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FOREST CARBON, MARKETS AND COMMUNITIES (FCMC) PROGRAM SEMI-ANNUAL REPORT (MARCH–OCTOBER 2011)

OCTOBER 2011

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TABLE OF CONTENTS

TABLE OF CONTENTS	i
ACRONYMS AND ABBREVIATIONS	ii
1.0 INTRODUCTION	1
2.0 ADMINISTRATIVE ISSUES	2
3.0 SIGNIFICANT ACTIVITIES/ ACCOMPLISHMENTS	3
3.1 CROSS-TASK ACTIVITIES.....	3
3.2 TASK 1: SOCIAL AND ENVIRONMENTAL SOUNDNESS (SES).....	4
3.3 TASK 2: FINANCE AND CARBON MARKETS.....	5
3.4 TASK 3: LOW EMISSIONS DEVELOPMENT STRATEGIES (LEDS).....	6
3.5 TASK 4: MEASUREMENT, REPORTING AND VERIFICATION (MRV/INVENTORIES)	7
4.0 ISSUES TO CONSIDER/ RESOLVE	8
5.0 SUMMARY AND CONCLUSION	9

ACRONYMS AND ABBREVIATIONS

AGRC	Alliance for Global REDD+ Capacity
CI	Conservation International
CONDESAN	Consortium for the Sustainable Development of the Andean Region
COP	Chief of Party
EC-LEDS	Enhancing Capacity LEDs
FCCM	Forest Carbon, Markets and Communities Program
GCC	Global Climate Change
GHG	Greenhouse Gas
GHGMI	Greenhouse Gas Management Institute
IFPRI	International Food Policy Research Institute
IR	Intermediate Results
IT	Information Technology
LAC	Latin America and Caribbean
LEDS	Low Emissions Development Strategy
LISA-REDD+	Learning Initiative on Social Assessment of REDD+
MRV	Measurement, Reporting and Verification
NGO	Non-governmental Organization
REDD+	Reducing Emissions from Deforestation and Degradation “Plus”
SES	Social and Environmental Soundness
SOW	Scope of Work
SPDA	<i>Sociedad Peruana de Derecho Ambiental</i>
UNFCCC	United Nations Framework Convention on Climate Change
USAID	United States Agency for International Development
USG	United States Government
WRI	World Resources Institute

I.0 INTRODUCTION

Tetra Tech ARD was awarded the Forest Carbon, Markets and Communities (FCMC) Program from the United States Agency for International Development (USAID) in late March 2011. The USAID FCMC Program supports the implementation of the United States National Reducing Emissions from Deforestation and Degradation “Plus” (REDD+) Strategy by building capacity of USAID/Washington and USAID Mission staff to design and implement REDD+ activities, through capacity building of host country governments and civil society, and through implementation of pilot activities in USAID REDD+ priority countries. Key subcontractors on the FCMC Program are: Conservation International, Terra Global Capital, World Resources Institute and Greenhouse Gas Management Institute (GHGMI).

The FCMC Program has two major intermediate results (IR). The first IR aims at building shared understanding and technical capacities on tools, methodologies, and approaches that contribute to the international REDD+ architecture. This consists both of building capacity of international stakeholders and building capacity of USAID staff. The second IR focuses on working with countries on REDD+ readiness activities to undertake actions at a scale that will help them to meet their national commitments. Under this work, tools and methodologies will be field-tested and local capacity built. Actions and deliverables under these two IRs focus on four technical areas:

- 1) Social and Environmental Soundness (SES) for REDD+;
- 2) Finance and Carbon Markets;
- 3) Low Emissions Development Strategies (LEDS); and
- 4) Forest and Terrestrial Greenhouse Gas (GHG) Measurement, Reporting and Verification (MRV).

This report discusses activities and achievements under the first six months of the FCMC Program. The program was launched on March 23, 2011. This semi-annual report covers activities from start-up through October 15, 2011.

2.0 ADMINISTRATIVE ISSUES

The FCMC office and team, with the support of Tetra Tech ARD headquarters and Arlington offices, became fully operational in early June 2011. This included the four component task leads (the originally named Finance and Carbon Markets Task Lead had to be replaced at the beginning of the process), an Operations Manager, an Operations Assistant, the Chief of Party (COP), and back-up and information technology (IT) support from Tetra Tech ARD headquarters and Arlington offices. During this inception period (March 23–September 30, 2011), the FCMC team also recruited a number of consultants to supplement and support its activities across task areas (including the development of thought papers, reviews, and other items). Finally, it was agreed that the current LEDS Task Lead would transition to a technical support role in the near-term with an Arlington-based lead being actively recruited.

