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FOREST CARBON, MARKETS AND COMMUNITIES (FCMC) PROGRAM SEMI-ANNUAL REPORT (MAY 2012 – OCTOBER 2012)

OCTOBER 2012

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ACRONYMS AND ABBREVIATIONS

AGRC	Alliance for Global REDD+ Capacity
ARTC	Asia Regional Training Center
CAM	<i>Corporación Alto Magdalena</i>
CI	Conservation International
CBNRM	Community-Based Natural Resource Management
COP	Chief of Party
COR	Contracting Officer's Representative
DCA	Development Credit Authority
EC-LEDS	Enhancing Capacity for LEDS
FCM	Finance and Carbon Markets
FCMC	Forest Carbon, Markets and Communities Program
GCC	Global Climate Change
GHG	Greenhouse Gas
GHGMI	Greenhouse Gas Management Institute
ICRAF	World Agroforestry Centre (International Centre for Research in Agroforestry)
IFPRI	International Food Policy Research Institute
IR	Intermediate Results
IT	Information Technology
LAC	Latin America and Caribbean
LEAF	Lowering Emissions in Asia's Forests
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
STTA	Short Term Technical Assistance
TGC	Terra Global Capital
UNFCCC	United Nations Framework Convention on Climate Change
USAID	United States Agency for International Development
USG	United States Government
USGS	United States Geological Survey
WRI	World Resources Institute

I.0 INTRODUCTION

Tetra Tech 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.

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 (FCM);
- 3) Low Emissions Development Strategies (LEDS); and
- 4) Forest and Terrestrial Greenhouse Gas (GHG) Measurement, Reporting and Verification (MRV).

In addition to these technical areas a 5th element was introduced in April 2012 titled ‘Cross-Cutting,’ with the objective of making links and integrating work, where appropriate, between the thematic areas and undertaking activities that are clearly cross-cutting in nature.

This semi-annual report discusses activities and achievements from April 16, 2012 through October 15, 2012, the first half of the FCMC Program’s second year.

