



CLIMATE**FOCUS**

Safeguards in Bilateral REDD+ Finance

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Prelude: Context and Objective of the Report

Forests play a key role in both mitigating climate change and providing key services to forest-dependent communities around the world. Recognizing this, Parties to the United Nations Framework Convention on Climate Change (UNFCCC) agreed to an initiative to reduce deforestation and forest degradation in developing countries (referred to as REDD+), as well as a set of safeguard principles to ensure that efforts to combat climate change do not threaten the people or species that rely on forests. The question now is how to implement REDD+ and the REDD+ safeguards more effectively and efficiently.

Much of the money for REDD-related initiatives pledged so far has come from bilateral donors. This document is a compilation of papers focused on these donors and their implementation of REDD+ safeguards. They stem from an initiative aimed at helping bilateral investors in REDD+ implement REDD+ safeguards more strategically. The initiative is funded by the Climate and Land Use Alliance (CLUA) and implemented by Climate Focus and the World Resources Institute (WRI), with additional technical and financial assistance from the USAID funded Forest Carbon, Markets and Communities (FCMC) Program.

The first paper in this series, *Safeguards for REDD+ from a Donor Perspective*, was published in October 2013 and was created for a workshop for bilateral donors held in London on September 10th, 2013. It aims to provide an introduction to some of the key terms and concepts relevant to REDD+ safeguard implementation. It also gives an overview of trends in current donor policies aimed at reducing social and environmental risks associated with their investments. This paper can be accessed [online here](#).

The remaining three papers, combined in this report, were written in preparation for a second workshop held in Brussels on April 8th, 2014. They investigate research questions raised by participants in the London Workshop. The first of these three papers explores some of the complexities associated with **REDD+ safeguards and results-based payments**. It gives an overview of experiences to date with carbon market and results-based payments and provides options for how bilateral donors seeking to encourage adherence to safeguards in initiatives receiving results-based funding. The second paper looks at **monitoring and evaluation of REDD+ safeguard implementation**. It focuses particularly on how donors can use the existing systems in REDD+ countries to help ensure effective monitoring and evaluation of safeguard implementation. The third paper focuses on **REDD+ safeguards and donor coordination**. It looks at some of the ways in which donors can benefit from improving coordination in safeguard implementation and concludes with recommendations for investors on how to better coordinate their activities.

Paper 1.

REDD+ Safeguards and Results-based payments: Options for Bilateral Donors

Robert O’Sullivan and Donna Lee

Introduction and Context

Developing countries seeking to obtain and receive results-based payments for REDD+ should provide information on how the Cancun Safeguards have been addressed and respected before they can receive results-based payments.¹ The obligation is only to provide information and the current United Nations Framework Convention on Climate Change (UNFCCC) decisions leave open how providers of results-based finance may respond to any information provided. While REDD+ pay-for-performance is relatively new, there are existing experiences that offer useful information on ways to assess, ensure or encourage adherence to social and environmental safeguards. These experiences may be informative for donors or funders interested in developing safeguard policies for results-based payments.

Most bilateral donors already have in place a suite of policies related to social and environmental safeguards.² Such policies, however, are largely geared towards more typical official development assistance (ODA) in the form of grants or loans. They are also largely developed for project finance, with a “do no harm” objective in mind. International discussions on REDD+, however, have taken a more pro-active approach to social and environmental issues, suggesting that both REDD+ actions *and financing* should promote and support positive social and environmental benefits beyond carbon sequestration.

International discussions around REDD+ finance also include a range of possible mechanisms, including “results-based finance,” which are assumed to be ex-post payments for measured, reported and verified results. In this instance, the application of safeguards may differ to ex-ante support provided to protect forests, and may require funders to consider additional policies and tools to both ensure no social and environmental harm, but also to incentivize positive social and environmental benefits.

This paper provides information on current experiences with carbon market and results-based payment (RBP) transactions for REDD+ and the treatment of REDD+ safeguards to date. To be clear, it does not focus on safeguards that may apply *after* payment for results has occurred, but rather focuses on conditions for payments *of* such funds, i.e., safeguards applied during the creation of REDD+ carbon assets, or in the implementation of REDD+ programs leading to verified emission reductions or removals (ERs). It then explores a series of possible options for bilateral donors to ensure or encourage adherence to social and environmental safeguards—whether those agreed by the UNFCCC or their own policies on such issues. In doing so, it recognizes that most bilateral

¹ Decision 9/CP.19 *Work program on results-based finance to progress the full implementation of the activities referred to in decision 1/CP.16, paragraph 70, paragraph 4.*

² *Safeguards from REDD+ from a Donor Perspective*, November 2103 – written for the first phase of this project.

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donors have current policies and practices for ODA, or international cooperation that will likely form the basis for REDD+ RBP safeguard policies.

Box 1. Definition of REDD+ (i.e., Cancun) Safeguards

For the purposes of this paper, REDD+ safeguards include issues associated with Cancun Decision 1/CP.16 (Appendix I, paraphrased below), including:

- Consistency with the objectives of national forest programs
- Consistency with relevant international conventions and agreements
- Transparent and effective national forest governance structures
- Respect for the knowledge and rights of indigenous peoples and members of local communities
- Full and effective participation of relevant stakeholders
- Consistency with the conservation of natural forests and biological diversity
- Enhancing social and environmental benefits
- Addressing the risks of reversals
- Reducing displacement of emissions

Current experiences and tools used to implement safeguards for results-based payments

Donors engaging in RBP have multiple options for how such payments are made, as well as points in the transaction cycle to assess safeguards or encourage social and environmental benefits. Different types of results-based finance may require different approaches to assessing safeguard policies. For example, signing a promise to buy or pay for an ER in the future (e.g., an Emission Reduction Payment/Purchase Agreement) may have different requirements to purchasing or paying for an already created ER (e.g., a spot contract for an already created and verified emission reduction). Similarly, safeguards related to projects within a well-defined, smaller land area may differ to safeguards applied to results that cover a larger jurisdiction with multiple land uses and stakeholders. This section summarizes some approaches currently used in carbon-related transactions and their treatment of safeguards.

Box 2. Types of RBP contracts examined in this paper

- **Spot transaction:** An immediate purchase or payment of an ER that has already been created. Examples include a corporate buyer purchases a Verified Carbon Unit (VCU) from a broker or project developer. The German Government's REDD Early Movers program purchase of ERs from Acre and Norway's payment for ERs from Brazil via the Amazon fund both also had components of a spot transaction.
- **Forward transaction:** A contract that promises to buy or pay for a future ER, not yet created. This provides some assurance to the developer of the project/program that there will be a buyer/funder and therefore lowers risk. E.g., the Forest Carbon Partnership Facility's (FCPF) Carbon Fund agrees in advance, through the signing of an Emission Reduction Payment/Purchase Agreement (ERPA), to purchase ERs from a country or jurisdiction up until 2020, with payments made as ERs are delivered to the Carbon Fund.
- **Upfront investments combined with a forward transaction:** This can be structured in many different ways, but operationally is similar to a regular forward transaction where the buyer makes an initial investment into the development of the project or program. E.g., a fund invests in the development of a REDD+ program which is repaid through the generation of ERs and the purchase of ERs continues after the initial investment has been repaid.

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RBPs can also be combined with other finance arrangements such as loans or guarantees – see text box 1 in Section 2f below for information on a new loan guarantee from USAID’s Development Credit Authority. A number of donors have experience making results-based payments in other sectors, such as health and education. In these arrangements payments are made as certain tasks are completed or services delivered, such as attending school or treating a certain number of patients.³

a. Initial due diligence and threshold requirements

Due diligence is defined as “reasonable steps taken in order to satisfy a legal requirement, especially in buying or selling something... a comprehensive appraisal undertaken by a prospective buyer...”⁴ It can be used to understand the value of the asset being paid for, as well as potential risks and liabilities. In the case of REDD+ safeguards, due diligence prior to signing a contract should include evaluation of social and environmental risks and benefits, particularly if a buyer or funder considers minimum standards integral to the value of the asset being paid for.

Initial due diligence will likely differ based on whether the RBP is a spot versus future transaction, and whether there are any upfront investments. In the case of a spot transaction, if a buyer wants to ensure that safeguards were respected in achieving the ERs that are being paid for, an assessment would need to occur to review how safeguards were addressed during the creation of the ERs. In some cases, monitoring, reporting and verification of safeguards may have already been completed and viewed as sufficient.

- Private sector spot transactions rely heavily on the use of third party standards to ensure safeguards have been addressed. The Climate, Community, & Biodiversity (CCB) standard is the most common voluntary market standard⁵ used to ensure all relevant safeguards are addressed, with many now considering CCB a market entry requirement. CCB – particularly when combined with the Verified Carbon Standard (VCS) to quantify credits – is seen to cover all of the Cancun safeguards⁶ and initial due diligence is often limited to reviewing CCB and VCS project documentation. Buyers of already issued credits will not normally carry out site visits on the assumption that the site visits carried out to achieve CCB and VCS validation and/or verification were sufficient.

In the case of a forward transaction, the REDD+ interventions may not have started yet and ERs will not have been generated. Buyers or funders can set expected safeguard requirements as conditions for payment, which are often included in the contractual requirements (see below). Furthermore, if an initial due diligence requirement is not met at the time of contract execution, buyers could set such requirement as a conditions precedent, or condition of effectiveness, of the contract or of payments being made.

³ For a review of US experiences with results-based payments in other sectors see O’Sullivan, R., Lee, D., Zamgochian, A. and Durschinger, L. (2013), *US Experience on Results-based Finance*. USAID supported Forest Carbon, Markets and Communities Program. Washington, DC, USA. Available at: http://www.fcmcglobal.org/fcm_resources.html.

⁴ Oxford dictionary on line.

⁵ In 2012, 78 percent of the voluntary market for forest carbon offsets used CCB. See Peters-Stanley, M., Gonzales, G. and Yin, D. (2013). *Covering New Ground: State of the Forest Carbon Market 2013*. Ecosystem Marketplace publication. All private sector developers, brokers, and investors interviewed for the current paper stated they used or required CCB for all their forest carbon projects.

⁶ See Roe S., Streck C., Pritchard L. and Constenbader J. (2013) *Safeguards in REDD+ and Forest Carbon Standards: A Review of Social, Environmental and Procedural Concepts and Applications*, Climate Focus. Available at: <http://www.climatefocus.com/documents/safeguards>.

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- Some private sector buyers may inquire into specific safeguard issues – such as biodiversity conservation, stakeholder relations, or land tenure – as part of their initial due diligence. They may also require projects meet their own corporate policies – e.g., on anti-money laundering, but in general tend to rely on meeting third party standards as the contractual obligation.
- For all the carbon funds managed by the World Bank, the Bank performs its regular due diligence prior to signing an ERPA to ensure projects comply with Bank operational policies and procedures, which may include use of a country's domestic systems.⁷ An Integrated Safeguard Policies review and Environmental Assessment is performed, and projects are rated into categories to determine if an Environmental Impact Assessment (EIA) is required. If so, the EIA is posted publicly for 60 days before an ERPA can be signed.
- The FCPF Carbon Fund may have the most stringent requirements around such “conditions precedent prior to negotiating an ERPA.” In addition to the Bank's due diligence process, countries must have gone through a readiness process and produced an “R-Package” which requires establishment of an Environmental and Social Management Framework, a Feedback Grievance Redress Mechanism and also made substantial progress on consultation, participation, governance, co-benefits, *inter alia*.

Where upfront investments are made into a REDD+ project or program, initial due diligence can be extensive. This is because if the project or program does not meet the necessary safeguard requirements, the investor will be unable to recover their investment and will also lose the ability to purchase the future stream of ERs.

- Private sector investors often carry out detailed due diligence on a project or program before committing funds to its development. Two private funds that invest in REDD+ projects/programs and were interviewed for this report⁸ both have their own Environmental, Social and Governance (ESG) policies that the fund and all investments need to adhere to. Compliance with safeguards is seen as part of sound program or project design – i.e., if safeguards are not followed the project or program may be less likely to be successful at reducing emissions, and problems with safeguards will affect marketability of credits. Both funds interviewed required compliance with International Finance Corporation (IFC) Performance Standards on Environment and Social Sustainability and achieving VCS and CCB validation. The Althelia Climate Fund has also built on existing and commonly recognized ESG policies found in other sectors – e.g., grievance mechanisms contained in the *Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework*. If a prospective investment triggers any of the automatic exclusion criteria or compliance with safeguards is identified as a significant risk upfront investments will not be made. If an investment goes forward compliance with safeguards will be built into activities a project or program needs to carry out (see below).

Under the Paris Declaration⁹, donors committed to use country systems and procedures to the maximum extent possible and only where use of country systems is not feasible, as well as to establish additional safeguards and measures.¹⁰ While not yet common practice in ER payments or purchases, initial due diligence could include a review of a country's system to assess whether it is adequate to ensure social and environmental safeguard requirements can be met through such systems. Donors could set clearly defined minimum thresholds for social and environmental

⁷ More information on the World Bank's policies and procedures is available on the World Bank's website. See <http://go.worldbank.org/2G5SSZAET0>.

