

Forest Carbon Partnership Facility (FCPF)

Monitoring and Evaluation Framework

DRAFT-For Comments Only

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The FCPF Charter (Article 17) requires that the Facility be subject to periodic evaluations including a mid-term evaluation no later than two years after the Facility is declared operational. This draft note contains (i) steps for developing a Monitoring and Evaluation Framework for the evaluation of the FCPF in view of objectives of the FCPF and (ii) a first draft of Key Evaluation Questions to be considered for mid-term FCPF evaluation and likely to build into future periodic evaluations.

The Facility Management Team (FMT) acknowledges the inputs from Ms. Uma Lele in drafting this note.

Scope of the Current Monitoring and Evaluation Framework

1. There are two-fold objectives of this framework development: to establish a systematic monitoring plan and a framework for a mid-term evaluation of FCPF. Both are intended to improve FCPF performance during early stages of its implementation and to increase accountability to stakeholders. At the same time, the framework is intended to be comprehensive enough to provide a basis for periodic evaluations, with each subsequent evaluation adding value to the earlier one.
2. The framework is being developed in three phases:
 - a. Phase 1 consists of the development of key evaluation questions;
 - b. Phase 2 would reflect feedback from *all* FCPF stakeholders to the questions articulated in Phase 1 by January 2010; and
 - c. Phase 3 would provide a detailed evaluation methodology for the first ‘mid-term evaluation by February 2010. It is expected that the “mid-term evaluation”, will be completed by October 2010.’
3. The framework is proposed to be concurrently implemented at three levels:
 - a. At the global level: monitoring and evaluation of the FCPF program as a whole;
 - b. At the country level: monitoring and evaluation of performance with respect to the conduct of REDD readiness activities in-country; and
 - c. At the meso level: stocktaking and evaluation of the interactions between FCPF’s global processes and procedures with country level activities (involving both global and country analysts) across regions with a view to determine how they have affected country capacity on the one hand, and contributed to international norms and standards on the other hand.

4. Meso level evaluation will analyze FCPF's knowledge function drawing both on global and country level findings but also by assessing FCPF's regional activities of knowledge dissemination.
5. At the global level, the evaluation framework is designed to review the structure, functions and processes of the FCPF.
6. At the country level, the evaluation would assess the process of formulation of Readiness Preparation Proposals (R-PPs) and the context of the proposals, but not the proposals, themselves from the viewpoint of the structure, functions and processes of each country's forest *relevant* system. A forest relevant system is more comprehensive than the forest system and includes analysis of underlying causes of deforestation and degradation inside and outside the forest sector including the structure of incentives provided by international trade, aid and investments and governance.
7. The framework has benefited from the findings and lessons of the Independent Evaluation Group's body of evaluations pertaining to the assessment of global programs and related Bank forest policies, spanning a decade¹. The Framework questions are based on the standard OECD/DAC Results Based Management, Monitoring and Evaluation Framework (RBM MEF) consisting of inputs, outputs and outcomes. Impacts are perhaps too early to assess but the causal chain leading up to them would be investigated.
8. OECD/DAC Standard Evaluation Criteria include relevance, effectiveness, efficiency, impacts and sustainability. IEG evaluations have adapted these criteria to meet the needs of global programs². Despite these improvements the prevailing evaluation methodologies for the assessment of Global Programs have several known shortcomings.³ These would need to be addressed in the following two phases of the evaluation framework for FCPF.
9. Monitoring would be the responsibility of the management and operational staff, with a view to undertaking regular assessment of the progress achieved in relation to the plans, to identify reasons for divergence from the plans, and to take necessary actions to improve performance. FCPF annual reports present some of this information but not against previously agreed work plans.