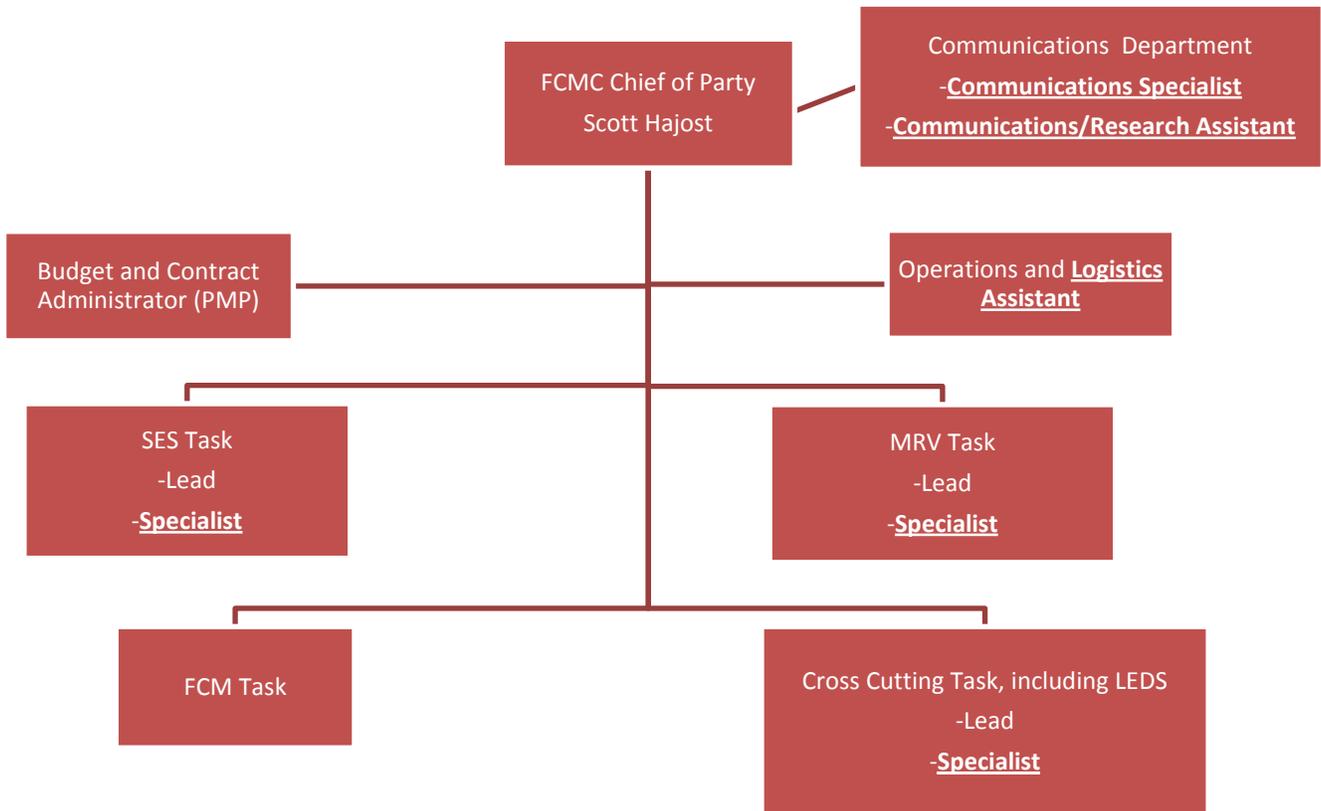
2.0 ADMINISTRATION

The second half of Fiscal Year 2012 saw a number of staffing changes for FCMC. The Task Lead for the newly created FCMC position on cross-cutting issues, Tetra Tech Senior Associate Stephen Kelleher, made significant progress in developing the post and function. In June, the FCMC LEDES Task Lead, Tim Killeen (an employee of an FCMC core partner, Conservation International – CI) left the project to take employment with another international NGO. It was subsequently decided that a replacement full time LEDES Task Lead would not be appointed at this stage until the FCMC LEDES portfolio expands to a point that justifies a full time post. The Cross-Cutting Task Lead has assumed the role of LEDES focal point for the foreseeable future. In July, FCMC also saw the departure of Gabriel Thoumi, the FCM Task Lead, an employee of FCMC core partner Terra Global Capital (TGC). FCMC and TGC worked to hire an interim Task Lead, Arjun Patney, during the transition to support ongoing activities. In the final weeks of this reporting period, FCMC hired a new full time Task Lead for the position, Robert O’Sullivan.

Also during this reporting period, FCMC began the process of increasing staff capacity to address emergent staffing needs by developing scopes of work and recruiting for various positions to be based at the FCMC office in Arlington, VA. Among these was a Deputy Task Lead for SES, which was considered of immediate importance due to the rapidly growing scope of SES activities. Janis Alcorn was recruited to fill this role. Additional needs for which staff are being recruited include a dedicated MRV specialist, a program support specialist, as well as positions on communications and knowledge management, research, budgets and contracts, and office management and workshop logistics. The recruitment process is ongoing and is expected to be completed early in the the first quarter of FY13. The MRV work has been growing and requires additional, dedicated full time support for the Task Lead, who is not full time on FCMC. Likewise, many activities are being lodged in the cross-cutting task, including substantial collaboration planned with the Forest Carbon Partnership Facility (FCPF) as well as remaining LEDES functions, and a program support specialist will assist in delivering these activities and others across the FCMC portfolio based on a work plan to be developed. FCMC will also be enhancing its capacity on knowledge management, communications and outreach in order to maximize the influence various products have on decisions makers and stakeholders, and hence further investment in these areas. Finally, with the additional work and with a view to taking on more finance and logistics responsibilities by FCMC itself rather than Tetra Tech headquarters, further investment is being made in these areas along with some reorganization of existing support functions.