⁸ The two funds were Macquarie Global Investments' BioCarbon Group and the Althelia Climate Fund.

⁹ The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. See:

<http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>.

¹⁰ Country systems are defined as “national arrangements and procedures for public financial management, procurement, audit, monitoring and evaluation and social and environmental procedures.”

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safeguards to send a clear signal to recipient countries, as well as to ensure national systems meet a donor’s requirements. Assessment of a country’s existing systems could be made in several stages of the RBP process, including in a feasibility phase, prior to engagement in a contract, and before a payment is made or contract signed.

Table 1. Examples of initial due diligence and requirements in RBP transactions

Type of transaction	Examples of options available
Spot	<ul style="list-style-type: none"> • Require project/program use country systems (if appropriate) or meet existing third party standard (e.g., CCB, REDD+ SES, VCS) • Assess project/program documentation against Cancun or other safeguards (e.g., the donor’s, World Bank or IFC safeguards) and based on assessment, sign/reject spot contract
Forward	<ul style="list-style-type: none"> • Require at time of payment or delivery of ERs that a third party certification is met • Use country systems (if appropriate) • Assess against Cancun or other safeguards. Any gaps are written into the contract to be addressed prior to payment
Upfront investment	<ul style="list-style-type: none"> • Screen and do not invest in projects or programs that do not meet threshold requirements, or there is a high risk they will not meet safeguards requirements. • Any non-critical gaps are written into the investment contract to be addressed

b. Contractual requirements

Contractual requirements refer to obligations related to safeguards found in the contract to purchase or pay for ERs.

Spot transactions are likely to use an initial due diligence process to assess adequacy of safeguard compliance in the production of the ER asset, and therefore do not include such requirements in the contract to buy the asset.

- In the private sector case, spot contracts are for specified credits that have been validated by a third party standard such as VCS and CCB. Corporate buyers will rely on VCS and CCB validation to demonstrate social and environmental integrity of the credits. However, in some transactions there may be additional requirements related to permanence and continual monitoring as part of the contract.
- The agreement between Norway and the Brazilian Development Bank (BNDES) for a donation to the Amazon Fund includes some provisions related to the future use of funds (see discussion under Conclusions Section).

Forward transactions (e.g., ERPAs) between funders or buyers and sellers may contain conditions for payment and include this in the contractual requirements.

- In private sector forward contracts buyers rely on the project meeting VCS and CCB as a condition for accepting delivery of credits – i.e., if a project does not achieve CCB validation (and perhaps verification) then the buyer will not accept the credits. If a project has not yet achieved CCB validation when the contract is executed CCB validation may be included as a milestone obligation (or even condition of effectiveness) that must be met by a certain date.
- The FCPF Carbon Fund is likely to include in any ERPA contract a section on “Conditions of Effectiveness” which includes submission of a Benefit-sharing Plan, Safeguards Plans and a Reversal event mitigation plan. If such conditions are not met, the obligations in the contract (for both buyer and seller, for example to purchase ERs) are not considered effective. The

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Carbon Fund’s Methodological Framework – which will supersede the ERPA in the event of an inconsistency – also requires ER Programs meet the World Bank social and environmental safeguards and promotes and support the UNFCCC REDD+ safeguards. This includes requiring Safeguards Plans address social and environmental issues and include related risk mitigation measures identified during the national readiness process (e.g., land tenure issues). The Safeguards Plans are prepared concurrently with the ER Program Document, and are publicly disclosed.¹¹

- The agreement between Norway and Guyana includes in its contractual agreement a set of “Enabling Activities” indicators that cover many of the Cancun safeguards (see Annex X), which Guyana needs to meet in order to receive full payment for ERs achieved.

Where upfront investments are made contracts will have more detail on the recipients’ obligations.

- For private sector funds investing in REDD+ projects, contracts will at a minimum contain representations and warranties that the ESG policies are understood and will be followed. Additional covenants may be included to deal with any issues identified during the initial due diligence. Time and date obligations to achieve VCS and CCB validation will be specified and one of the funds interviewed stated projects are also obliged to have in place a social and environmental management system to oversee and ensure compliance with ESG policies.
- For private sector advance purchases of credits (another form of investment that is currently rare), upfront investment are normally made in milestone payments that are based on completing activities tied to key social safeguard indicators, such as: land and carbon tenure secured; benefit sharing terms/plan has been agreed with key project partners (generally determined based on tenure); and REDD+ related agreements are in place with project partners.

Table 2. Examples of contractual requirements in RBP transactions

Type of transaction	Examples of options available
Spot	<ul style="list-style-type: none"> • Use third party standard • Insert ongoing requirements that continue after purchase, including remedies if requirements are not met • Require safeguards to be applied to use of funds after payment is made (e.g., Amazon Fund)
Forward	<ul style="list-style-type: none"> • Insert conditions of effectiveness into a contract: <ul style="list-style-type: none"> ○ Requirements to be met for contract to continue and payments to be made (e.g., leading to default if not met) ○ Possible reductions in payments if only partially met • Insert other conditions into the contract – e.g., obligations to achieve certain milestones related to safeguards by agreed dates, and/or monitoring and reporting obligations
Upfront investment	<ul style="list-style-type: none"> • Use of third party standards • Obligation to follow relevant safeguard/ESG and establish safeguard/ESG management system • Additional specific obligations to address risks identified during due diligence

¹¹ Carbon Fund Methodological Framework, December 2013, Criterion 24. Available at <https://www.forestcarbonpartnership.org/carbon-fund-methodological-framework>

c. Monitoring, reporting and verification

Monitoring and reporting refers to a program or project’s obligations to monitor and report to a buyer information regarding safeguards. Assessment and verification refers to the process used to check whether safeguards were followed. Practices to date vary more based on who is making the RBP rather than the contractual form. For a more in depth assessment of these topics – including treatment under the UNFCCC – see the paper by Climate Focus entitled *Monitoring and Evaluation for REDD+ Safeguards*.

Voluntary market spot contracts can sometimes have ongoing monitoring and reporting obligations for any issues that may create any negative public relations for the end buyer. This obligation can persist for a number of years after delivery.

Forward transactions will tend to have more detailed monitoring and reporting obligations that include, in addition to any monitoring after credit issuance, the period during the implementation of the REDD+ activities to generate the ERs.

- Private sector voluntary transactions follow VCS and CCB monitoring and reporting requirements at a minimum,¹² though additional more detailed monitoring tools or plans are sometimes developed. If anything arises that may result in failing to obtain or maintain VCS or CCB validation or carry out the project in accordance with the project documentation the project or program developer will have an obligation to report this to the buyer.
- Under the FCPF Carbon Fund, the Seller must provide information on implementation of Safeguard Plans, Benefit-sharing Plans and Non-carbon Benefits and include it as an Annex to each ER Monitoring Report/Interim Progress report. Information is reviewed and assessed as part of the Buyer’s supervision process.
- Similarly, the Norway-Guyana agreement requires the Government of Guyana to produce an annual report on implementation of the “Enabling Activities” and also has agreed on the use of an annual third party verification to assess progress on the agreed enabling indicators.

Private sector investments will have the same monitoring and reporting requirements as forward contracts, but may require more frequent reporting (e.g., quarterly) on the progress of the project or program.

Almost all private sector transactions use independent third party standards¹³ that contain their own assessment and verification procedures. Norway and Guyana have also used an annual third party verification to assess progress on the agreed Enabling indicators.

Table 3. Examples of MRV in RBP transactions

Type of transaction	Examples of options available
Spot	<ul style="list-style-type: none"> • Ongoing obligations to report on incidents • Use of third party assessment and verification
Forward	<ul style="list-style-type: none"> • Ongoing monitoring and periodic (e.g., annual) reporting • Incident reporting • Feedback and Grievance Redress Mechanism • Use of third party assessment and verification

¹² For a summary of CCB monitoring and reporting requirements see the REDD-Desk website: <http://theredddesk.org/markets-standards/climate-community-biodiversity-ccb-standards>.

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Upfront investment	<ul style="list-style-type: none">• Ongoing monitoring and periodic (e.g., quarterly) reporting• Incident reporting• Feedback and Grievance Redress Mechanism• Use of third party assessment and verification
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d. Remedies for non-compliance

If the requirements stated in the contract have not been met—which would be considered a breach of contract, or default—a variety of options can be chosen to remedy the situation. Options that have been used to date include:

- Cure period: Seller or funding recipient is given a prescribed amount of time to remedy any shortfall in safeguard implementation. In some cases, the seller or recipient is required to submit a plan and/or asked to perform certain actions to prevent a default. This is common practice in private sector transactions, has been used in the Norway-Guyana arrangement and is expected to be used by the Carbon Fund.
- Purchase/payment reductions: This allows the buyer or funder to reduce the amount of ERs originally contracted. In the case of the Carbon Fund, the amount reduced may be related to the time it is expected to take the seller to cure the breach, e.g., if the deadline for meeting conditions is extended by X reporting periods, the contracted ER volume would be reduced by the amount contracted for X periods. It should be noted that the reduction in volume does not result in payment for low quality credits, but rather allows buyers or funders to manage their contractual liabilities and re-assign funds away from un-performing programs or projects if needed.
- Replacement credits: Some voluntary market contracts allow delivery of replacement credits if a seller is unable to deliver the required tons. For example, if a project does not achieve VCS and CCB validation or verification, they may be able to deliver VCS and CCB validated credits from another equivalent project approved by the buyer.
- Termination: If the contract is terminated Parties are relieved of any and all contractual obligations to continue REDD+ activities and deliver and pay for ERs. The Norway donation agreement with BNDES for contributions to the Amazon Fund has a provision that either Party may terminate the Agreement upon three months written notice.
- Damages: Party responsible for breach makes a payment of damages associated with a breach. In voluntary market transactions this is normally limited to deliberate or wilful breaches and is not normally applicable to, e.g., an unintentional failure to deliver credits.
- Repayment: A buyer or investor may seek to recover advance payments on initial investments into a project or program. This is found in voluntary transactions for certain types of termination and the FCPF envisions possibly recovering incurred costs (up to a certain capped amount) in the case of certain termination events.
- Step in rights: An investor may retain the right to step in and take over the management of a REDD+ project, though this is seen as a remedy of last resort.

In addition to these examples, a bilateral donor or buyer could provide technical assistance to help meet its safeguard requirements during a cure period. Remedies will, however, differ markedly depending on the nature of the transaction and the parties to a transaction. A general rule seen in the voluntary market is for buyers and investors to seek the most onerous or demanding remedies for non-compliance, whereas project or program developers or those selling credits under a forward

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contract generally aim to minimize potential liability. Some private sector buyers and investors may also draw on a broader set of remedies than available to a multilateral agency or bilateral donor. For example, a private sector investor may be willing to accept replacement credits, require strict damages clauses and/or step-in-rights in their contracts.

Table 4. Examples of non-compliance remedies in RBP transactions

Parties involved in transaction	Examples of options available
Applies to all (private sector, multilateral, governments)	<ul style="list-style-type: none"> • Extension of deadline • Suspension of payment until conditions met • Cure period • Reduction in purchase/payment • Termination of contract, relieving all Parties from obligations
Applicable to multilateral and private sector	<ul style="list-style-type: none"> • Repayment or payment for damages
Private sector	<ul style="list-style-type: none"> • Stricter repayment or payment for damages • Replacement credits • Step in rights

e. Dispute resolution

Whether or not a contract's safeguard requirements have been met may be disputed by the parties to the contract. There are several options currently being used, or considered, in REDD+ transactions to resolve disputes.

The most common method of resolving disputes is to refer the matter to arbitration. There are numerous arbitration rules and procedures that can be chosen from. Some more common are:

- Private sector will often refer to the Permanent Court of Arbitration (the Hague) or London Court of International Arbitration.
- Carbon Fund uses United Nations Commission on International Trade Law (UNCITRAL) Conciliation Rules and UNCITRAL Arbitration Rules.

In the case of bilateral agreements between donor and recipient governments, there may be an assumption that the agreement is political and therefore managed through bilateral government-to-government relations.

- For example, the Donation Agreement between Norway and BNDES states that "If any dispute arises relating to the implementation or interpretation of the Agreement, the Parties shall consult with a view to reaching a solution."¹⁴

A final option is to attempt to resolve a dispute through the courts. Because of the time and cost of this, it may not be pursued or may be used as an option of last resort.

Similar to remedies for non-compliance, the options for dispute resolution may depend more on the Parties involved in the transaction, rather than the type of RBP.

¹⁴ Donation Agreement between Norway and BNDES, signed March 25, 2009.