¹ The World Bank works of the Independent Evaluation Group drawn upon include: The Sourcebook for Evaluating Global and Regional Partnership Programs: Indicative Principles and Standards, IEG-World Bank, Washington, D.C. 2007, Annual Review of Development Effectiveness: Shared Global Challenges, 2008, Addressing the Challenges of Globalization: An Independent Evaluation of the World Bank's Approach to Global Programs, Phase 2 Report, Washington, D.C. 2004, The World Bank's Approach to Global Programs: An Independent Evaluation, Phase 1, Report, Washington, D.C., 2002, Striking the Right Balance: An Independent Evaluation of the World Bank's 1991 Forest Strategy, World Bank, Washington, D.C. 2000, The Mid Term Evaluation of the World Bank's 2002 Forest Strategy, World Bank, Washington, D.C. 2006,

² Thus for example, relevance of a global activity, such as of a forest carbon facility, are considered, not simply in terms of international consensus in support of that activity, but also, in terms of the extent of country ownership. The latter take into account, among other things, the subsidiary principle, i.e., the extent to which an activity is being carried out at the most appropriate level, and the actual or likely winners and losers among stakeholders using the so-called horizontal considerations.

³ Global evaluations tend to be weak on methodologies for assessment of contributions to the setting of international norms and standards, advocacy, knowledge generation, knowledge dissemination and capacity building.

10. Evaluation would be the responsibility of the governing body, in the case of FCPF, the Participants Committee, on behalf of the Participants Assembly.

FCPF Background

11. Deforestation and forest degradation are the second leading cause of global warming. They account for about 20 percent of global greenhouse gas (GHG) emissions, and over a third of emissions from developing countries. Forests are also an important source of livelihood for the world's 1.2 billion poor and of environmental services. The international community is exploring the potential of utilizing carbon finance to provide some of the necessary resources to reduce rates of deforestation and degradation. Currently no regulatory instrument exists under the United Nations Framework Convention on Climate Change (UNFCCC) to compensate reductions in emissions from deforestation and forest degradation (REDD) in the form of carbon payments. However, the Parties to the UNFCCC have been discussing the possibility of creating such an instrument in the future. Negotiations on an instrument advanced significantly at the thirteenth session of the Conference of the Parties to the UNFCCC (CoP 13). The World Bank, prompted by a range of developing and developed country stakeholders proposed a Forest Carbon Partnership Facility (FCPF or Facility) in 2006 and announced its launch in Bali in December 2007. The FCPF became operational in June 2008.

12. The objectives of the FCPF, as stated in the FCPF charter, are:

- a. To assist eligible REDD Countries efforts to achieve Emission Reductions from deforestation and/or forest degradation by providing them with financial and technical assistance in building their capacity to benefit from possible future systems of positive incentives for REDD;
- b. To pilot a performance-based payment system for Emission Reductions generated from REDD activities, with a view to ensuing equitable sharing and promoting future large scale positive incentives for REDD;
- c. Within the approach to REDD, to test ways to sustain or enhance livelihoods of local communities and to conserve biodiversity; and
- d. To disseminate broadly the knowledge gained in the development of the Facility and implementation of Readiness Plans (now known as Readiness Preparation Proposals) and Emission Reductions Programs.

13. Specific assistance to REDD readiness is envisaged in the following areas:

- a. Developing a national reference scenario for REDD;
- b. Adopting a national REDD strategy to reduce emissions, conserve biodiversity and enhance livelihoods of forest-dependent people in the context of country priorities and constraints; and
- c. Designing accurate measurement, monitoring and verification (MRV) systems to enable countries to report on emissions from deforestation and forest degradation.

14. Unlike general development assistance, receipt of carbon finance, beyond funds for REDD Readiness preparation, is contingent on credibly demonstrating the ability of a country to achieve results in the form of emission reductions.

15. Other relevant background information on FCPF is included in the Information Memorandum and the FCPF Charter available on the FCPF website www.forestcarbonpartnership.org.