3.0 SIGNIFICANT ACTIVITIES/ ACCOMPLISHMENTS

3.1 CROSS-TASK ACTIVITIES

From March–October 15, 2011, FCMC undertook three major cross-task activities, with preparations for a fourth: Year One work planning, a Peru Forest Carbon Programming Assessment, and revision of an Africa Assessment Tool. FCMC made preparations for a fourth cross-task activity, an Initial Forest Carbon Assessment visit to Ecuador, scheduled to commence November 7, 2011.

To start, core FCMC staff and partners met with USAID in April 2011 at the Tetra Tech ARD Arlington offices to engage in Year One work planning. FCMC Task Leads also took advantage of this opportunity to begin to develop relationships with USAID FCMC Activity Managers for each task area and identified priorities for the first six months of the project and placeholder activities for the second half of Year One. The Year One work plan was approved on August 18, 2011 and work planning for Year Two is underway.

As part of a specific task under the USAID FCMC program, task leads designed and implemented a comprehensive and objective assessment of forest carbon and carbon finance and forest carbon market readiness activities in Peru. The objective of the assessment was to provide USAID/Peru with a selection of actionable prioritized options for near-term forest carbon programming, including REDD+, in the areas of SES, carbon finance and carbon market readiness, and MRV. The assessment took place in country from August 8–26, 2011 and involved a combination of stakeholder dialogues and individual meetings, as well as targeted site visits. The field assessment team included expertise in SES (independent consultant Janis Alcorn), Carbon Markets (Task Lead Gabriel Thoumi), and MRV (Task Lead Marc Steininger). MRV Task Lead Marc Steininger acted as Assessment Team Leader, with significant support from a Conservation International (CI) headquarters staff member and assistance from the CI Peru office, which helped to identify relevant stakeholders and plan field visits. In addition to the core assessment team, two local REDD+ consultants assisted in the collection of background materials and the arrangement of relevant meetings. USAID headquarters staff member Olaf Zerbock (EGAT/NRM/F) accompanied the team throughout the assessment. Finally, FCMC worked with local organization *Sociedad Peruana de Derecho Ambiental* (SPDA) to undertake a comprehensive review of the legal and policy framework related to REDD+ and forest carbon in Peru. This review helped to develop the context within which the assessment took place.

Prior to the assessment, development of the methodology involved considerable input from and collaboration among task leads. The SES Task Lead contributed to the Peru Assessment in terms of identifying and working with the SES consultant for the field mission, introducing SES elements of the integrated methodology, contributing to the design of the stakeholder dialogue and the overall report outline, assisting with logistical preparations for the field mission, composing a draft PowerPoint on key REDD+ issues for presentation to USAID/Peru staff, and reviewing the draft report. Moreover, the SES Task Lead has continued to collaborate with team members to update the methodology following this pilot assessment. Additionally, the Finance and Carbon Markets Task Lead developed the relevant component of the assessment methodology in conjunction with a local carbon finance expert. Finally, the MRV Task Lead coordinated with the broader MRV team (composed of personnel from Greenhouse Gas Management Institute [GHGMI], World Resources Institute [WRI], and CI) to develop their portion of the methodology assessing national REDD+ capacity. This included a list of key questions and their purpose (with treatment of both technical and institutional aspects of REDD+ capacity), as well as suggestions of stakeholders to

target. Following development of the assessment methodology, stakeholder engagement commenced immediately.

In-country, the team facilitated and participated in one cross-cutting multi-stakeholder dialogue; several task area-specific dialogues; individual interviews; regional government meetings; regional REDD roundtables; and field site visits to Pucallpa, Planchón, Alerta, Iñapari, Cusco, San Martín, and Puerto Maldonado. In addition to stakeholder engagement, the team also participated in introductory and closing meetings with USAID/Peru, as well as a basic REDD+ training for Mission staff and briefing on initial assessment outcomes.