Table 5. Examples of dispute resolution

Parties involved in transaction	Examples of options available
Applies to all (private sector, multilateral, governments)	<ul style="list-style-type: none"> • Arbitration, e.g., Permanent Court of Arbitration, UNCITRAL, ombudsman
Multilateral as Trustee	<ul style="list-style-type: none"> • Use of UNCITRAL Conciliation and/or Arbitration • Inspection panel (World Bank) • Ombudsman, Inspector General
Government to government	<ul style="list-style-type: none"> • Parties consult through diplomatic means

f. Other tools

Manage permanence: The Cancun safeguards call on countries to promote and support “actions to address the risk of reversals.” While some of the tools described above include means to address reversals, other mechanisms may be employed, such as:

- **Buffers or insurance:** The method used to quantify ERs may address the risk of reversal as an accounting issue. The FCPF Carbon Fund’s Methodological Framework includes a requirement that an ER Program have in place a “Reversal management mechanism” (e.g., buffer reserve or insurance) that addresses the risk of reversals, including beyond the term of the ERPA. The VCS also uses a buffer approach to manage the risk of reversal for both project and jurisdictional accounting.
- **Conservative estimates and “own effort”:** Germany’s REM does not have a specific, obligatory requirement for permanence but encourages countries to have in place adequate measures to manage reversals which may include a buffer mechanism, use of conservative estimates and/or retiring a share of ERs as a country or jurisdiction’s own contribution. For example, to address the risk of reversals, Acre agreed to retire one additional tCO₂e for each tCO₂e compensated by the REDD Early Movers (REM) Programme as its own contribution.
- **Country system/liability/ responsibility:** Most REDD+ projects to date have used third party mechanisms, for example the VCS buffer. However, emerging funding instruments include flexibility for a country to create its own system to manage potential reversal events. For example, the Carbon Fund allows a country to manage reversals through a country specific management mechanism, as long as it is substantially equivalent to the one created by the Carbon Fund. Germany’s approach (described above) could also be considered a country system, as is the Amazon Fund’s mechanism for non-performance, which accepts liabilities for reversals and if the deforestation rate for a given year is higher than the reference emission level. If this occurs BNDES will not receive funds that year and will have to compensate for those emissions the following year (i.e., they are subtracted from overall performance).

Manage leakage: Similar to permanence, the Cancun safeguards call on countries to promote and support “actions to reduce displacement of emissions”. Potential options include:

- **Volume adjustment:** Jurisdictions applying the VCS Jurisdictional and Nested REDD+ standard are required to identify drivers’ potential for leakage, develop measures to avoid and/or reduce leakage, and quantify any remaining leakage.¹⁵ Quantified leakage is then

¹⁵ The VCS developed the *JNR Leakage Tool* to help subnational REDD+ programs assess leakage that may occur outside their boundaries. It is accompanied by two additional optional modules to account for leakage associated with the production of global commodities - the *Global Commodity Leakage Module: Effective Area Approach*, and the

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deducted from ERs estimated within a jurisdictional program's boundary. VCS projects are also required to quantify and deduct leakage.

- **Leakage assessment plus policies/measures:** The Carbon Fund requires ER programs to have in place a strategy to mitigate and/or minimize potential displacement and to report on any changes in drivers of deforestation and their associated displacement risk. An assessment is done and rates such risk as high, medium or low.

Information disclosure: An information disclosure policy, i.e., rules around public access to information about the transaction at all stages—from negotiating the contract, implementation of the program, monitoring and reporting, verification reports and final payments and benefit sharing—can help to promote and support the Cancun safeguards.

Social and environmental management systems: Social and environmental management systems can help establish a process to ensure safeguards are addressed. Environmental management systems are common in other sectors and can be third party certified (e.g., ISO 14000 series).

Requirements on use of funds: A pure RBP system would not put requirements on the use of funds after the payment has been made for verified results (whether ERs, policies and measures, etc.). However, for many donors the funds used to pilot results-based payments for REDD+ are ODA, and therefore social and environmental requirements normally placed on such funds would apply.

Host country affirmations: The Kyoto Protocol's Clean Development Mechanism (CDM) requires host countries' provide written confirmation that CDM projects contribute to sustainable development before a project is registered and able to generate Certified Emission Reductions (CERs). The host country is responsible for defining sustainable development, which has resulted in a diverse interpretation of this requirement. Some countries have used detailed assessments while others have applied a broader definition of what constitutes sustainable development.

Market eligibility requirements: The EU Emissions Trading Scheme (EU ETS) contains a number of restrictions on what types of CERs can be used to meet compliance obligations. These restrictions were initially established to prohibit CERs considered to have low or questionable environmental integrity. For example, CERs from the destruction of industrial gasses (HFC₂₃ and N₂O) are banned. Hydroelectric projects over 20 MW need to demonstrate that they respect relevant international criteria and guidelines, such as the World Commission on Dams,¹⁶ though have been some concerns raised on how uniformly this has been applied and additional restrictions have been raised.¹⁷

Box 3. USAID Development Credit Authority (DCA) Loan Guarantee

The DCA has developed a new loan guarantee product for REDD+ projects. The new loan guarantee can cover 50 percent of an investor's net loss when it lends money to a REDD+ project (or portfolio of projects) that does not generate a return. The loss may be incurred for a number of reasons, including failure to generate ERs, or a failure to sell ERs at a sufficiently high price to repay the loan. DCA recently executed its first loan guarantee for REDD+, which will cover a portfolio of REDD+ projects worth up to \$130 million.

Global Commodity Leakage Module: Production Approach. See <http://www.v-c-s.org/methodologies/jnr-leakage-tool-v10>.

¹⁶ The Report of the World Commission on Dams (2000), *Dams and Development; A New Framework for Decision Making*, Earthscan.

¹⁷ See Conway D. (2012), *EU ETS Credit Restrictions; Prospects for Restricting Credits from Large Hydropower Projects*, Climate Focus Briefing Note. Available at:

http://www.climatefocus.com/documents/files/eu_ets_large_credit_restrictions_for_large_hydropower_projects.pdf.

DCA follows USAID's environmental requirements when executing a guarantee, which includes initial environmental examination and determination of possible impact followed by mitigation, monitoring and annual reporting. These procedures cover most of the Cancun Safeguards, with the exception of the risk of reversals and displacement. Additional due diligence was done on these issues prior to the execution of the guarantee. Further assurance that projects covered by the guarantee respect the Cancun Safeguards is provided by requiring covered projects register under the VCS and CCB (or other approved credible standard). Compliance with USAID procedures and maintaining VCS and CCB certification is required for the duration of the guarantee, and if a claim is made against the guarantee additional due diligence will be carried out by DCA to ensure the guarantee requirements are met before any payments are made. If a guarantee is found to be non-compliant with these terms, a claim could be denied for a specific project or the portfolio as a whole.

Further Considerations for Donors

The spirit of the Warsaw REDD+ decisions aims to ensure that safeguards were addressed and respected when ERs are created. Experiences to date with RBP in REDD+ and other sectors show there are a number of tools and options that donors can consider if engaging in RBP. How donors respond to information provided on safeguards when making RBP for REDD+ may vary depending on the scale at which ERs are generated, the presence of country systems, the source of funds – which may already have certain safeguard requirements, and the intent of the payments – such as whether tradable ERs are purchased. Donor response may also vary depending on whether the payment is for already generated ERs (spot transaction), ERs to be generated in the future (forward transaction), or comes with upfront finance for the generation of ERs. The following observations can be drawn from this assortment of considerations:

Harmonization: Creating efficiency

As mentioned in the accompanying paper, *REDD+ Safeguards and Donor Coordination*, **implementing multiple standards can cause an undue burden on developing countries** and result in unnecessary delays, or worse yet, ineffective protection of social and environmental considerations. Developing countries face multiple standards and requirements for REDD+ programs—from the UNFCCC, multilateral institutions and the private sector. Creating an entirely new set of requirements for REDD+ to access bilateral RBP or finance may add additional burdens to countries with limited human resources, while adding only marginal (or even negative) benefit.

One option is for **donors to consider whether a country's own system or any of the existing standards might be adequate for RBP**, or to use such existing standards as a basis **with additional "gap filling" measures if needed**. Donors may want to prioritize and/or encourage the use and development of country systems to address and provide information on the Cancun safeguards. This would provide efficiencies and alignment among donors and recipient countries while also supporting the spirit of the Paris Declaration. Alternatively, if adequate country systems are not in place, they could consider requiring ERs they purchase or pay for meet an existing third party standard as a condition of receiving payment. This could be applied to spot as well as forward transactions. Several existing standards offer useful frameworks – for example the REDD+ SES, CCB and VCS have been viewed as being consistent with the Cancun Safeguards. The World Bank safeguards, when combined with the Methodological Framework, are also viewed as meeting the Cancun Safeguards. Additional standards, such as the IFC performance standards or standards from other sectors/processes such as "Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy Framework" and the Extractive Industries Transparency Initiative have all been used as part of the safeguard requirements applied to private sector transactions and can be built upon or adapted for REDD+. Before overlaying another set of requirements on developing countries, donors may want to investigate whether their requirements

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could be met through such frameworks, particularly those used by many countries, such as the FCPF and REDD+ SES. Mapping bilateral requirements with such frameworks could be useful to identify if any gaps exist.

Use of existing standards with independent review and assessment is common practice in the voluntary market. It is required in the Kyoto Protocol flexible mechanisms – the CDM and Joint Implementation – although the focus under the Kyoto mechanisms is on quantification rather than social or other environmental safeguards.

Promoting Clarity: Setting expectations

REDD+ countries need to know what to expect. Many do not understand what the requirements are for bilateral RBP. Donors may want to consider **creating a RBP policy document and process applicable to all RBP transactions**. This could include a term sheet or general conditions, threshold safeguard requirements, reporting and process requirements, assessment of country systems, and due diligence process covering all the pieces in Section 2. This is what the FCPF Carbon Fund has done. Another example is the Millennium Challenge Corporation (MCC), which has eligibility requirements to demonstrate good governance and a commitment to policy reform. Countries are evaluated and given scores on a range of indicators that are factored into the competitiveness of a country's proposal for a limited amount of funds. If a country is unable to continue meeting these eligibility requirements over time the MCC's Policy on Suspension and Termination of support may apply.¹⁸ Where demand for RBP from donors is likely to be greater than the availability of funding, clearly setting out requirements to receive funding may also create a 'race-to-the-top' for performance-based payments.

Should donors create their own minimum requirements and due diligence process, these will at a minimum need to be consistent with the UNFCCC agreed REDD+ safeguards. **The Cancun Safeguards** are, however, a set of high level principles that **need further interpretation in order to operationalize**, and donor expectations will need to be clear from the start. This includes how a country can satisfy the substance of the Cancun Safeguards along with other operational aspects. For example, the Warsaw decision on finance suggests that in order for developing countries to obtain and receive results-based finance, they should: (a) have a system for providing information on how the Cancun safeguards "are being addressed and respected throughout the implementation of [REDD+] activities"; and (b) provide the most recent summary of information. Absent further guidance from the UNFCCC, donors should decide what their expectations are for this summary report.

When donors use ODA when making RBPs there may be a requirement to apply their conditions to use ODA, which may include requirements on how that money is used after it is disbursed. Any such requirements should be clear from the start – and **should not replace the safeguard assessment regarding how the ERs were created in the first place**, as called for by the UNFCCC's Cancun safeguards.

Scale: Differentiating project-level REDD+ from jurisdictional programs

Ensuring safeguard compliance for results-based payments at the jurisdictional scale is more challenging than at project scale. Safeguards being assessed for specific REDD+ activities (projects) can focus on the project level activities and check if they were carried out in accordance with the relevant safeguards. At the jurisdictional scale it can be more difficult to pinpoint the causality between the operational components of a national REDD+ strategy and specific ERs generated. For example, a national strategy may include a wide range of policies, measures, and on the ground activities to reduce emissions, but it may be difficult to quantify the ERs associated with each. If a

¹⁸ See MCC's *Policy on Suspension and Termination*, Index number: DPE-2005-8.8, Approved March 14, 2013. Available at <http://www.mcc.gov/pages/about/policy/policy-on-suspension-and-termination>.

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particular policy or measure did not directly lead to the generation of ERs, should safeguards apply to it? On the other hand, a jurisdictional program may be more targeted, with one or two specific REDD+ interventions carried out across a state or province. Where a REDD+ program is more discrete, it may be more straightforward to assess safeguards associated with these specific interventions.

Some safeguard frameworks may be applicable across a jurisdiction – such as the World Bank’s Environmental and Social Management Framework or REDD+ SES. **Where safeguards are applied more broadly, reliance on existing country systems may be particular useful** if these systems can meet certain threshold requirements.

Market-based payments: Higher standards

A higher threshold and third party determination of compliance may be required for market-based finance. This is the case for the Kyoto Protocol’s market mechanisms and observed in the voluntary market. Any such rules may be expected to contain additional details on how to account for ERs from REDD+. In particular, more stringent rules dealing with the risk of reversals and displacement are likely to be incorporated into a market standard as they affect the accounting integrity of an emissions trading scheme. Even though there may be differences on how ERs are quantified for market and non-market payments, **safeguard requirements should be harmonized where possible.** This will help REDD+ countries manage their Safeguards Information System and reporting and ensure the Cancun Safeguards are given due consideration irrespective of the intent of the payments.