Monitoring and Evaluation of the FCPF

Guidance For Monitoring and Evaluation

16. Below are suggested areas to be monitored and evaluated.

- a. Monitoring progress achieved since establishment of the FCPF in relation to stated objectives. The goal is to develop an inventory of all outputs and outcomes in relation to original objectives:
 - a. Number of REDD Country Participants compared to the original plan;
 - b. Number and quality of R-PINs;
 - c. Number of Pilot Countries selected for REDD Readiness and their Readiness Preparation Proposals;
 - d. Methodological and other outputs produced;
 - e. Processes established;
 - f. Knowledge generated and disseminated by the FCPF including country advisory services and, where available, its impacts.⁴
- b. Monitoring should also include information on activities which concern responsibilities of FCPF Secretariat.
- c. Resources used to achieve the outputs and outcomes. An overview of FCPF financial and human resources would include:
 - a. Donor financial commitments and disbursements;
 - b. Secretariat roles and Functions;
 - c. FCPF staffing levels and skill mix;
 - d. Participants Committee—roles and responsibilities, composition, number of meetings, briefing material for the participant committee, decisions made;
 - e. Technical Advisory Panels—functions, staffing, reports, resources;
 - f. Key FCPF stakeholders inside and outside the Bank and
 - g. Audited financial statements and other fiduciary information.

⁴ The Readiness process refers to not only data generation and the technical capacity of progressing in deforestation/degradation avoidance. It also entails a consensus-oriented process that results in a meaningful and proactive collaboration among relevant stakeholders for achieving progress.

Evaluation Questions for Different Aspects of FCPF Program Evaluation

17. *Overarching evaluation questions with regard to FCPF objectives and performance up to mid-term may include the following:*

- a. Have FCPF objectives, design and activities evolved since its launch in 2007, based on the consultations undertaken since CoP13, and on the ground experience gained?
- b. What learning has taken place?
- c. Are the current objectives realistic in relation to the capacity of REDD countries, time frame, resources for REDD Readiness and bridging finance likely to be available, e.g., through Forest Investment Fund?
- d. How do participating countries perceive the costs and benefits of the readiness mechanism including the timeliness and magnitude of resources? Is the REDD readiness finance and its duration adequate to achieve the readiness objectives, and to prepare countries to obtain additional bridging finance for readiness such as that from the FIP or other bilateral or multi-lateral finance?
- e. How do FCPF operations compare with the overall deforestation challenge in developing countries—in its magnitude and speed of forest loss?
- f. How do different stakeholder groups directly working with FCPF view FCPF objectives and activities? For example, do they also consider the focus of FCPF on emission reduction measurement, or do they consider that sufficient attention has been given to the more holistic approach that takes into account country specific determinants of forest cover loss and its estimation and its likely future developments, the multi-sectoral nature of the impacts on forest cover, governance issues including risk of elite capture, biodiversity conservation, inclusiveness and ownership of the participatory processes and outcomes, role of carbon finance in poverty reduction, role of safeguards?
- g. What lessons and implications does the experience offer for REDD Readiness, scaling up and likely impacts on REDD outcomes?

18. This overarching evaluation should be based on the following specific questions with regard to FCPF objectives, design and activities.

19. *REDD Readiness:*

- a. Is the definition of “REDD readiness” clear, broadly shared and understood by the REDD Country Participants?⁵

⁵ Definition of Readiness: Setting a national reference scenario, preparing strategies to reduce emissions from deforestation and forest degradation and developing the capacity to monitor emissions over time., Readiness also means “ a country meets the more fundamental conditions for sustainable use of forest resources, such as forest governance, land tenure, law enforcement, (and) a country has put in place mechanisms to address the real causes of deforestation, can create and enforce its policies on deforestation and forest degradation, and has been able to reach out to forest-dependent communities, including indigenous peoples and other forest dwellers, that may play an important role in the implementation of such policies. Experience shows that a country will ultimately have to be prepared to address these issues before reducing emissions from the forest sector in a sustainable way.

- b. How is it being implemented in the first countries that submitted R-PPs (Guyana, Indonesia and Panama) in terms of participatory processes and procedures?
- c. Based on the experience of these three countries, what lessons can be derived as regards the requirements and their shared understanding, capacity to prepare and execute proposals, develop frameworks to achieve readiness and the amount of financial and human capital resources available to achieve REDD readiness?
- d. Are there differences among the three countries where REDD readiness activities are underway from which cross-cutting lessons can be learnt?

20. *Readiness Preparation Proposals:*

- a. Are procedures for R-PP formulation clear and transparent?
- b. Are they satisfactory in quality?
- c. Are there gaps in guidelines?
- d. Is the sequence of steps clear to all stakeholders?
- e. Is the role of the Fund management team clear?
- f. Is it well executed?
- g. Is the Bank's country department's role (in receiving and commenting on R-PIN/R-PP) clear?
- h. Is Bank/PC guidance for improvement clear and effectively exercised?