In May, the FCMC Website was officially launched, and has seen a fair amount of use and traffic during its initial phase. This is expected to increase with additional communications and knowledge management support. To date, the website has been used to post official deliverables and products and to disseminate basic knowledge about FCMC and its work. The FCMC staff met with USAID colleagues in September to discuss further work on the website and communications in general, including using an approved distribution list to notify colleagues in a variety of sectors and organizations about news and resources being developed at FCMC as well as consistent procedures for product delivery and approval. These communications tools will continue to evolve over the coming months, and will be monitored and tracked for effectiveness. In addition to staffing changes at the Arlington office, FCMC made adjustments to accommodate for more long-term and permanent support from the Tetra Tech Home Office in Burlington, Vermont. Contracts were approved to allow for life-of-project support on issues including Information Technology (IT), Communications, Contracts, and Human Resources, while other functions will be devolved to FCMC itself under the new staffing arrangements.

As noted in the Cross-Cutting section below, the FCMC Year 3 Work Plan was finalized and submitted to USAID on October 1st. The organizational chart on the following page represents the proposed organizational structure of the FCMC Arlington Office, with bold and underlined representing new positions.



3.0 SIGNIFICANT ACTIVITIES/ ACCOMPLISHMENTS

3.1 CROSS-TASK ACTIVITIES

From April to October of 2012, the Cross-Cutting Task focused on a number of distinct activities, including development and submission of the Year 3 Work Plan, support to the Alliance for Global REDD+ Capacity (AGRC) on a competencies framework, advancement of a Regreening analysis for several agro-forestry/tree planting projects in East Africa, and collaboration with the FCPF on proposed work in Colombia, and Guatemala.

In late August, the Cross-Cutting Task Lead, along with the COP and other FCMC Task Leads and Operations staff, began revisiting the format and design of the Year 2 Work Plan in an effort to streamline and improve upon the existing structure. Task Leads in consultation with the COP met with USAID Activity Managers and partners to discuss potential activities for the coming year, and assembled a comprehensive Work Plan that looks toward increased implementation and allocation of funds. Budgetary projections were included in the Work Plan, and as of submission of this report, the overall document is being reviewed for comment and approval by USAID.

Over the past six months work has progressed substantially on FCMC support to AGRC for the development of a Competencies Framework for REDD+. The framework is being developed to provide information to all stakeholders on what competencies are required to navigate the REDD+ landscape. The contractual arrangements on AGRC with FCMC consortium partner Conservation International (CI) were finalized. CI is also the AGRC member leading the development of the framework, with support from regional member institutions CATIE (Latin America), IUCN (Africa) and RECOFTC (Asia). The contractual arrangements for the supporting partner institutions were finalized just at the end of the reporting period. In terms of substantive progress, a draft outline and roadmap for the development of the framework was finalized, including a comprehensive literature review. Feedback was solicited within CI and FCMC and incorporated into a draft that will be sent to the regional member institutions for review and feedback in early FY 13.

Work also advanced on the East Africa Regreening analysis. USAID Washington provided feedback to FCMC's initial comments and suggested a path forward. Summary analyses have been prepared for three indicative projects to be reviewed, and an inception report/road map was submitted to advance discussion on the development of a full SOW. A program of work in support of REDD+ Readiness as a compliment to investments by the FCPF and other donors is evolving in a sustained and deliberate manner. The most significant and substantive progress to date has been in Colombia, where three priority activities have been identified from several ideas initially on the table. These are MRV, Community-based MRV and the development of a roadmap towards safeguards. Coordination efforts continue in Colombia and in Washington, where the FCMC SES and Cross-cutting Task Leads and the Operations Manager met with the FCFP support team at The World Bank. Proposed work related to REDD+ Readiness has also advanced for Guatemala and Honduras and, in the context of MRV, for Peru and Ecuador. The FCMC COP and the Cross-Cutting Task Lead had a productive meeting with the Inter-American Development Bank (IDB) on possible collaboration in Guatemala and follow-up phone calls held with USAID Guatemala and the IDB in country to seek concurrence on possible collaboration. USAID Honduras approached FCMC to explore collaborative opportunities. Several ideas were put forth related to MRV and SES in particular, and a

coordination/prioritization teleconference was held in mid-September. The outcome of that call was for FCMC to work with the ProParque project in Honduras to identify collaborative activities. The focus will likely be on SES issues but the content of the workshop still needs to be defined and developed between FCMC, USAID Honduras, ProParque and local partners.