Paper 2.

Monitoring and Evaluation for REDD+ Safeguards

Stephanie Roe, Charlotte Streck and Darragh Conway

Introduction

At the sixteenth session of the Conference of the Parties (COP 16) in Cancun in 2010, Parties to the UNFCCC adopted a set of safeguards designed to mitigate potential negative social and environmental impacts of REDD+, and requested developing countries to establish systems for monitoring how these safeguards are addressed and respected (“safeguards information system”, or “SIS”). Guidance adopted the following year at COP 17 provided that SIS should, *inter alia*, be transparent, consistent, accessible and up-to-date, but left the specific mechanics of monitoring (what kind of information is collected, how and when it is collected and reported, etc.) to each individual country.¹⁹

In addition to providing for SIS, the Durban decisions requested countries to provide a summary of information on how safeguards are being addressed and respected, while at COP 19 in Warsaw in 2013 Parties agreed on the timing of the provision of this information.²⁰ Parties further agreed in Warsaw that payments for emissions reductions be contingent upon the provision of this summary of information.

While the decisions on safeguards primarily target implementing countries, donors may wish to ensure the activities they finance promotes and abides by the UNFCCC requirements. Most bilateral donors already have social and environmental safeguard policies and monitoring and evaluation processes for official development assistance (ODA); however, few have specific policies and processes for REDD+ finance. In order to fill this gap **donors will need to determine what responsibilities they have in relation to the risks and potential benefits associated with REDD+, whether their existing systems adequately address those responsibilities and, if not, what actions they should take to augment their policies.**

Successfully integrating UNFCCC safeguards within donors’ policies requires, in the first place, determining how safeguards can be incorporated within conditions for the receipt of REDD+ finance and, secondly, considering what monitoring and evaluation (M&E) processes are needed to ensure that their investments adequately address the Cancun safeguards. While both these aspects present challenges, M&E presents a particular challenge, given the multiple scales of implementation and large amounts of data across various topics that will typically be involved.

¹⁹ The full guidance states that SISs should: (i) Be consistent with the guidance provided on REDD+ in Cancun; (ii) Provide transparent and consistent information that is accessible by all relevant stakeholders and updated on a regular basis; (iii) Be transparent and flexible to allow for improvements over time; (iv) Be country-driven and implemented at the national level; (v) Build upon existing systems, as appropriate. Decision 12/CP.17, paragraph 2.

²⁰ Decisions 9-15/CP.19.

This paper seeks to contribute to a better understanding of how donor safeguard systems can successfully monitor and evaluate the achievement of REDD+ safeguards. To do this, it firstly introduces both the role of M&E in development funding more generally and its specific role in REDD+ safeguards (Section 2). Some of this general discussion may cover ground that is familiar to many readers; nonetheless, it is hoped that its inclusion helps to ground the analysis of M&E for REDD+ safeguards in the broader context of development funding M&E. In section 3, the paper goes on to elaborate the potential elements that a specific donor M&E system for REDD+ safeguards could contain, highlighting REDD+-specific considerations and options for safeguard monitoring and evaluation in REDD+ finance. This includes examples of existing experiences of donor and country safeguard systems, where available. Finally, section 4 offers some conclusions to assist donors in moving forward with developing reliable M&E systems for REDD+ safeguards.

Overview of Donor Monitoring and Evaluation (M&E)

Monitoring and Evaluation (M&E) of development funding allows donors, together with governments and other stakeholders, to assess the effectiveness of development programs. It enables better decision-making through informing donors of what works and what does not. At the same time, it provides an important means of ensuring accountability of funding towards stakeholders in both donor and recipient countries, such as parliaments, relevant regulatory authorities, civil society and taxpayers.

While donors traditionally monitored the use of funds against agreed expenditure categories, they increasingly focus on assessing results against agreed indicators. The 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action²¹ place a strong emphasis on managing development funding based on results and ensuring mutual accountability between donors and partner countries, both of which require reliable M&E systems to be in place.

For donors, the precise role of monitoring and type of information monitored will frequently depend on the type of activity financed (project, policies, capacity building, etc.) and the type of financing concerned. In the case of REDD+ finance, donors often monitor:

- i. The **use of funds** in support of agreed activities, including appropriate benefit-sharing, though this may be less relevant in the case of pure ex-post results-based financing.
- ii. The **achievement of emission reductions** against an agreed reference (emission) level.
- iii. The implementation of safeguard systems and **the compliance with safeguard requirements**, whether the Cancun safeguards and/or dedicated donor safeguards.
- iv. The achievement of additional agreed **co-benefits or development outcomes**.

Broader objectives, concrete results and measurable indicators have to be established in the financing agreements between the donor and recipient of funding. Effective M&E of the agreed results typically involves multiple steps in which a variety of actors are involved. While methods will vary depending on the approach, they will often involve the collection and management of information ('**monitoring**'), reporting through one or more channels to a number of stakeholders ('**reporting**') and assessment against factors such as program indicators or goals ('**evaluation**'). The following describes each of these three steps. Box 1 provides examples of donor monitoring systems.

²¹ The Paris Declaration on Aid Effectiveness 2005 and the Accra Agenda for Action 2008, available:

<http://www.oecd.org/dac/effectiveness/34428351.pdf>

Monitoring

In the context of public financing, monitoring refers to the collection and analysis of information as well as the type and frequency of information required. Responsibility for monitoring is often shared between donors and recipient countries. Concrete monitoring activities are often delegated to implementation partners (local governments, multilateral organizations, consultants, NGOs). Under REDD+, local communities play an important role in the collection of ground-level data. Where national monitoring systems are not yet sufficiently developed to allow for full reliance on them donors may, as an interim measure, supplement their use with the use of their own monitoring systems.

Reporting

Reporting involves the processing of data collected through monitoring into a digestible form (often a pre-agreed format) that enables accurate evaluation against relevant goals or indicators. This may require analysis of data and placing it in the relevant context, as well as action plans to address low indicators. Multiple layers of reporting may exist, particularly in larger programs with multiple components which may aggregate reporting from entities responsible for specific program components to a centralized management authority. For the most part, reporting is the responsibility of recipient countries or implementation partners.

Evaluation

Evaluation enables the assessment of the extent to which the project or program has met its objectives and complied with relevant funding requirements. Evaluation typically requires assessing both the quality and reliability of the information collected through the monitoring and reporting process, on one hand, and judging the success of the project or program in implementing its activities and achieving its goals, on the other. While monitoring and reporting are focused on the provision and analysis of accurate and digestible data, evaluation is more focused on assessment of performance. Donors and project proponents/recipients are each likely to conduct their own independent evaluations.

Box 1. Examples of donor monitoring provisions in program implementation

Norway's NORAD Agreement Manual requires that agreements and contracts with Norwegian public funds include monitoring mechanisms. Recipients are responsible for monitoring risks, including those related to social and environmental harm, and are encouraged to use their existing monitoring systems. Norwegian staff use audit reports to ensure that the recipient's monitoring and reporting is adequate. Staff may engage in field visits to ensure procedures are implemented and results achieved.

France's AFD requires recipients to report on how they are adhering to environmental and social conditions of the contract. The frequency of reporting varies based on the risks that the project presents, with higher risk projects requiring a separate environmental and social ex-post evaluation, while for lower risk projects this is integrated within the global ex-post evaluation.

Germany's KfW assesses the relevance of potentially negative impacts through an ex-ante screening. Higher risk projects, such as those that require resettlement of a large number of people or extensive changes to the use of natural resources are subject to a more in-depth appraisal and analysis through an independent impact study and are required to draw up an environmental and social management plan (ESMP). To guarantee effective monitoring of environmental, climate and social impacts, the executing agency and/or funding recipient assumes certain reporting and notification duties and employs appropriate monitoring tools. Monitoring must be conducted in accordance with pre-agreed procedures and particular emphasis is placed upon monitoring of any protection measures that have been agreed including, where applicable, any ESMP.

U.S.' MCC may condition disbursement of some or all of a project's funding on the satisfactory implementation of measures to mitigate adverse environmental and social impacts. The host country is responsible for monitoring of and reporting on mitigation plans (e.g., environmental management plans) throughout the program's duration. Where host countries have insufficient capacity the MCC can provide additional funds to help ensure proper oversight and implementation of mitigation measures. MCC will

monitor compliance through the review of information provided by the implementing entity and through site visits. The host country must also report regularly to MCC, describing how the activities funded under the Compact are being carried out in compliance with requirements and the status of the implementation of mitigation plans (e.g., Environmental Management Plan), including associated costs. MCC may modify its guidance regarding project implementation following the review of such reports.

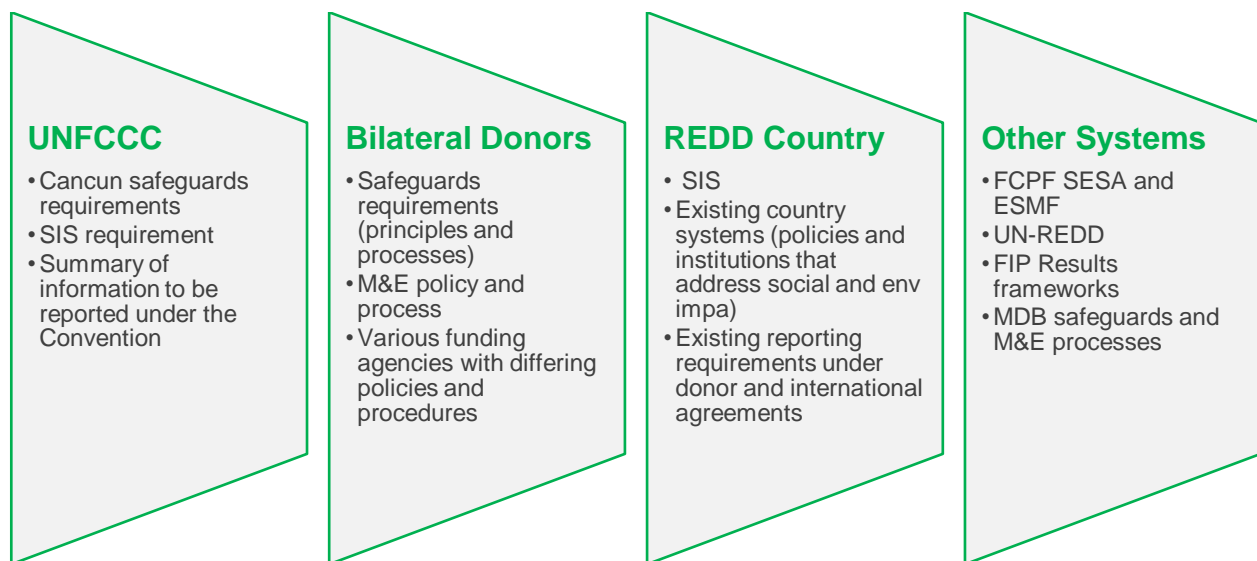
M&E of REDD+ Safeguards

M&E of REDD+ safeguards facilitates donors in mitigating reputational and financial and risks associated with projects or programs, and increasingly also delivering co-benefits. For implementing countries it can help align REDD+ with related national policies and international commitments and increase the transparency and credibility of the country's REDD+ program, helping to develop a more effective and equitable REDD+ program and allowing it to attract more investment. Where REDD+ safeguards have been transposed in national law, M&E can supplement and work together with general law enforcement mechanisms.

M&E arguably takes on a special importance in implementing REDD+ safeguards since projects or programs will typically have long durations and involve a large number of actors with varying interests and ability to enforce protections. In this scenario, M&E becomes an important complement to initial due diligence in ensuring that safeguards are implemented throughout a project or program's lifespan. In addition, a large share of REDD+ activities take place in countries with governance systems that may struggle in ensuring agreed safeguards are fully implemented. In this context, regular M&E can play a vital role in identifying problems early and allowing donors and implementing countries to work together to make continuous improvements in safeguards implementation.

Given the multiple actors involved in funding REDD+, the various REDD+ safeguard and M&E systems from the UNFCCC, donors, and REDD+ countries are likely to overlap (see figure below). These overlaps will need to be carefully managed in order to avoid overburdening REDD+ countries or delivery partners, increasing transaction costs, and reducing efficiency.

Figure 1. Related safeguard and M&E systems



Use of Country Systems

In line with broader trends in M&E of development finance, there is a growing push towards using *country systems* in the implementation of REDD+ safeguards. Under the Paris Declaration, donors committed to use country systems and procedures to the maximum extent possible and only where use of country systems is not feasible, to establish additional safeguards and measures. The Paris Declaration defines country systems as “*national arrangements and procedures for public financial management, procurement, audit, monitoring and evaluation and social and environmental procedures.*”²² In the specific context of REDD+ safeguards, they may include existing arrangements for monitoring social and environmental outcomes established under policies, laws or financing agreements. It would also include the safeguard information systems (SIS) that REDD+ countries are required to develop which the UNFCCC requests be country driven and build upon existing systems.