21. *Ad Hoc Technical Advisory Panels:* The credibility of FCPF depends on the quality, timeliness and independence of the Technical Advisory Panels (TAPs). These ad hoc panels perform a range of functions including assistance in the development of REDD methodologies, methodologies for pricing of Emission Reductions, assessment of incremental benefits, review of R-PINs, technical assistance to member countries, review of R-PPs, and review of Readiness Packages.

- a. Are their compositions adequate in terms of skill mix and experience?
- b. Has the size and composition of TAPs been appropriate for the circumstances?
- c. Have Panels been adequately resourced?
- d. Are the reporting arrangements appropriate?
- e. Have the Panels performed review function well?
- f. Have they been independent of FCPF secretariat, its Participant Committee, and the World Bank?
- g. Is the role of TAP vis-à-vis the Bank's technical review clear?
- h. Are Bank and TAP reviews carried out in a timely manner?
- i. Do countries find them useful?
- j. Are they helping to develop country capacity?

22. *Country-level REDD strategy:* Describe the structures and functions of the Forest relevant systems in each of the three countries in which REDD Strategies have been prepared.

- a. Are the guidelines for country analysis adequate?
 - b. Do they take into account domestic as well as international factors—e.g. agriculture, energy and commodity markets, exchange rates?
 - c. Is the analysis of the causes of deforestation and forest degradation being carried out in pilot countries satisfactory for developing focused ER strategies?
 - d. Is there sufficient attention to the issues of vested interests, winners and losers, legal framework, ownership of key stakeholders including particularly the economically and politically powerful elite, governance, corruption and moral hazard?
 - e. Is the step wise approach clearly articulated and widely understood particularly in the client countries' key stakeholders and FCPF interlocutors?
 - f. Are implications of a stepwise approach clear in terms of REDD Readiness Preparation time table?
 - g. What are the lessons of experience so far?
 - h. Is the consultation process being carried out effectively? Is it a one off process or are consultative mechanisms being put in place? Is it comprehensive in its coverage of stakeholders?
 - i. Are fair, efficient and sustainable strategies to reduce emissions likely to result from consultations?
 - j. Does the process involve a full range of stakeholders (indigenous and other marginalized populations) as well as all relevant sectors (urban, transport, agriculture, mining, energy, planning and financial sectors) to put in place effective national strategy frameworks?
 - k. Does the legal framework include forests, land use, customary rights and address cross-sectoral issues of community forest management and or macroeconomic drivers of deforestation and degradation in a comprehensive way?
 - l. Are cost effective options being developed?
 - m. Are institutional responsibilities, ownership of emission reductions, future regulation of the distribution and use of future revenues from REDD and rights and responsibilities of various actors being identified?
23. *Reference Scenario:*
- a. Are the UNFCCC and other guidelines and methodologies, currently available adequate for the FCPF countries for establishing a reference scenario?
 - b. How has FCPF contributed to this knowledge/ assisted in this process?
 - c. What are the strengths and weaknesses of the Reference Scenarios prepared so far? Are they realistic in terms of historical pressures and drivers of deforestation, models that can accommodate likely future pressures on forests, the current and expected increase in domestic policy, institutional and fiscal capacity to manage them?

- d. Are the Reference Scenarios presented in the pilot countries credible in terms of “without” intervention scenarios and can they be expected to contribute to setting international norms and standards?
 - e. Over what time period and with what set of domestic and international resources were they prepared?
 - f. Are there lessons for capacity building?
 - g. Are there tradeoffs between delivery of output and capacity development?
24. *National MRV System:*
- a. Do reliable data on levels of deforestation and degradation exist?
 - b. Is a credible system for monitoring and verifying REDD being designed and implemented?
 - c. Are national institutions being trained?
 - d. Are forest data reviewed and adapted to meet REDD standards?
 - e. With the capacity building being provided by FCPF are countries going to be able to report on emissions from deforestation, evolving toward the use of an IPCC tier two approach?
 - f. Are all components of an MRV system being put in place and indicators relevant for national law enforcement activities being developed, e.g.,
 - i. Data from remote sensing and inventories to upgrade data on stocks and stock changes of forest carbon and biomass to raise accuracy of reporting to a higher IPCC reporting Tier,
 - ii. Data on forest degradation and additional benefits (in particular on biodiversity and livelihoods)