Following completion of the assessment, a comprehensive report outlining results across task areas has been submitted to USAID/Peru. An interim outline of the most salient observations was submitted to USAID headquarters and USAID/Peru prior to completion of the final deliverable. Concurrently, the team has begun preparations for the next application of its methodological framework, a Forest Carbon Assessment Inception visit to Ecuador scheduled for November 7–22, 2011.

Starting in September 2011, FCMC commenced preparations for the Ecuador Forest Carbon Assessment Visit. The purpose of this assessment is to provide USAID/Ecuador with an analysis of opportunities and challenges related to climate change, particularly focused on REDD+. This assessment is intended to help USAID/Ecuador make strategic programming decisions for Global Climate Change (GCC) Sustainable Landscapes and other funding, and will include treatment of all four FCMC technical task areas (SES, Finance and Carbon Markets, LEDS, and MRV). The assessment will consist of a desktop review of relevant literature and consultation meetings with stakeholders including government ministries, donor agencies, nongovernmental organizations (NGOs), and other key stakeholders. While in country, the FCMC Assessment Team will make at least two presentations to USAID/Ecuador, during an entrance meeting and exit meeting. The FCMC Assessment Team will also help design and participate in a facilitated donor workshop designed to develop a more integrated and comprehensive approach to the issues of ensuring Ecuador is ready to participate and implement REDD+.

Over the past month, FCMC has amassed an Assessment Team to reflect the comprehensive nature of this activity. The proposed assessment team will include expertise in SES (Patricia Caffrey of Tetra Tech ARD), Finance and Carbon Markets (FCMC Task Lead Gabriel Thoumi), LEDS (Frank Hajek of Ecosystem Services Peru), and MRV (Manuel Peralvo of the Consortium for the Sustainable Development of the Andean Region [CONDESAN]). Beyond core assessment team members, FCMC also draws on extensive knowledge of the Ecuadorian institutional and environmental context. With the aid of Background Advisor Robert Hofstede, FCMC has a draft document exploring the state of REDD+ in Ecuador; a working list of stakeholders spanning local, regional, and national levels; and a list of potential field site visits. Looking ahead, the FCMC team has begun to revise the assessment methodology piloted in Peru to incorporate lessons learned and direction from USAID/Ecuador.

During this period the FCMC team also revised an “Assessment Tool to Analyze African Nations’ Readiness to Access REDD+ Carbon Market Financing” for the USAID Africa Bureau. As part of this activity, the team updated a previous draft of the tool by bringing it into line with directions from the United Nations Framework Convention on Climate Change (UNFCCC) Cancun Agreements, the United States Government (USG) REDD+ Strategy, and recent actions by international actors. The final document focuses on what gaps a country must fill (or have filled) in order to access carbon market financing.

Additionally, an FCMC Program brochure was developed and approved in August 2011 and has since been translated into Spanish.

3.2 TASK I: SOCIAL AND ENVIRONMENTAL SOUNDNESS (SES)

Since FCMC start-up, the SES task has been engaged in a number of different activities. The first issue was development of the initial work plan, exploring how best to undertake the envisaged activities and achieve the

desired deliverables. The work plan was very ambitious, in terms of outlining efforts to be undertaken to identify the current “state-of-the-art” in Social and Environmental Soundness, supporting some new initiatives, providing training support, supporting the development of a methodology for integrated country-level REDD+ assessments, and pilot testing of that methodology in Peru.

Some of the initial work focused on training and enhancing capacity for engagement in REDD+ issues in general, and SES issues more specifically. In June, work was done to prepare a training module on SES issues, which was presented on August 4, 2011 as part of a GCC training course for USAID staff on Sustainable Landscapes funding. After observing the presentation of this lecture, recommendations were made for further improvements. The training has subsequently been delivered a second time at a regional training workshop conducted in Bangkok in September 2011. Materials are now being updated for a third training to be held in Miami, Florida in late October 2011. Another training presentation on REDD+ issues was prepared for use as part of the integrated country-level REDD+ assessment; this was used for USAID staff at the USAID Mission in Lima, Peru on August 26, 2011. A related support for building USAID capacity has been the drafting of a lexicon of SES-related terms.

In July, FCMC provided substantial support to a new initiative, the Alliance for Global REDD+ Capacity (AGRC), by providing most of the funding for a two-day launch workshop. This initiative plans to collaborate on sharing and developing training materials on REDD+ for a wide range of audiences. As a follow-up to this meeting, a task force will be developing a needs assessment for training materials, and compiling existing training materials. Such information will be most useful in identifying where future support is needed.