The reliance on country systems allows countries to develop context-specific indicators and nationally appropriate monitoring and reporting processes. A framework for the development of such indicators and processes is proposed, for example, under the UN-REDD’s Social and Environmental Principles and Criteria (SEPC) and the REDD+ Social and Environmental Standards (REDD+ SES).

The donor’s decision to rely on country systems versus requiring its own process will likely depend on the answer to three questions: 1) does the country already have a system they want to use?; 2) do the country’s safeguards adequately cover the Cancun and donor safeguards?; 3) is the safeguards system credible? In cases where country systems have gaps, donors and implementing countries may develop a hybrid system that uses the country system and addresses gaps through additional donor requirements. The respective benefits and challenges of using country and donor systems are set out in Table 1, while an overview of existing experience with country systems is provided in Table 2.

In either case the use of country systems is likely to be accompanied by parallel donor M&E systems, which will monitor and evaluate whether the country systems are robust and fully and transparently implemented and whether the information and assessments they provide is accurate. This evaluation would assess the national implementation against the Cancun safeguards and any additional safeguards recipients have agreed with donors to apply.

Table 1: Benefits and challenges of country systems and donor systems for monitoring

Benefits of a country system	Benefits of a donor system
Builds country ownership, is more catered to national circumstances and facilitates alignment with national policies	Defined steps and guidelines may help countries with limited foundational systems and/or capacity to implement safeguards
Can help governments to coordinate REDD+ activities and their related safeguards, especially in the case of multiple donors	Donor systems may help increase the safeguard standards in countries with lower standards, or weak implementation
Provides benefits beyond REDD+ activities within a country, and is more sustainable in the longer term	Can be more cost effective, if the scope and number of donors is limited
Can ensure consistency and cohesiveness of safeguards between all forest sector, and potentially other sector activities in the country	Is generally a quicker process
Challenges of a country system	Challenges of a donor system
Takes time to be built and tested. Needs to be anchored into the country’s national process and integrated into the overall policy framework.	If there are multiple donors with multiple requirements at various scales, transaction costs increase substantially and coordination and

²² OECD, ‘Making aid more effective through the strengthening and use of national systems’ available: <http://www.oecd.org/dac/effectiveness/45497699.pdf>

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	effectiveness becomes compromised
Needs institutional capacity and political will to implement	Does not build country ownership and institutional capacity to the same extent as country systems; rather it tends to be implemented by international consultants

Table 2: Existing and emerging country systems to monitor REDD+ safeguards²³

Examples of country safeguard systems	<p>In Acre, Brazil, the state government has used the REDD+ SES and additional state laws to develop its safeguard system for its jurisdictional carbon programme (ISA). A State Commission for Validation and Monitoring (CEVA) – comprising representatives of four public sector and four civil society organizations – has been established to oversee development and implementation of the monitoring process. A set of indicators was developed through an inclusive two-year process led by a team of civil society organizations and involving a wide range of organizations, including several indigenous groups. The monitoring process is conducted by the Acre Climate Change Institute (IMC), and public consultations are performed in order to gain stakeholder input. CEVA reviews and approves the indicators, the draft report for consultation and the final report. Where gaps are identified by the monitoring process, CEVA and IMC develop an action plan to address them, on which further public consultations are held. A separate process has also been developed for monitoring of private projects developed under ISA, which involves independent verification before approval by CEVA for registration.</p>
	<p>Ecuador has been developing its country safeguard system since 2010 using the REDD+ SES framework. It has identified over 60 indicators which combine impact and process driven data points to collect. The Ministry of Environment (MEA) has also started developing a national information and monitoring system that aims to link REDD+ SES with the UN-REDD program to ensure compliance with safeguards. REDD+ SES was applied to the Socio Bosque program in a pilot phase before scaling up to application to the National REDD+ Program. Participants of the program undergo annual monitoring, which consists of both analysis of satellite imagery / aerial photography and field visits.</p>
	<p>Indonesia started developing a national UNFCCC related REDD+ Safeguard Information System (SIS) in early 2011, to coincide with the development of a REDD+ safeguards system at project level (PRISAI). PRISAI is based on 10 environmental and social safeguard principles, 27 criteria and 97 indicators, which include all of the safeguards listed in the UNFCCC Cancun REDD+ decisions plus additional principles derived from national and regional consultations. Strategic Environmental and Social Assessment (SESA) policies support the ongoing consultation process led by the National Forest Council (DKN), yet the SESA process is still in an early stage. The REDD+ Task Force is developing improved criteria and indicators, and operational guidelines for the PRISAI system. Efforts to align PRISAI with the SIS are continuing.</p>
	<p>Vietnam is working on the implementation of a national Safeguards Information System. Under coordination of SNV, the Vietnam REDD+ Network (responsible for coordination of REDD+ in Viet Nam) is developing a Safeguard Roadmap for Vietnam's National REDD+ Action Programme (NRAP), which has the purpose of making recommendations to the government on how Viet Nam can meet a range of international safeguard requirements including the UNFCCC, but also for emerging REDD+ initiatives (e.g. FCPF, UN-REDD). The NRAP will build on Vietnam's existing legal framework. It aims to operationalize an MRV system which will include a National Forest Monitoring System (NFMS) and National Reporting Information</p>

²³ Information from country interviews November 2013 – March 2014

	System (NRIS). Several subnational pilot monitoring activities are already operational (i.e., SNV High Biodiversity REDD+ project).
	In Peru the Peruvian Ministry of Environment and the Regional Governments of San Martin are working together to develop a subnational safeguard information system (SIS) in San Martin. The pilot in San Martin will use the REDD+ SES framework and will inform the national government's plans for a national SIS and can also be used to complement other relevant frameworks.

Options and Considerations for a Donor M&E System for Safeguards

In this section, we propose components and considerations for M&E of safeguards in donor systems; organized in four sub-sections (1. Policies and indicators, 2. Monitoring and reporting, 3. Applying country systems and gap-filling measures, 4. Evaluation of compliance). We also present various options of how existing systems may be adopted for REDD+ safeguards.

Policies and Indicators

Donor safeguard policies are generally applied throughout the project cycle (appraisal, implementation, monitoring, and evaluation).²⁴ They often consist of **higher-level principles, substantive requirements, and procedural requirements** which are applied by the donor, recipient country and/or project proponent. To be applicable to a project or program, these requirements are usually integrated into the project documents and agreements. Most donors already have a set of policies related to social and environmental safeguards as well as M&E. Donors will need to determine whether these existing policies adequately address UNFCCC and REDD+ relevant safeguards and processes, and if amendments or the formulation of a new policy is needed. Many bilateral donors are also considering using the FCPF Carbon Fund Methodological Framework (Table 3 below) as a foundation for their safeguards requirements. The Methodological Framework, approved in December 2013, includes the first set of jurisdictional-level donor safeguards requirements (outlined in 7 indicators) for results-based payments in REDD+.

As in the FCPF example, to be able to evaluate compliance with donor safeguard policies, measurable **indicators** that can specify a level of performance will have to be determined. These could be process and policy indicators (e.g. relating to what actions have been taken) or impact indicators (e.g. linked to social or environmental outcomes). Choosing the right indicators is a crucial step as it defines what information will be collected and analysed, and determine whether goals are met. While some donors develop their own indicators, many bilateral donors have sought for specific indicators to be developed at the country level or project level, based on existing monitoring frameworks (e.g. the National Biodiversity Strategies and Action Plans for reporting to CBD, or project indicators for CCB certification). This allows for greater specificity and efficiency, thereby facilitating accurate M&E of compliance. Where new indicators have to be developed at the country level, the REDD+ SES or UN-REDD Programme PGA may provide assistance.

²⁴ Details of safeguards policies and their application in the project cycle are elaborated in the first paper in the series: Daviet et al. 2013. Safeguards for REDD+ from a Donor Perspective http://www.climatefocus.com/documents/safeguards_for_redd_from_a_donor_perspective

Table 3: FCPF Carbon Fund requirements for safeguards (Methodological Framework)²⁵

Substantive requirements	<p>To qualify for funding, the FCPF requires ER Programs to complete a SESA and ESMF (impact evaluation and management plan) as well as the fulfilment of 7 indicators:</p> <p>Indicator 24.1: Demonstrates through its design and implementation how it meets WB and UNFCCC safeguards</p> <p>Indicator 24.2: Safeguards Plans address safeguards and risk mitigation measures and are publicly disclosed in an appropriate manner and language</p> <p>Indicator 25.1 Appropriate monitoring arrangements for safeguards are included in the safeguards plans</p> <p>Indicator 25.2 Information on the implementation of Safeguards Plans is included with each ER monitoring report and interim progress report.</p> <p>Indicator 26.1: Feedback and Grievance Redress Mechanism (FGRM) demonstrates legitimacy, accessibility, predictability, fairness, rights compatibility, transparency, and capability to address a range of grievances</p> <p>Indicator 26.2: FGRM procedures that specify the process to be followed to receive, screen, address, monitor and report feedback on grievances submitted.</p> <p>Indicator 26.3 If applicable, a plan to improve the FGRM</p>
Reporting	<p>The FCPF requires that information on the implementation of Safeguards Plans is provided with each ER monitoring report and interim progress report. This information is publicly disclosed and also made available as an input to national systems for providing information on how safeguards are addressed and respected required by the UNFCCC guidance related to REDD+.</p>

Monitoring and Reporting

Monitoring and reporting will determine whether indicators are being met. Key considerations for donors and recipients/project proponents on developing a **monitoring** strategy include:

- **Assess existing data and data collection systems, and establish baselines:** In many countries, data collection systems are already in place for collecting a variety of relevant data. The adequacy of existing data and collection systems (type, quantity and quality of information) will need to be determined and their inclusion and/or amendment assessed. Once all the indicators and data collection systems are determined, baselines will need to be set to have a benchmark by which results are measured against.
- **Methodologies of data collection:** A wide variety of data collection methodologies can be used to monitor safeguards: collection of secondary data from existing systems as above, or primary data from surveys, spot checks, remote sensing, community-based monitoring systems, etc. Choosing the most appropriate methods can greatly affect both accuracy and efficiency of monitoring systems. Resource constrained countries have limited capacity to collect primary data and will likely heavily rely on secondary data. For example, in CBD monitoring and reporting, only 15% of the data is from monitoring systems developed for CBD indicators.²⁶ In addition to what type of data is collected, decisions will also need to be made on who collects information, where it is collected, what level of sampling is done, and at what frequency will monitoring occur. Determining the appropriateness or adequacy of measures

²⁵ FCPF Carbon Fund, 2013. <https://www.forestcarbonpartnership.org/carbon-fund-methodological-framework>

²⁶ UNEP WCMC. 2014. National Indicators, Monitoring and Reporting for the Strategic Plan for Biodiversity 2012-2020. A Review of the Experience and Recommendations in Support of the CBD AD HOC Technical Expert Group on Indicators for the Strategic Plan.

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will depend on the type and extent of information sought, the scale of monitoring (see below) and country-specific factors such as the type and capacity of national and local level institutions. Where possible, using a combination of methodologies is likely to ensure the greatest level of accuracy, while the use of accessible feedback and grievance redress mechanisms (FGRM) can help to fill gaps in monitoring capacity. Existing data collection processes (e.g. for FAO, CBD, MGDs) should be integrated and leveraged to ensure efficiency and effectiveness.

- **Scale:** Donor REDD+ programs are likely to be implemented at various scales, including national, sub-national and project level, and in some cases programs will combine implementation at multiple levels. The scale at which a program is implemented will influence, inter alia:
 - The type of information required (e.g. assessment of laws and policies vs. local surveys);
 - The roles of the actors involved (e.g. national/sub-national governments vs. implementing partners, NGOs and local communities);
 - The methods of data collection;
 - The resources needed for monitoring.

Safeguards **reporting** provides donors information on how REDD+ safeguards have been addressed and respected. This process entails a compilation and analysis of the information provided and may include the status of indicators and an action plan to address indicators that need improvement. To avoid unnecessary duplication, the report may be the same as the 'summary of information' required under the UNFCCC. For projects being certified under a social and environmental standard, this may be the same as the monitoring report. If the donor requires an impact assessment prior to project or program implementation, and subsequent monitoring (like the FCPF), these results could be added to the report.

As part of the procedural requirements, donors may also be likely to outline the frequency and format of the reporting. Bilateral donors may follow the timeline of UNFCCC reporting, depending on the nature of the project/program or try to seek more frequent reporting to address deficiencies in safeguard implementation. One option may be to require full reports that address all indicators every few years but also provide for interim reports that cover important aspects such as identifying major challenges.

Designing and implementing effective monitoring systems can be challenging, and it is important that a certain degree of flexibility is built in to allow for adaptive management and gradual improvement. Table 4 below shows various options for monitoring and reporting on safeguards.