3.2 TASK I: SOCIAL AND ENVIRONMENTAL SOUNDNESS (SES)

Throughout this period, the SES task has been engaged in several ongoing activities, including support for the Learning Initiative on Social Assessment for REDD+ (LISA-REDD), preparations for a multi-faceted training course to be held in Bangkok in November, a workshop on shifting cultivation and drivers of deforestation held in Washington in July, consultancies to produce three regional reports on “lessons learned” from community forestry (with a global synthesis report forthcoming), and an analysis of stakeholder engagement in REDD+.

FCMC is supporting the newly-established LISA-REDD through another consultancy, examining *ex ante* and *ex post* methodologies for social impact assessment, related to the design and ongoing monitoring of REDD+ projects and programs. Following meetings held in October and December of last year, it was agreed that the LISA-REDD+ experts’ workshop would be held at the World Agroforestry Center (ICRAF) in Nairobi, Kenya from May 8-10, 2012. Lisa Curran, the consultant undertaking a background study to inform the workshop was unable to complete the assignment, due to medical reasons. As a result, the workshop agenda was reorganized and two other consultants, Mary Hopley and Paul Francis, were contracted to prepare short presentations for the workshop. Despite this initial setback, the workshop was quite provocative and productive. The consultancy was recommissioned, with the aim of producing a resource guide that may be available for distribution in early 2013. The report for the workshop held in Nairobi in early May has been finalized, as has a flyer for the initiative.

Preparations have been ongoing related to the week-long training workshop on social and environmental soundness, to be held in Bangkok, Thailand, 5-9 November 2012, at USAID’s Asia Regional Training Center (ARTC). Meetings were held in Bangkok in late July, and again in late September, to work out details of the training workshop with colleagues from USAID’s Regional Development Mission for Asia (RDMA) and the USAID-funded Lowering Emissions in Asia’s Forests (LEAF) Program. A facilitator has been contracted, participants are being identified and invited, and the training materials are being prepared. Work on a number of other deliverables – such as the studies on “lessons learned” from community forestry and on stakeholder engagement - will be important resources for this training course. This workshop will not only be geared towards USAID staff, but also towards USAID partners, including contractors, project implementers, government counterparts, and non-governmental organization (NGO) staff.

On 20 July, a successful workshop was held on the topic of shifting cultivation, deforestation, and gender roles in central and western Africa. This workshop reaffirmed the importance of a study on this topic, and provided feedback on the draft Scope of Work. Subsequently, a consultant was hired to work on the literature review and design of the methodology for the field studies. Additional consultants will be recruited.

The team working on the review of “lessons learned” from community forestry relevant for REDD+ are making good progress. The three consultants working on regional reviews – for Asia, Latin America, and Africa – have submitted their second drafts, and these reports are nearing completion. The team leader will then be drafting a global synthesis report that will summarize findings from the three regional reports. These deliverables will be presented at the Social and Environmental Soundness training workshop in Bangkok, subsequent regional workshops in Latin America and Africa in 2013, as well as at USAID workshop on Community Based Natural Resource Management (CBNRM), to be held in Washington, DC in mid-January 2013. The Asia expert on the team will be participating in the Bangkok workshop as a resource person, and presenting the Asia review.

The final report on stakeholder engagement in REDD+ is being completed and will soon be sent to USAID for review and approval. The consultant also prepared a presentation on these issues, to be adapted for use in the Bangkok training.

3.3 TASK 2: FINANCE AND CARBON MARKETS

During this period, the FCM task has progressed on several ongoing and evolving activities. Specifically, these include development of a report on California's AB32 law for institutional investors, a report on forest land use finance planning for Colombia, provision of support to USAID's Development Credit Authority (DCA), and an assessment of emerging compliance markets in forest and land use.

The report on California's AB32 cap-and-trade program targets institutional investors and will explain the program design, how international forest carbon is incorporated, materiality of AB32 cap-and-trade for institutional investors, and routes to investment in AB32-eligible forest carbon offsets. The webcast will offer a panel of experts whose informed perspectives augment the material in the report. The project is expected to be finalized in the next quarter.

