complain that these plans, renamed Readiness Preparation Proposals (R-PP) by the FCPF in June 2009, have not been developed with effective participation and do not address core rights and equity concerns of forest-dependent peoples (Box 7).

TAP experts and NGOs alike have highlighted that R-PPs do not meet FCPF rules and guidance, yet these plans have been given the green light and have been allowed to ‘go forward’ by the PC, and TAP recommendations have been disregarded.11

**Playing catch-up**
Indigenous peoples’ organisations and NGOs are troubled that the FCPF has several times postponed applying its safeguards and is carrying out due diligence missions after presenting R-PPs to the FCPF. The concern is that the FCPF is being driven by political goals and a need to show results to the UNFCCC and donor community, rather than by the need to ensure quality in the readiness phase.

**Mixed messages?**
There is also consternation that the Bank has not made clear when safeguard policies are triggered and how and when due diligence decisions are taken in the readiness phase. Bank efforts to explain due diligence have been criticised for being vague, lacking transparency and risking watering down FCPF principles of engagement.12

In countries like Guyana, rights-holders have been shocked to learn from local Bank staff that safeguards will not apply to readiness activities, whereas in Washington some Bank experts assure...
NGOs that safeguards will indeed apply. On the other hand, the Bank has changed its position again in recent draft guidelines, saying that safeguards will only apply to FCPF readiness activities in exceptional circumstances.

Critics stress that the ongoing lack of clarity over FCPF due diligence threatens to undermine its accountability to affected communities and the public.

Conclusions and recommendations

Despite important FCPF commitments and rules, this brief review has disturbing findings. There are signs that the FCPF’s ‘learning by doing’ approach may, in practice, mean that the Bank feels free to move the goal posts on its safeguard and rights commitments.

To do good, the Bank must stick to its rules; ensure that rights are accounted for and respected; and resist pressure from governments, donors and conservation NGOs to move quickly from getting ‘ready’ to ‘doing’ REDD. Due time must be allowed to address governance and tenure issues; ensure meaningful participation in decision making, including FPIC; and effectively apply standards. Accountability and high quality FCPF readiness activities should be promoted by:

- establishing robust due diligence procedures, including measures to ensure that the FCPF upholds the rights of forest peoples in accordance with applicable international obligations
- ensuring that progress of country readiness proposals through the FCPF process is tied to compliance with safeguards and FCPF rules (not political considerations)
- disclosing Bank due diligence reports, or a summary of the main findings, to facilitate public scrutiny and feedback, including direct provision to potentially affected indigenous peoples
- translating this information into local languages and disseminating it to affected indigenous peoples and communities in REDD participant countries
- refraining from diluting rules and procedures in the FCPF Charter
- avoiding the use of target dates and schedules for R-PP review as they may create incentives for rushed readiness proposals
- establishing independent verification procedures to determine the level of support or dissent among rights holders for readiness plans and application of the principle of free, prior and informed consent.

REDD proposals from environment and forestry ministries in Indonesia (pictured) and Panama have been criticised by FCPF experts for weak analyses of the indirect drivers of deforestation (e.g. international trade, insecure tenure, corruption and weak governance).

Box 6 Some Problems with R-PINs

- Compiled with little or no public consultation and no meaningful consultation with indigenous and tribal peoples (e.g. Suriname)
- failure to address free, prior informed consent (FPIC) (e.g. Paraguay, Nepal)
- unjust targeting of rotational farmers as key driver of forest loss (e.g., DRC)
- weak treatment of customary rights (e.g., Cameroon)
- poor assessment of tenure issues and land conflicts (e.g. Peru, Guyana, Panama)
- weak analysis of forest governance
- little or no cross-sectoral analysis
- failure to deal with benefit sharing mechanisms and carbon rights
- violation of Bank safeguards and FCPF rules

Box 7 Weak Readiness Plans/Proposals

- Developed without meaningful community/public input (e.g. Suriname, Guyana)
- weak TORs for consultation plans and social and environmental assessment (e.g. Guyana)
- TAP comments have been disregarded (e.g. Amerindian Act issues in Guyana)
- concerns of indigenous peoples and UN human rights bodies have not been addressed (e.g. Indonesia, Suriname, Guyana)
- REDD vision dominated by government and conservation NGOs (e.g. Panama, Indonesia)
- weak analysis of indirect drivers of deforestation (e.g. Panama, Guyana)
- core land and carbon rights issues sidelined (e.g. Guyana, Suriname, Indonesia)
- FCPF recommendations not clearly followed in revised RPPs (e.g. Guyana)
- incomplete legal and governance analysis (e.g. Guyana, Suriname)
- confused messages on treatment of rotational farming (e.g. Guyana, Panama)
- weak treatment of applicable international obligations and safeguard issues
Endnotes


3 See www.carbonfinance.org

4 http://www.forestcarbonpartnership.org/fcp/


6 http://www.forestpeoples.org/documents/forest_issues/unfccc_bali Ngo_statement Nov07_eng.pdf

7 FCPF Charter, 3.1d; R-PP template, July 2009, 2.d; R-PP assessment framework, paragraph 14

8 FCPF Charter, 3.1d

9 FCPF Consultation Guidelines, May 2009

10 See consultation reports at: http://www.forestcarbonpartnership.org/fcp/node/248


12 See, for example, guidance that community consultations ‘are not required’ in ‘Phase 1’ of RPP development before the readiness grant is signed – World Bank (2009) FCPF: application of World Bank safeguard policies to Readiness Fund Operation Presentation to Participants Committee meeting (FCPF PC3), Montreux, Switzerland, June 16-18, 2009 at Slide 5

13 APA meeting notes, Georgetown, 23 September 2009


16 In 2009, PC donor members include Australia, France, Germany, Netherlands, Norway, Switzerland, Japan UK, USA and the Nature Conservancy). REDD country members of the Participants Committee in 2009 are Bolivia, Costa Rica, DRC, Gabon, Ghana, Guyana, Madagascar, Nepal, Panama and Vietnam.

17 See http://www.forestcarbonpartnership.org/fcp/node/39


21 FCPF Consultation guidelines at paragraph 6e


   http://www.forestpeoples.org/documents/ifi_igo/cutting_corners_redd_nov08_eng.pdf
   See also, Davis, C et al (2009) A governance review of the first 25 R-PINs from the Forest Carbon Partnership Facility, WRI, Washington, DC


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