Table 4: Options for monitoring and reporting safeguards developed by REDD+ SES²⁷

Collect safeguards information		<i>increasing credibility</i> →	
Who collects the information?	Government REDD+ agency	Combination of REDD+ agency and civil society stakeholders	
Where to find information and how to collect?	Secondary sources – desk review	Primary sources – collect information	
Frequency of collection	At time of assessment	Continuous	
Sampling	Purposive to understand variation	Representative sampling in proportion to type	

²⁷ REDD+ SES Presentation. Options for assessment of safeguards information - draft. March 2014 version.

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Compile and analyse information and prepare draft report					<i>increasing credibility</i> →
Who assesses performance?	Self-assessment by REDD+ agency	SIS facilitators – REDD+ agency and civil society	Technical group incl. stake-holders and experts	Independent consultant(s) or organisation(s)	
What type of analysis?	Check-list – whether criteria/indicators are met	Performance scoring – performance by criterion/indicator	Narrative summary describing performance	Detailed narrative describing performance and variations	
What is included in the report?	Performance against principles and criteria	Performance against indicators	Process followed for monitoring and reporting	Gaps/areas for improvement	
Review draft assessment report					<i>increasing credibility</i> →
Who conducts the review?	Government	SIS facilitators	Technical group	Independent consultant or organisation (auditor/verifier)	
What is reviewed?	Process used for performance assessment	Performance assessment	Gaps/areas for improvement		
When is the review done?	Triggered by complaint	Periodic review (some assessments)	Routine review (every assessment)		
How is the review conducted?	Document review	Passive stakeholder consultations	Active stakeholder consultations	Field observations	
How are the results of review shared?	Within government only	Multi-stakeholder committee	Published on website		
Revise and finalize assessment report					<i>increasing credibility</i> →
What response to review?	Revise report	Respond to issues raised in the review	Develop action plan		
Who approves final assessment report?	Government	Multi-stakeholder committee			
Share final assessment report					<i>increasing credibility</i> →
What documents are shared?	Assessment report	Report of review		Action plan	
How is the final report shared?	Internal – government and partners (e.g., donors)	Publish on website		Active dissemination to stakeholders and public	
What language for which report?	English and/or other UN languages		National language	Local languages	

Applying country systems and gap-filling measures

When determining use of country systems, donors will need to assess each country’s national system, including the monitoring and reporting approaches and procedures outlined in the last section, to determine to what extent it can rely on it. While a simple policy mapping exercise and gap analysis may be done during project appraisal to determine if country systems address the donor’s requirements, a deeper understanding is also needed to gauge reliability and enforcement capacity. It is important to have sufficient country context to be able evaluate whether the country system is, in light of the country’s circumstances, compatible with the donor policy and what ‘gap filling’ measures will be most relevant.

In 2005, the World Bank developed an assessment framework for determining which pilot countries may use country systems for environmental safeguards. The framework has three main elements: 1) determining *equivalence* of the borrower’s system to the donor policy (OP 4.0); 2) determining *acceptability* of the borrower’s implementation, track record, and capacity; and 3) ‘*gap filling*’ where equivalence or acceptability fell short. An external evaluation however, noted the need to orient more towards internationally agreed principles, outcomes and benchmarking instead of the individual donor standard if donor policies are not updated and not relevant to the specific project. The OECD and other organizations, as well as a few donor countries have also developed frameworks with similar elements, but with varying levels of requirements and thresholds for determining use of country systems.

Assessing capacity and acceptability is considered the most difficult to determine and the most prone to subjectivity. Some procedures piloted by the World Bank to determine acceptability are highlighted in Table 5. To assess capacity, clear parameters should be developed that involve credible, replicable criteria and processes. This may be an issue that bilateral donors could work together to address.

Table 5: World Bank procedures already piloted for determining acceptability for environmental safeguards²⁸

Project pilots	National systems assessment
<p>In determining acceptability, look at:</p> <ol style="list-style-type: none"> 1. Institutions: Who is in charge? Who makes the decisions and legislation? Who implements, monitors, and supervises? 2. Track record: Looking beyond the project to those financed by the private sector, another donor, and/or by government, examine 2-4 EIAs and see how they are executed and monitored. 3. Outcomes: Examine projects implemented back to 1992. Did they have sound environmental management? Is there a non-technical summary presented for the lay person? 	<ul style="list-style-type: none"> • Talk to people who work in the area (e.g. FAO for forestry) • Do media searches • Search for any contested EIA process • Ask NGOs who work on the same issues • Survey people affected • Construct a complete picture of the aggregate

Based on evaluations and lessons learned from these experiences, bilateral donors looking to establish or revise a framework for assessing country safeguard systems within the context of REDD+ safeguards and M&E will need to consider the following issues:

²⁸ Quintero et al. 2011. Use of Country Systems for Environmental Safeguards. The World Bank Group, 2010 Environment Strategy – Analytical Background Papers. (pg 15)
<http://siteresources.worldbank.org/EXTENVSTRATEGY/Resources/6975692-1289855310673/20110222-Use-of-Country-Systems.pdf>

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- ‘Country system’ may need to have a broader definition than a country’s safeguard system. It may include existing processes including land use planning, compliance systems and voluntary trade agreements.
- Given all REDD+ countries will need to develop SIS and ‘summary of information for safeguards,’ donor countries should support these efforts instead of creating new systems. In the case of low capacity countries with little to no existing systems in place, an international or multilateral safeguards platform like the FCPF process or the REDD+ SES may be the best system to apply as a ‘gap filling measure.’
- Additional resources may be needed from donors to support the development of robust country systems that deliver on the donor’s requirements

Evaluation of compliance

As part of the reporting process, implementing bodies will need to assess the data gathered, measure actions against all relevant indicators, identify major challenges that were experienced in the reporting period and summarize the results. Donors will then evaluate the report from the project countries or proponents, possibly through independent assessments. To assess the information provided, donors will need to decide on the standard against which performance will be assessed. Donors may, for example, wish to create a minimum acceptable threshold or standard of performance that should be met based on agreed upon requirements. For example, the FCPF Carbon Fund indicators (Table 3 above) set an established threshold for receiving payments. While many requirements remain undefined, such as acceptable monitoring arrangements and the procedures for assessment, it provides one of the first examples of such a threshold for REDD+ safeguards. Donors may also set year-on-year goals that aim toward continuous improvement in the realization of indicators.

Most minimum acceptable thresholds at the country or jurisdictional scale will likely focus on process indicators and results of the feedback and grievance mechanism, given that the quantification of some impact/outcome indicators (e.g., species richness, positive impacts on livelihoods) aggregated across multiple scales and geographies will be difficult to measure against a performance standard. For example, deciding whether a 75% increase and 25% decrease in species richness is acceptable for REDD+ project areas cannot solely be subject to a threshold. The FCPF Carbon Fund indicators are all process requirements, and the majority of those in the REDD+ SES framework are categorized as process and policy indicators. However, activity-based measures (process and policy indicators) may not necessarily be good indicators of the final outcome. For example, a good policy approved by the government on safeguards will have little impact if not properly implemented. Therefore, establishing indicators and thresholds is central to evaluation of compliance.

Rather than determining quantitative thresholds for aggregated data, many are instead looking to qualitatively evaluate process and outcomes as well as action plans on how to improve lower indicators. This involves more work by the implementer and evaluator, however, may provide a more accurate depiction of the situation. Quantification in reporting, however, may still be important for setting milestones for improvement.

For project-level standards, evaluation of quantified indicators against a standard is simpler, albeit still a difficult task. Here, lessons may be taken from the Climate, Community and Biodiversity (CCB) Standards and other social and environmental standards where monitoring and independent verification of quantified indicators takes place.

To assist in verifying the information and increasing credibility of reports, donors may use the following methods:

- Cross-checking against other information (desk review). This can include publically available government reports, news reports or other media outlets, submissions under relevant international treaties or processes (e.g. UNFCCC, CBD, human rights treaties),

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and evaluations by relevant international bodies (e.g. FAO Forest Resources Assessment; 'views' or 'concluding observations' of human rights treaty bodies);

- Encouraging NGO shadow reports, or parallel reports;
- Making country-visits and/or conducting telephone interviews with key stakeholder (government representatives; NGOs; national experts);
- Requesting clarifications and supporting information/evidence from countries where some of conclusions are in doubt.

Donors will also need to consider what measures to apply to encourage **compliance**. These may comprise a combination of:

- Facilitative measures* that assist recipients to address any problems that have been identified and/or seek continuous improvement. This may include initiating a dialogue between the donor and recipient to identify the nature of the problem and its underlying causes and then providing targeted support (e.g. finance, capacity building) aimed at addressing the issue.
- Enforcement measures* that provide a stronger incentive to comply in situations where facilitative measures have not been successful, where a problem is particularly persistent or severe or where the recipient does not cooperate in the facilitation process. Such measures may include the withholding of funding until the recipient returns to compliance or, as a last resort, the termination of the funding agreement.

These compliance measures, as well as dispute measures are detailed in the accompanying Safeguards and Results Based Payments discussion paper.

Conclusions

This paper seeks to map the various components that M&E of REDD+ safeguards may comprise and provide examples and options on how they can be addressed. Donors may wish to ensure that the REDD+ activities they finance promotes and abides by the UNFCCC requirements, therefore donors will need to determine whether any actions are needed to augment their existing policies.

It is clear that a one-size-fits-all approach is unlikely to be appropriate, with the most appropriate standards frequently depending on factors such as program size, scale and national contexts. Given the early stages of REDD+ finance, there are limited examples and lessons related to the application and use of monitoring and evaluation systems of REDD+ safeguards. However, existing donor and project M&E policies and procedures, as well as the discussions and developments and in the FCPF, REDD+ SES and various bilateral programs provide a valuable foundation for the implementation of REDD+ SIS and M&E going forward.

The main conclusions from this study and the workshop discussions include:

- Donor and Country Systems.** Donors differ in the level of reliance on country systems, with many electing to put heavy emphasis on the screening and assessment/planning stages at the donor level, while promoting country systems as well as international systems for the M&E component. Donors may build a certain degree of flexibility into the requirements they formulate for country systems that account for different types of funding and allow requirements to be adapted to specific country contexts.
- Scale.** Implications for monitoring and evaluation change significantly when dealing with smaller scale projects versus larger, jurisdictional scale programs. Detailed M&E on impact indicators may be achieved for smaller scale projects, whereas sampling, and a heavy reliance on process and policy indicators will likely be the case for larger jurisdictional or

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national-level programs. This is the case with the FCPF Methodological Framework's assessment of national-level safeguards, and some donors are considering the idea of integrating this framework, or a similar one, with bilateral systems.

- c) **Feedback and Grievance Redress Mechanism (FGRM).** A strong FGRM is essential for ensuring social and environmental integrity, and catching major violations. Such FGRM can rely on existing laws and institutions where a strong judicial system backs rights of individuals and communities. Where this is not the case, a dedicated grievance mechanism can be established. A functioning FGRM helps to obtain data on program implementation and success. For larger jurisdictional level and project level programs, sampling will occur given the difficulty of obtaining wall-to-wall information, making FGRM an essential tool for reporting discrepancies.
- d) **Prioritization.** Given resource constraints, there are safeguard issues (and related indicators) that donors may need to prioritize for M&E, for example displacement without compensation, violation of human rights, high-value biodiversity loss, etc.
- e) **Link to other processes.** Donor frameworks may be able to reduce costs at both donor and recipient levels by connecting M&E of national REDD+ safeguards with national monitoring and reporting under other processes. These include monitoring and reporting under the CBD, FLEGT, and Ramsar Convention in the case of environmental safeguards, or reporting under the various UN or regional human rights instruments in the case of social safeguards. Linking M&E of safeguards with these processes, as well as the MRV systems for REDD+ and forestry systems can avoid duplication and save time and costs. Lessons on this can be learned from the CBD monitoring and reporting process.²⁹ At the same time, bilateral, and potentially also multilateral, donors may wish to consider whether opportunities exist for greater alignment of the requirements they impose, and the country systems they assess. Joint monitoring and related reporting could be encouraged.
- f) **Incentivize improvement of safeguards.** REDD+ implementing countries are beginning to develop SIS and prepare periodic summaries of information on how safeguards are respected. Several countries already have pre-existing or are developing national safeguard systems that go beyond what is required by UNFCCC decisions, frequently based on the REDD+ SES or other international standards. M&E systems can create feedback loops that allow learning and the continuous improvement of safeguard systems.
- g) **Non-carbon benefits.** Increasing emphasis is being placed on safeguards that monitor REDD+ producing positive co-benefits instead of just avoiding harm through conventional safeguards. However, the topic of non-carbon benefits remains in early stages of discussion – particularly under the UNFCCC – and it remains uncertain what role co-benefits will play. Some have suggested co-benefits should simply be encouraged or taken into consideration in funding decisions; while others suggest that co-benefits should be actively rewarded. In the latter case they would likely need a much more rigorous monitoring and evaluation process, akin to the MRV of GHG emissions reductions payments or the verification process under the CCB Standards. Here, lessons may be drawn from payment for ecosystem service programs that attempt to stack multiple benefits for payment.