25. *Roles of the World Bank:*

The World Bank’s Multiple Roles in the FCPF include the following:

i) **As Trustee** for the REDD Readiness Mechanism and the Carbon Fund, the Bank⁶ receives and manages donor contributions and enters into Participation Agreements. In the case of the Readiness Fund, it means the REDD Country Participation Agreements and Donor Participation Agreements, and in the case of the Carbon Fund, Carbon Fund Participation Agreements. *Participation Agreements have to be in form and substance satisfactory to the Bank. As a Trustee* the Bank is empowered to enter into ERPAs, make payments in accordance with such ERPAs; monitor the delivery of Emission Reductions achieved by each Emission Reductions Program to Carbon Fund Participants; and maintain a register of Emission Reductions, accounting for all Emission Reductions purchased on behalf of the Carbon Fund Participants.

⁶ The fiduciary responsibility entails ensuring that financial resources are used for the intended purposes, with focus on economy and efficiency and without regard to political and other non-economic influences or considerations. In addition Grant recipients are expected to adhere to procurement rules in the procurement of goods, works and services required for Bank financed projects, demonstrating capacity and ability to maintain international standards. The Bank’s Operational policies and procedures applicable to the FCPF operations include Procurement (OP/BP 11.01), Fraud and Corruption (OP/BP 11.01) and OP10.02 Financial Management with regard to budgeting, accounting, internal control, funds flow, financial reporting, and auditing arrangements of the entity or entities responsible for implementation.

- ii) **As Secretariat to the FCPF** the Bank reports to the Participants Committee and Participants Assembly and manages the day to day activities of the facility.
- iii) **As an implementor, the Bank provides technical inputs** through contribution of operational staff with expertise in the forest sector, and bank operations and application of Bank's Environmental and safeguard policies to REDD⁷.
 - a. How effective and efficient is the Bank in exercising each of these roles in supporting FCPF's REDD Readiness activities?
 - b. What lessons has FCPF learnt from the World Bank's Forest Policy Implementation?
 - c. What lessons has it learnt from other Carbon Funds the Bank is operating?
 - d. Are the roles the Bank plays in the forest sector supportive of the FCPF or are they in conflict?
 - e. Are there trade-offs in accountability (e.g., with regard to financial management, safeguards), and efficiency in achieving outputs and outcomes?

26. Role of the Participants Assembly:

The Participants Assembly, the highest political body, provides general guidance to the Participants Committee, reviews the decisions made by the Participants Committee (e.g., on pricing methodologies for Emission Reductions Payment Agreements, guidelines on Additional Benefits, General Conditions of the Emission Reductions Payment Agreements; and on evaluation of operation of the Facility Participant Committee) and is a forum for information exchange.

- a. Are the composition of the assembly, the frequency of its meetings, and the agenda for the meeting appropriate?
- b. How and by whom are policies and strategies developed?
- c. Do stakeholders have enough access to Assembly members?
- d. Do the Assembly members benefit from access to technical experts as needed?
- e. Has the Assembly been effective in steering FCPF, providing strategic direction and allocating resources commensurate with agreed objectives,
- f. Has it been monitoring the implementation of governance decisions?

⁷ These include Environmental Assessment, (Operation Policy (OP)/Bank Policy (BP) 4.01), Natural Habitats. (OP/BP 4.04), Pest Management (OP 4.09, Indigenous Peoples (OP/BP 4.10), Physical Cultural Resources, (OP/BP 4.11), Involuntary Resettlement, (OP/BP 4.12), Forests (OP/BP4.36), Projects on International Waterways (OP 7.50), Projects in Disputed Areas (OP/BP/GP 7.60), Safety of Dams (OP 4.37).

27. *Role of the Participants Committee:*

The Participants Committee has the largest operational role with a range of responsibilities and functions⁸.