Also underway is an assessment report on Colombia forest and land-use finance and carbon markets planning. Topics covered in the report will help to inform the Government of Colombia and USAID in their decision-making regarding priorities and design options for building carbon finance capacity as well as providing options for Colombia's participation in carbon markets. A preliminary meeting with Colombian Ministry of Environment climate staff occurred in early July 2012. Thirteen meetings with various agencies, organizations, and companies in Colombia took place September 4 – 7, 2012, and four-to-six follow-on calls will be conducted with additional parties that were unavailable during the visit. The September mission to Colombia also included a presentation in Huila as part of the LEDES Huila 2050 strategy in coordination with the LEDES focal point. A draft of the project report is expected in October 2012.

A SOW was approved to provide capacity-building support to DCA, so that the agency can provide loan guarantees for carbon offset projects. FCMC consultants are assisting DCA in revising its risk assessment handbook to cover carbon offset projects and to create template loan portfolio guarantee agreements. Currently slated to continue through October 22, 2012, support to DCA may need to be extended.

The assessment report on forest and land-use in emerging compliance markets seeks to summarize the status of emerging compliance markets with respect to accepting REDD+ offsets and to build a forecast of REDD+ offset supply. The schedule for the preparation of the report was modified because the consultant initially drafting the report, Arjun Patney, took over as interim FCM Task Lead and it took time to identify a replacement. Although the handover necessitated an extension of the timeline, the report is on track for completion early in the next quarter.

3.4 TASK 3: LOW EMISSIONS DEVELOPMENT STRATEGIES (LEDS)

During the reporting period there were several changes in the structure and management of the LEDES task area. The main change was the departure of the LEDES Task Lead and the appointment of the Cross-Cutting Task Lead as the LEDES focal point. Within this transition period substantial progress was made on the major element in the current LEDES portfolio, which is support for the Department of Huila, Colombia, to develop an action plan in support of its plan for combatting climate change. Additional LEDES opportunities were explored with the USAID LEDES activity manager.

Prior to his departure, the LEDES Task Lead worked with E3, the FCMC partner on LEDES activities in Colombia to organize an awareness raising workshop on climate change in June in the Department of Huila,

which was also attended by the Cross-Cutting Task Lead, now LEDS focal point. Huila is where FCMC is concentrating its efforts to support a major climate change action plan using a LEDS approach. The workshop was co-organized by FCMC's main partner in Huila, the CAM (Corporación Alto Magdalena) and attended by various technical and policy experts, including representatives from key land use sectors such as coffee and ranching. The main objective of the workshop was to raise the awareness of participants and decision makers about climate change in the department, present the CAM's vision for addressing climate change, learn what various experts and sectors were already doing in terms of land use practices, and set out priorities for moving forward. It was clear from the workshop that there are a number of activities and projects underway or planned for Huila several, like FCMC, with USAID support. To ensure coordination and collaboration a joint Huila CAM and Huila partners workshop was held in September to present these various initiatives, define priorities, identify collaborative opportunities and map a way forward. As a result of this FCMC identified two priority areas of intervention in the near term. These are undertaking an Ecosystem Services Review (ESR) in Huila, to be undertaken by FCMC core partner WRI, and support to the development of an information support system. In addition to these activities FCMC is now collaborating closely with other partners to deliver the Huila 2050 vision for climate change.

After the workshop a field trip was organized by partner E3 so that FCMC staff and partners could get a better understanding of the challenges and opportunities facing the province. This was incredibly valuable to better understand the actual situation on the ground and target appropriate support.

In addition to the extensive work undertaken in Colombia, steps were also taken to explore how the LEDS portfolio might be expanded in other regions, West Africa and Central America in particular. This was the outcome of a meeting between the USAID LEDS activity manager and the FCMC LEDS focal point and COP. Further discussions and exploratory meetings will take place in the next fiscal year.

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

During this reporting period, the MRV task completed and submitted Version 1.0 of its manual on best practices for building sustainable GHG monitoring systems. It has since been approved and will serve as the basis for further development and iterations, in coordination with FCMC/USAID partners and, including SilvaCarbon. Modifications are currently being made towards the generation of Version 1.1. This will take into account comments received from USAID and SilvaCarbon colleagues. The next version will also include modifications and updates based on discussions with the primary authors of Version 1.0, including a modification of the structure of the main chapters. In addition, FCMC will develop a short, associated document on the key aspects of an MRV system targeted to a decision-making audience. FCMC had discussed a formal release of Version 1.1 at the UNFCCC COP in December. However FCMC will not participate at COP and thus the exact timing and form of the formal release is pending further discussion with USAID.