²⁹ For example, from: UNEP WCMC. 2014. National Indicators, Monitoring and Reporting for the Strategic Plan for Biodiversity 2012-2020. A Review of the Experience and Recommendations in Support of the CBD AD HOC Technical Expert Group on Indicators for the Strategic Plan.

Paper 3.

REDD+ Safeguards and Donor Coordination

Gaia Larsen

Introduction

REDD+ countries typically receive funding from a broad variety of actors. For example, Indonesia is host to around 73 REDD-related activities, Vietnam 28, and Cameroon 21.³⁰ These activities are funded by various public or private institutions, most of which have policies in place to help ensure that their activities do not result in social or environmental harm. Multiple funders with different safeguard systems are not necessarily a problem in itself. Too many uncoordinated requirements can, however, have negative consequences for effective environmental and social protection.

Parties to the UNFCCC agreed in December 2010 to “promote and support” a set of REDD+ safeguard principles.³¹ These principles give broad guidance for how REDD+ safeguards should be implemented. Donor and recipient governments may choose to implement these principles in a variety of ways. Some may also choose to go beyond these principles by requiring additional protections.

Implementing REDD+ safeguards is not a simple task. It means assessing risks to people and the environment, making plans to avoid or mitigate those risks, implementing those plans, monitoring implementation, and responding to any problems. Donors often have different requirements in relation to each stage of the safeguard process, as do recipient governments. Coordination of REDD+ safeguard activities is proving particularly difficult in relation to procedural requirements. For example, while it is widely recognized that

REDD+ activities should afford protection to critical biodiversity or indigenous forest-dependent communities, there is less agreement though on how such protection should be provided and monitored, in part due to different funder definitions, timelines, and goals. Box 1 gives an overview of some of the rules aimed at reducing social and environmental risks that apply to REDD+ initiatives in Vietnam.

Coordination of safeguard implementation is made more challenging by the large number of actors involved in each stage of the safeguard process. These may include:

- The donor agency and donor government;
- Various sections of the recipient country government, including the forest, environmental and finance agencies;
- People who stand to be directly and indirectly affected by the investment, including members of indigenous communities, or people who otherwise wish to use the forest legally or illegally;

³⁰ These figures are from the REDD-desk website: <http://theredddesk.org/countries/Indonesia>; <http://theredddesk.org/countries/vietnam>; <http://theredddesk.org/countries/cameroon>

³¹ Decision 1/CP.16, *The Cancun Agreements: Outcome of the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention*, Appendix I, para. 2.

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- National and international environmental and human rights NGOs;
- Consultants and project implementers.

This briefing paper gives an overview of some of the challenges that can emerge when donors inadequately coordinate their safeguard activities, the strength and weaknesses of current efforts to date to coordinate implementation of REDD+ safeguards, and recommendations for the future. Table 1 provides a summary of the findings.

The notion of including environmental safeguards in international law can be traced back to the 1972 Stockholm Conference on the Human Environment, which brought into focus the realization that the environment has limited assimilative and carrying capacity and that control measures should be instituted to safeguard the environment for quality of human life. The Stockholm Conference is often identified as the watershed moment for the rise of modern international environmental law. Principle 12 of the Stockholm Declaration also confirms that “[D]eveloping countries need money to develop environmental safeguards,” thereby making the concept of ‘safeguard’ synonymous with national rules, policies and standards.

Starting in the 1980s, multilateral institutions, in particular the World Bank, started adopting environmental, social, and legal safeguards to ensure that operations they financed would not result in environmental and social damage. The ‘do no harm’ principle remains to this day and many other multilateral and bilateral donors have integrated social and environmental assessments into their international development policies in order to avoid or mitigate potential environmental, social or cultural harm (see Table 1). In some instances, safeguards have grown from minimal criteria of ‘do no harm’ underlying much of environmental impact assessments, to proactive ‘do good’ planning tools to promote the long-term environmental and social co-benefits of particular investments.

Table 1: Summary of Coordination Benefits and Recommendations

Benefits of Coordination on Safeguards	<ul style="list-style-type: none"> • Reduce the Burden on Recipient Countries (pg. 3) • Support strong, coherent national REDD+ safeguard strategies (pg. 3) • Avoid Stakeholder Confusion, Frustration, and Fatigue (pg. 4) • Capitalize on Collaboration Opportunities and Enhance Efficiency (pg. 5) • Avoid Funding Gaps and Duplication (pg. 5)
Recommendations	<ul style="list-style-type: none"> • Support Transparency and Access (pg. 8) • Build on Existing Country Systems (pg. 8) • Engage in Joint Funding and Collaboration on Topic-Specific Issues (pg. 9) • Clarify Relationship to UNFCCC REDD+ Safeguards (pg. 9) • Increase Dialogue between Donors (pg. 9)

Box 1: A Sampling of Safeguard Rules in Vietnam

Donor Safeguard Policies		National Rules of Vietnam		Other International Rules	
UNFCCC - REDD+ Safeguards	USAID - NEPA, Executive Order 12114	Land Law	Prime Minister Decision No. 08/2001/QĐ-TTg on forests	Conv. on the Elimination of Discrimination Against Women	International Declaration on Human Rights
UN-REDD – Social & Env. Principles & Criteria	KFW - Sustainability Guidelines	Law on Legal Dissemination & Education	Prime Minister Decision No. 126/QĐ-TTg on benefits sharing mechanisms	International Covenant on Economic, Social & Cultural Rights	United Nations Declaration on the Rights of Indigenous Peoples
FCPF Readiness Fund - SESA, Information Policy	JICA - Guidelines for Environmental & Social Considerations	Law on Biodiversity	Decree No. 21/2008/ND-CP on environmental protection	FLEGT Voluntary Partnership Agreement (forthcoming)	International Covenant on Civil & Political Rights
FCPF Carbon Fund - World Bank Ops, Information Policy	DEFRA - International Development Act of 2002	Forest Protection & Development Law	Grassroots Democracy Ordinance	International Convention on Elimination of All Forms of Racial Discrimination	Convention on International Trade in Endangered Species (CITES)
WWF GFTN - Common Framework	Norway – Dev. Cooperation Manual (etc.)	Ministry of Agric. & Rural Development Circ. No. 56/1999 /TT/BNN-KL	National Target Programme on Climate Change Response	Environment Protection Law	Convention on Biological Diversity
		Vietnam Forestry Development Strategy 2006-2020			
		Decree No. 99/2010/ND-CP on payment for forest environ. services			

Benefits of Effective Coordination

Coordinating safeguard activities can bring several benefits to REDD+ funders. This section provides an overview of some of these benefits.

Reduce the Burden on Recipient Countries

Coordinating safeguard implementation can reduce the burden on recipient countries and so potentially enhance implementation. In developing countries, government agencies often have limited resources and capacity to implement environmental and social protections, even where good laws are in place. In Vietnam, for example, the Ministry of Natural Resources and the Environment (MONRE) recognizes that it is unable to ensure that all environmental impact assessments (EIAs) in the country are conducted thoroughly and environmental management plans adhered to throughout implementation.³² This is true despite many years of donor investments in the Vietnamese EIA system, including from the World Bank, the Asian Development Bank and the Swedish International Development Cooperation Agency (SIDA).³³ Similar difficulties are seen in other REDD+ countries, including Indonesia and the Central African nations.³⁴ Implementing donor requirements can provide government staff valuable experience. But if this staff is spread too thin, the experience can become one of cutting corners and delays, rather than effective safeguard implementation.

The lack of capacity to implement safeguards will also tend to drive governments to hire external consultants familiar with the relevant donor policies. While consultants can provide a valuable temporary boost of human resources, overreliance on external consultants can mean that safeguard implementation becomes disconnected from the country's safeguard processes, which in turn can jeopardize long-term implementation.³⁵

Support Strong, Coherent National REDD+ Safeguard Systems

Coordinated safeguard implementation can support strong national REDD+ safeguard strategies. Several countries, including Mexico, Indonesia and Vietnam, have worked to create coherent national REDD+ safeguard systems. The lack of coherence between donor safeguards has not always helped these efforts. In Indonesia, for example, the proliferation of REDD+ projects has led members of government and civil society to call on the international community to support cohesive and consistent standards that can apply across the country. With more than forty pilot projects in the country, it is difficult for anyone to have a comprehensive understanding of each activity. According to Bernadinus Steni of HuMa, who has been closely involved with the development of REDD+ safeguards in Indonesia:

³² Interview with Mr. Dung, Ministry of Natural Resources and Environment, Nov. 2012; Environmental Impact Assessment remains inadequate, Voice of Vietnam, May 11, 2011. Online at: <http://english.vov.vn/Society/Environmental-Impact-Assessment-remains-inadequate/230360.vov>

³³ World Bank, "Vietnam Environment," <http://www.worldbank.org/vn/environment> (noting "strengthening environmental impact assessments and safeguards" as a priority); Asian Development Bank, *Viet Nam: Capacity Development for the Implementation of the New Environment Decree, Subproject Proposal*, Project Number: 44140, May 2011; H.E. Pham Khoi Nguyen, *Strengthening Environmental Management and Land Administration: Introduction*, http://sem1a.monre.gov.vn/?option=com_content&view=article&id=16&lang=en

³⁴ See, for example, UNDP, UN-REDD, *Participatory Governance Assessment: The 2012 Indonesia Forest, Land and REDD+ Governance Index* (2013); FERN, *Forest Watch Special – VPA Update May 2013* (2013).

³⁵ For more on the relationship between donor and recipient country safeguard systems see Gaia Larsen and A. Ballesteros, *Striking the Balance: Ownership and Accountability in Social and Environmental Safeguards*, World Resources Institute (2014).

Many projects claim that they have already conducted a social assessment, are following the principle of FPIC, and recognize rights. But there is not one single standard that is officially recognized at the national level to ensure that such models are in line with the pillars of the national REDD+ strategy, including with regard to the fulfilment of social and environmental safeguards.³⁶

Mexico's National Forestry Commission, CONAFOR, has been seeking to implement a cohesive process that supports effective national legislation and meets donor requirements. This option is not always available to countries, however, particularly countries that rely more heavily on international donors than Mexico. In Vietnam, in turn, the government has created a National REDD+ Action Program³⁷ and commissioned a "roadmap"³⁸ to help align Vietnam's activities with the UNFCCC REDD+ safeguard principles. The government is still struggling though with how to incorporate other funder requirements into this roadmap, since the roadmap itself focuses primarily on the relationship between the UNFCCC and Vietnam's national laws and policies.³⁹

While Indonesia, Mexico and Vietnam have taken proactive steps toward a national strategy, some other countries appear to have instead decided to delay their safeguard action until they understand what is required from donors. While this may improve these countries' ability to coordinate their work, it has the potential drawback of delaying proactive and early action to reduce environmental and social risks associated with REDD+.

Avoid Stakeholder Confusion, Frustration, and Fatigue

Coordinated implementation of safeguards can also support effective stakeholder engagement. Members of civil society in REDD+ countries have vital insights and knowledge about what will and will not work in a given country. Scarce resources though limit their capacity to effectively engage in multiple participatory governance processes, particularly if the engagement requires significant travel and additional research. While the existence of many opportunities for public participation can enable engagement by a broad section of the population, a lack of coordination between these processes can reduce their effectiveness.

In Mexico, for example, several processes have aimed to support public participation. From 2008 to 2010, CONAFOR held early discussions with civil society to gain input on the development of the Vision for REDD+. CONAFOR has also engaged with multiple climate finance opportunities with participation requirements. The agency has held discussions with civil society in relation to their readiness preparation proposal (R-PP) for the FCPF and their investment plan for the "Forest and Climate Project" funded by the Forest Investment Program (FIP) and World Bank. Once the R-PP was accepted by the FCPF, CONAFOR began initial participation processes linked to one of the requirements of the grant, a strategic environmental and social assessment (SESA). The Secretariat of the Environment and Natural Resources (SEMARNAT) has also organized consultation processes, as have various non-government organizations, including the Climate Action Reserve,⁴⁰ which has worked to develop the Mexico Forest

³⁶ Steni Bernadinus and Anggali Putri, "Indonesia: the urgent need for a Safeguards Information System" in *REDD+ safeguards: More than good intentions? Case studies from the Accra Caucus* (2013) 16.

³⁷ Government of Vietnam, Decision on Approval of the National Action Program on Reduction of Green-house Gas, Emissions through Efforts to Reduce Deforestation and Forest Degradation, Sustainable Management of Forest Resources, and Conservation and Enhancement of Forest Carbon Stocks, 2011-2012 (2013).

³⁸ Safeguard Roadmap for Vietnam's National REDD+ Action Programme, November 2013.