Meanwhile, a number of consultancies are underway. One consultant is engaged in undertaking a major review of safeguards used by multilateral donors, bilateral donors, and NGOs, which are—or could be—applicable to REDD+ activities. This information will provide guidance for USAID, in consideration of its own policies on these matters.

FCMC is supporting the newly-established Learning Initiative on Social Assessment for REDD+ (LISA-REDD+) through another consultancy, which will examine *ex ante* and *ex post* methodologies for social impact assessment, related to the design and ongoing monitoring of REDD+ projects and programs.

A major international experts’ workshop on the Social Dimensions of REDD+ will be conducted October 16–19, 2011, and the results of this workshop will be more broadly shared and discussed at an open Forum event on the same topic, on October 21, 2011. Results of the two events will be shared at a USG side event at the next UNFCCC meetings in Durban, South Africa, in late November/early December 2011.

The initial work plan had identified other activities, which are awaiting further developments and actions by partners to get underway. For example, it had been planned to support a series of case studies on stakeholder engagement, following the completion of an initial case study in Peru—now expected in November 2011. Similarly, the work plan had made provision for supporting a set of workshops related to the piloting of the REDD+ Social and Environmental Standards. One such workshop was just held in Acre, Brazil, in early October, so more information will be forthcoming on that process soon.

Recent work has included support to finalization of the Peru Assessment, discussion of lessons learned, and preparation for the next assessment in Ecuador.

3.3 TASK 2: FINANCE AND CARBON MARKETS

Since inception, the finance and carbon markets activities for FCMC have focused on four tasks:

- 1) Developing, implementing, and analyzing data from the national REDD+ finance and markets assessment of Peru;
- 2) Planning to apply the national REDD+ finance and markets assessment in Ecuador;

- 3) Conducting an assessment of USG opportunities to catalyze private sector financing of forest carbon activities; and
- 4) Writing a finance and markets lexicon.

Initial work for the Finance and Carbon Markets Task Lead involved helping to develop the assessment methodology for Peru, participating as a key member of the assessment team, and writing the finance and carbon markets portion of the final report (in addition to providing overall support to the process of review and finalization). Looking ahead, the task lead has begun to adapt the finance and markets portion of the methodology for application in Ecuador.

As noted above, a thought paper is in production examining how USG investments and policies could be used to support increased private or public investment in carbon financing plans. A second thought paper focused on carbon finance in a specific country is currently under discussion. Finally, a draft finance and carbon markets lexicon has been developed to be combined with the SES lexicon.

3.4 TASK 3: LOW EMISSIONS DEVELOPMENT STRATEGIES (LEDS)

Since start-up, the most important achievement for this task area was the approval of the LEDS component of the Year One work plan, following careful consideration and discussion with the USAID LEDS Activity Manager. With formal approval, work has begun on deliverables, including a series of thought papers outlining how land-use contributes to LEDS; coordination with Enhancing Capacity LEDS (EC-LEDS) program partners; a December coordination workshop; and participation in the November 2011 Ecuador Assessment.

The FCMC LEDS Task Lead recently attended a series of meetings organized by the USAID LEDS Activity Manager, which introduced the Task Lead to other USG agencies involved in the EC-LEDS program. This included attendance at an International Food Policy Research Institute (IFPRI) presentation on their USAID-supported GHG emissions and land-use modeling project. The objective of these meetings was to initiate the process of coordinating programs, so that FCMC LEDS activities contribute to the overall EC-LEDS agenda. As a result, several opportunities for FCMC/EC-LEDS collaboration have been identified, which include FCMC LEDS participation in the Peruvian EC-LEDS assessment (pending coordination and approval from USAID/Latin American and the Caribbean Bureau [LAC]); LEDS participation in the upcoming Ecuador Assessment; and improving capacity to produce standardized land cover data to inform GHG inventories linked to land-use activities. In order to support FCMC/EC-LEDS coordination further, the FCMC LEDS Task Lead will organize a workshop on December 15, in cooperation with the USAID LEDS Activity Manager, addressing coordination for USG agencies and partners involved with EC-LEDS. While the agenda is still under development, the primary goal will be to improve collaboration among the groups working on EC-LEDS. Representatives from the following agencies/organizations will be present:

- Department of State;
- USAID;
- Environmental Protection Agency;
- United States Department of Agriculture, Foreign Agricultural Service;
- United States Forest Service, International program;
- Department of Energy, National Renewable Energy Lab ; and
- LEDS partners from civil society (IFPRI, World Resources Institute, CI, etc.).