- a. Are its size and composition appropriate? Does FCPF Governance Structure give equal weight to developing and industrialized countries? Does it have the right skill mix?
- b. Is the frequency of meetings appropriate to the needs?
- c. Does the PC perform the necessary Strategic Steering and Direction Function?
- d. Or is it a rubber stamping body?
- e. Is there trust between developed and developing country members?
- f. Does chairing of the PC by a World Bank Vice President pose conflict of interests given the Bank's multiple roles?⁹

28. *Carbon Fund Participants Committee:*

Carbon Fund Committee is not operational as yet.

⁸ This includes selecting, REDD Participant Countries, approving their Readiness Plan Idea Note in accordance with the Selection Criteria, and recommendations of the Ad Hoc Technical Advisory Panel, approving the Readiness Plan submitted by a REDD Country Participant, assessing progress made in the implementation of the Readiness Plan; Reviewing the Criteria for Budget Allocation for Preparing and Implementing a Readiness Plan approved by the Steering Committee; Approving, the budget allocation proposed by the Facility Management Team for a REDD Country Participant to develop and implement a Readiness Plan; endorsing REDD Country Participant's Readiness Package; Adopting policy guidance on pricing methodologies for Emission Reductions Payment Agreements; advising on modalities for determining how to attribute Emission Reductions generated from REDD activities to the provision of REDD incentives; establishing a list of Independent Third Parties to deliver services related to Emission Reductions Programs and/or other activities undertaken under the Facility; On the basis of the recommendations from the Facility Management Team, providing guiding principles on the key methodological framework on REDD; Approving the General Conditions of the Emission Reductions Payment Agreements, which set out general rights and obligations of the parties to the agreement; On the basis of recommendations from an Ad Hoc Technical Advisory Panel, adopting guidelines on achieving Additional Benefits; Evaluating the operation of the Facility; Approving the establishment of Ad Hoc Technical Advisory Panel(s), to provide technical advice and fulfill its functions, Addressing donor and participating country defaults; Approving the Annual Budget of the Readiness Fund and the Shared Costs; Reporting to the Participants Assembly the decisions made and other issues discussed by the Participants Committee

⁹Several Recent evaluations, e.g. of the CGIAR, IMF, GEF have pointed out that the chairing of the organization boards by the CEO is not good practice.

29. *Role of the Facility Management Team:*

The Facility Management Team is responsible for the day to day management of FCPF involving a range of responsibilities¹⁰.

- a. Is the FMT staffed with appropriate skill mix?
- b. Is it effective in carrying out its various functions?
- c. It is efficient?

30. *Contributions to the UNFCCC Process:*

- a. What contribution has the FCPF made to the UNFCCC process?
- b. Have the international negotiations on REDD been informed by the ongoing developments in the FCPF given that REDD country participants are also Parties to the UNFCCC negotiations?
- c. What are the lessons for:
 - the design of a future Carbon Finance Mechanism,
 - the benefits of housing the facility in the Bank,
 - for safeguard policies,
 - for capacity building.

¹⁰Conducting the initial review of Readiness Plan Idea Notes, Proposing Criteria for Budget Allocation, making arrangements for assisting the REDD Participant Country to prepare and implement its Readiness Plan; Supervising implementation of the Grant Agreements and Emission Reductions Payment Agreements; Conducting the initial review of Emission Reductions Programs submitted by REDD Country Participants. Proposing members and terms of reference for Ad Hoc Technical Advisory Panels; Developing, guidelines on conflict of interest for consideration and adoption by the Participants Committee; Providing secretariat service to the meetings held under the Facility; Monitoring provision of Ex Ante Assessment and Verification services for Emission Reductions Programs; Coordinating with relevant international bodies to ensure effective operation of the Facility; Ensuring compliance of FCPF operations with the relevant World Bank Group' Operational Policies and Procedures; Reports on the activities of the Facility to the Board of Executive Directors of the Bank and to the Participants; Collecting, organizing, managing and disseminating the knowledge and information gained through operation of the Facility; Proposing Annual Budget for the Readiness Fund, Annual Budget for the Carbon Fund and the Shared Costs; Arranging for appropriate independent evaluation of the Facility.