FCMC has had a series of coordination meetings with SilvaCarbon, particularly with US Geological Survey and the Latin American regional lead. The MRV task lead attended the SilvaCarbon workshop on forest degradation in Quito, Ecuador. During the workshop, there was a request for FCMC to contribute to further SilvaCarbon workshops and activities. This resulted in a decision to visit the Andean countries together to scope out opportunities for collaboration, as detailed below. FCMC is coordinating very closely with SilvaCarbon in joint work planning in the region. FCMC also contributed technical support to the final two SilvaCarbon regional MRV workshops held during the quarter. The first workshop was held in Costa Rica, with a focus on integrating systems related to MRV. The second workshop was held during the last week of September in Colombia with a focus on the use of GHG-reporting tools. Follow-on workshops to be developed jointly with SilvaCarbon will be integrated into the next FCMC workplan. FCMC has been discussing the inclusion of SilvaCarbon co-authors in the planned Version 2.0 of the MRV manual, as well as

coordination with their work with the Group on Earth Observation on protocols for some specific analysis steps within MRV.

Discussions are in progress for the MRV task to collaborate with the FCPF in a Colombia and Guatemala, particularly on establishing reference levels, and analytical work on community-based monitoring, both of which are being developed along with the Cross-Cutting and SES Task Leads.

4.0 ISSUES TO CONSIDER/ RESOLVE

A significant amount of FCMC's obligated funding remains unallocated and needs to be programmed – which continues to be discussed with the USAID Contracting Officer's Representative (COR). Paths forward are being identified, working with the COR and USAID Activity Managers to develop strategic program and budget priorities that will result in increased spending. Significant progress is expected to be made through the recently submitted next annual work plan. New staff are being recruited to help ramp up FCMC work and delivery. The FCMC program has two years remaining for implementation. Many of the deliverables in the contract and anticipated activities that are being considered require on the ground presence and significant time to implement. As a result it is crucial that over the coming quarter, USAID decides on the location and scope of the activities that will drive implementation over the next two years. This groundwork during the upcoming quarter is necessary for FCMC to achieve both contract deliverables, and reach spending objectives.

FCMC is anticipating a considerable increase in the realm of communications over the next several months. The team will assess how the project's communications efforts should be monitored and reported. This may entail inclusion of qualitative and quantitative data regarding the website, email communication, and other efforts into FCMC Quarterly Reports and into the project's Performance Monitoring Plan.

5.0 SUMMARY AND CONCLUSION

As the report indicates, a number of important deliverables have been completed during this biannual period. This includes the workshop on shifting cultivation to launch a critical review that will enable policy makers and practitioners to better understand the role that shifting cultivation plays in deforestation and degradation. A report and an accompanying flyer were produced on the LISA-REDD workshop. A seminal review of REDD+ social safeguards and standards was produced and is under review in the USG and a targeted dissemination strategy is expected to be developed in the next quarter.

This biannual period also saw progress on a number of significant elements of the Year 2 Work Plan. Significant progress was made on the development of a comprehensive framework for engagement with FCPF, host governments, USAID and other partners on REDD+ Readiness in several countries. Work on the AGRC REDD+ competencies framework is fully underway. Further collaboration was developed with SilvaCarbon on MRV. A dynamic multi-stakeholder training is in intensive preparations for the next quarter in Bangkok, Thailand. Two important workshops on Colombia LEDES were held and joint work plans prepared between partners. A number of analytical papers from the Finance and Carbon Markets task are nearing completion and a webinar on institutional investors and California's cap and trade legislation (AB32) as relates to international forests is in preparation. This period also saw the launch of the FCMC website and updates to the FCMC Brochure, including in Spanish, and further communications planning and distribution process for FCMC materials done in consultation with USAID. As noted, a robust new work plan was submitted to USAID on October 1. Progress has been made in recruiting additional staff capacity and will continue early in the next quarter.

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