Regarding LEDS participation in the upcoming Ecuador Assessment, the Task Lead has prepared a list of activities to be incorporated into the assessment methodology that supports both EC-LEDS and FCMC objectives, and identified a LEDS expert to join the assessment team.

Additionally, the FCMC LEDS Task Lead has prepared a Scope of Work (SOW) for a technical assistance contract to review land-use dynamics in Vietnam (listed above). In coordination with the FCMC COP, the Task Lead has begun recruitment for a full-time, Arlington-based LEDS Task Lead. Once a candidate has been identified, the current LEDS Task Lead will transition to a technical support role.

3.5 TASK 4: MEASUREMENT, REPORTING AND VERIFICATION (MRV/INVENTORIES)

Since start-up, MRV has been engaged in a number of activities, involving coordination across partner organizations and other USG agencies, leading the Peru Assessment, preparing for the upcoming Ecuador Assessment, and developing guidelines and capacity-building materials.

The MRV team (including personnel from WRI, GHGMI, and CI) played a key role in crafting the assessment methodology, following a team planning meeting. The initial format and questions resulting from this meeting informed the structure of the overall methodology (which continues to be improved upon). The MRV Task Lead also led the Peru Assessment, which included coordination with USAID/Peru staff and local partners, as well as managing the final report writing process. Looking ahead, the Task Lead has identified a candidate to fill the MRV component of the Ecuador Assessment (pending approval).

Additionally, efforts are underway for another key work plan activity: the development of guidelines on best practices for various activities that must comprise a national REDD+ MRV system. These modules will form the basis for subsequent MRV trainings. Thus far, the MRV team has defined the guideline modules, produced outlines for them, and designated team members to lead the development of each module. Approval has been received and work has begun on two of the modules involving forest stocks and emissions reporting (to be led by GHGMI and CI staff members).

Finally, the MRV task lead has had several conference calls with the SilvaCarbon team, mainly centered on the Peru and upcoming Ecuador assessments. Looking forward, the MRV team plans to hold regular calls to strategize its longer-term coordination with SilvaCarbon, and through it related efforts such as GEO. A series of meetings between the FCMC and USAID leads on MRV has led to the definition of a work plan through September 2012. The FCMC Lead is now coordinating with the team partners to determine roles of each and associated budgets.

4.0 ISSUES TO CONSIDER/ RESOLVE

As mentioned within the LEDS task overview, one key issue to address is bringing on a new FCMC-based LEDS Task Lead. Coordinating with a remotely-based task lead has delayed start-up for this component, and complicated cross-task collaboration and component representation. Recruitment is underway, with the hopes of identifying a candidate in the near-term and beginning the process of transition.

Recognizing the evolving circumstances since the Request for Task Order Proposal was originally drafted, there is also a continuing utility for FCMC to receive clarity and direction from USAID on deliverables and activities within the scope of the contract. This is a subject of ongoing and positive dialogue, and will involve flexibility from both Tetra Tech ARD and USAID.

Finally, the role and depth of FCMC engagement in international climate policy processes is a long-term matter to be developed, with the UNFCCC Durban side event in December 2011 as a first step.

5.0 SUMMARY AND CONCLUSION

Overall, FCMC has finished a productive start-up period. A solid work-plan was developed and approved and positive working relations were established between FCMC task leads and USAID activity managers. Outreach and introduction to other concerned USG agencies and constituencies has also been undertaken across task areas. FCMC, being Arlington-based, is a new type of project for both USAID and Tetra Tech ARD, with lessons learned throughout the past six months.

Highlights of FCMC work to date include preparing an in-country assessment methodology; completing and reporting on a major assessment in Peru piloting this methodology; collaborating with USAID to organize an international workshop and open forum on the social dimensions of REDD+ (the outcomes of which will be reported on at a USG side event at the UNFCCC meetings in Durban); and preparing for an Ecuador assessment, to include treatment of all four component areas. FCMC is also currently developing a number of analytical and technical papers across its component themes. In the next biannual period, it is expected that the pace and outputs of FCMC work will intensify and diversify as it moves beyond its start-up phase.

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