³⁹ Some of this concern is reflected in meeting minutes from the sub-technical working group on Safeguards, available online at <http://vietnam-redd.org/Upload/CMS/Content/STWG.Safeguard/18%20Dec%202013/STWG-SG-5th%20minutes.pdf>

⁴⁰ Climate Action Reserve, Mexico Forest Protocol v. 1, Oct. 23, 2013.

Protocol, and the Nature Conservancy, which has engaged in the pilot for the implementation of the REDD+ Social and Environmental Standards in Mexico.⁴¹ While these multiple participation processes have helped provide valuable lessons and experiences for the government and stakeholders, lack of clarity regarding the relationship between the different processes has sometimes reduced their effectiveness. Stakeholders engaged in the consultation processes have sometimes been unclear, for example, on the relationship between the SESA, the national REDD+ strategy, and other donor-funded efforts. This lack of clarity has led to misunderstandings and frustration.⁴²

A similar situation has taken place in several other countries. In Nepal, for example, the REDD Forestry and Climate Change Cell (REDD Cell) has tried to include feedback received from stakeholders in their social and environmental safeguard indicators. It is unclear to stakeholders though whether, and if so how, these indicators will be incorporated in the country's SESA and national strategy.⁴³ In the DRC, members of civil society report confusion in regards to the relationship between different participatory processes governed by UNEP, the World Bank, and the DRC government.⁴⁴ Finally in Indonesia, the Forest Ministry is developing the structure of a national safeguard information system while the separate REDD+ Agency (formerly REDD+ Task Force) has engaged in a parallel process to develop indicators for assessing safeguard implementation. These two processes have been funded by different actors. Both have included stakeholder consultations and the relationship between them has not always been clear.

Capitalize on Collaboration Opportunities and Enhance Efficiency

Collaboration on safeguard implementation can also enhance efficiency. REDD+ funding supports various types of initiatives, from localized pilot projects to national strategies. Each initiative can contribute insights to other activities. Some pilot projects have, for example, found effective ways to protect the rights of local communities living on the forested land, while others have had success with supporting biodiversity. Funder collaboration in monitoring and sharing of lessons can leverage finance and expertise, help avoid replication of mistakes and build on the experiences of others.

Collaboration can also allow donors to focus on their comparative strengths. For example, donors may have expertise in one safeguard area – such as community participation – while another may have greater knowledge and interest in something else – like biodiversity. Lack of collaboration requires everyone to do everything, which can lead to inefficiency.

Avoid Funding Gaps and Duplication

Although safeguards typically come into play after initial decisions have been made about what to fund, they can also drive investment decisions. This is particularly true in the context of REDD+, where safeguards play a key role in ensuring the success of REDD+ initiatives, and where safeguard activities can take the form of broad national endeavors. These broader activities, like land tenure reform or new forms of benefits sharing, sometimes require specific funding in themselves. Underfunding a key element of the safeguard framework may jeopardize the success of REDD+ in a country. At the same time,

⁴¹ REDD+ Social and Environmental Standards, "Mexico: Overview," http://www.redd-standards.org/index.php?option=com_content&view=article&id=65&Itemid=141

⁴² Bank Information Center, *Comments on Mexico Forests and Climate Change Project under the FIP Investment Plan*, January 26, 2012.

⁴³ Pasang Dolma Shirpa, "Nepal: issues and challenges relating to the rights and livelihoods of indigenous peoples" in *REDD+ More than good intentions? in Case studies from the Accra Caucus* (2013) 18.

⁴⁴ Joëlle Mukungu, "Democratic Republic of Congo (DRC): problems relating to civil society participation in REDD+" in *More than good intentions? Case studies from the Accra Caucus* (2013) 27.

resources for REDD+ and REDD+ safeguards are scarce and duplication of funding should therefore be avoided.

While recipient governments play a role in helping to coordinate donor investments, they are not always capable of doing so effectively. One example of this was seen recently in the Philippines. The funding in question was focused on adaptation, but gives lessons for REDD+ donors as well. The Philippines has a national organization, the National Economic Development Agency (NEDA), tasked with collecting information about adaptation-relevant projects in the country. A recent assessment found that NEDA had five projects in their adaptation funding database. The OECD database, meanwhile, included around 80 projects. The central government was thus unaware of many projects taking place in the country. The discrepancy stemmed in part from the difficulty that the Philippines government had in tracking resources when the national government was not the direct recipient of the relevant funding.⁴⁵

Examples of Current Coordination Efforts

The challenges associated with poor donor coordination on REDD+ safeguards have not gone unnoticed. Several initiatives exist – from the global to the local level – to support better coordination. This section gives an overview of some of these initiatives, along with their strengths and weaknesses.

UNFCCC

The most global platform for coordination on REDD+ safeguards is the UNFCCC, which has paved the way for the creation of the UNFCCC REDD+ Safeguards and REDD+ safeguard information systems. These provide a basic framework for coordinating REDD+ safeguard standards. At the COP in Warsaw in 2013, Parties to the UNFCCC also agreed to the creation of an online database for REDD+, which would include information about REDD+ safeguards. The agreement also recommended the creation of national focal points, which could potentially help oversee safeguard coordination.

While the UNFCCC has provided an important platform for the development of REDD+, its global nature has also created challenges. One such challenge is the difficulty of reaching consensus on safeguard standards given the many interests at stake. This has led to a lack of detailed guidance on how the safeguards, safeguard information system, and online database should be implemented, which in turn has led to a proliferation of different approaches to implementing the safeguards agreed upon in Cancun.

FCPF and UN-REDD

The World Bank and United Nations have also provided forums for coordinating approaches to REDD+ safeguards, primarily through the Forest Carbon Partnership Facility (FCPF) and UN-REDD. These funding mechanisms have allowed donors to pool their money to support the development of national REDD+ safeguards as part of the REDD+ “readiness” process.

The FCPF Readiness Fund’s support for the creation of Readiness Preparation Proposals (R-PPs), SESAs and Environmental and Social Management Frameworks (ESMFs) has in some instances encouraged a more cohesive national approach to REDD+ safeguards. In Indonesia, for example, the FCPF adapted the SESA process to focus on helping to coordinating existing national efforts, including those led by the Ministry of Forestry and the REDD+ Agency. In Colombia, the R-PP and SESA process

⁴⁵ Pieter Terpstra, A. Peterson Carvalho & E. Wilkinson, *The Plumbing of Adaptation Finance: Accountability, Transparency and Accessibility at the Local Level*, Working Paper, World Resources Institute (2013) 17.

have provided a foundation for the development of the country's National Strategy for Reducing Emissions from Deforestation (ENREDD). At the international level, FCPF and its delivery partners have developed a Common Approach to Environmental and Social Safeguards for Multiple Delivery Partners to enable the Delivery Partners to oversee implementation activities funded by the Readiness Fund.⁴⁶

UN-REDD, in turn, has created various tools for assessing and minimizing social and environmental risks, including Participatory Governance Assessments (PGAs), a Benefits and Risks Tool (BeRT) and a Country Approaches to Safeguards Tool (CAST). They have also generated guidelines for combatting corruption, protecting ecosystem services, and ensuring that indigenous people are provided the right to "free, prior and informed consent" before changes are made to their land or resources. Like the FCPF's initiatives, UN-REDD's efforts have in some cases helped galvanize more cohesive REDD+ safeguard activities at the national level.

Unfortunately, while the FCPF and UN-REDD have in some places contributed in positive ways to safeguard coordination, they have also added to coordination challenges. While the FCPF and UN-REDD requirements can help countries clarify and boost their REDD+ safeguards, they can also add further confusion, particularly in where they are out-of-step with other national processes. A similar situation has taken place in Indonesia, which also began its national REDD+ activities prior to involvement of FCPF and UN-REDD.

REDD+ SES and the REDD+ Partnership

The REDD+ Social and Environmental Standards (REDD+ SES) and REDD+ Partnership also constitute efforts to coordinate REDD+ activities. Unlike FCPF and UN-REDD, however, they are not directly tied to a source of funding. Instead they constitute voluntary initiatives aimed at supporting successful REDD+ implementation.

REDD+ SES consists of a set of principles, criteria and indicators to help stakeholders understand whether and how internationally and nationally defined safeguards are being addressed and respected. They were created through a multi-stakeholder process organized by the Climate, Community and Biodiversity Alliance (CCBA) and CARE International, who together act as the REDD+ SES secretariat. To date, REDD+ SES has been used in at the national or regional level in Brazil, Indonesia, Ecuador, Nepal, Guatemala, Peru, Liberia and Tanzania. REDD+ SES has provided a valuable tool to help stakeholders understand and influence the development of REDD+ safeguards within their countries. Implementation of REDD+ SES has not been without challenges though. While the secretariat has looked to coordinate with other actors in this field, including UN-REDD and FCPF, this has not been easy. Different timelines and requirements have sometimes hindered effective coordination between REDD+ SES and donor activities.

The REDD+ Partnership, meanwhile, was launched in 2010 in Oslo, where governments from around 40 countries agreed to support rapid implementation of measures to reduce deforestation. Membership in the Partnership has since expanded to around 75 countries, who meet a few times a year to discuss global REDD+ implementation. The Partnership looks at a broad range of REDD-related issues including REDD+ safeguards. In September 2011, for example, the Partnership held a workshop focused on safeguard implementation, where the Philippines, Democratic Republic of Congo and Ecuador gave presentation on their safeguard activities to Partnership members. However, the large number of topics under discussion and the relatively limited time available have meant that the Partnership has contributed relatively little to actual safeguard coordination overall.

⁴⁶ Forest Carbon Partnership Facility (FCPF), *Readiness Fund Common Approach to Environmental and Social Safeguards for Multiple Delivery Partners*, 9 June 2011, rev. 10 August 2011.

National Coordination Efforts

REDD+ countries have also made efforts to coordinate implementation of REDD+ safeguards within their borders. In addition to National REDD Strategies to help guide REDD+ activities, many countries have created some form of committee to bring stakeholders together to discuss REDD+, including REDD+ safeguards. These committees often include representatives from REDD+ donors.

In Vietnam, for example, the government created a REDD Technical Working Group to help coordinate and enhance REDD+ activities in the country. A Sub-Technical Working Group, chaired by Vietnam Administration of Forestry (VNFOREST) and co-chaired by SNV of the Netherlands, was created in 2012 to focus specifically on REDD+ safeguards.⁴⁷ Other donor members of the working group include JICA, GIZ, FAO, UNDP and the World Bank. The Sub-Technical Working Group has discussed the main safeguard policies of relevance to REDD+ in Vietnam, including the roadmap created by SNV,⁴⁸ the SESA mandated under the FCPF, and the work under UN-REDD.⁴⁹ In Brazil, the Amazon Fund plays a coordinating role by bring all REDD+ finance into one pot. The Amazon Fund was started by the Brazilian government with a \$1 billion pledge from Norway, and has received additional financing from Germany and Petrobras, a Brazilian company. The Fund is managed by BNDES, Brazil's development bank. Its approach to safeguard policies is guided Social and Environmental Safeguards for REDD, developed through a consultative process organized by the Brazilian NGO Imaflora, as well as guidelines and criteria put forth by the Guidance Committee of the Amazon Fund (COFA), and the policies of BNDES.

The efforts in Vietnam and Brazil are valuable. However, members of Vietnam's sub-technical working group struggle to effectively coordinate safeguard activities due to, among other things, the relatively limited decision-making power and resources available to the group. The group has officially met only five times between only a limited ability to influence the timelines or policies of donors and the Vietnamese government. For example, the Vietnamese government is currently working to amend its framework environmental law. The SESA required by the FCPF will likely uncover information relevant to this legal review. However, the SESA is not scheduled to be completed until after the law has been changed. Brazil's Amazon Fund, in turn, is only made possible by the relatively high degree of governance capacity that exists in Brazil. Most other countries do not have the resources to successfully oversee such a fund.

Recommendations

Support Transparency and Access

Donors will benefit from clearly outlining their requirements. While flexibility may be needed to allow effective implementation of safeguards in different settings, this does not need to mean that the policies themselves should be unclear. Clarity can help recipient governments understand what is expected of them, which can in turn reduce confusion, frustration and delays.

Donors can support clarity by, for example, providing sufficient detail in safeguard policies to explain the donor's expectations, including definition of key terms. For example, policies commonly ask for risk assessments if significant risks are present. But how does the donor define a significant risk? Donors can

⁴⁷ Vietnam REDD+ Working Group Sub-Working Technical Group on Safeguards. Online at: <http://vietnam-redd.org/Upload/CMS/Content/STWG.Safeguard/STWG-Safeguards%20-%20ToR%20-3-EN.pdf>

⁴⁸ Safeguard Roadmap for Vietnam's National REDD+ Action Programme, November 2013.

⁴⁹ 4th Sub-technical working group meeting on environmental and social safeguards (STWG-SG) Meeting Minutes. Online at: <http://vietnam-redd.org/Upload/CMS/Content/STWG.Safeguard/10%20May%202013/STWG-SG-4th%20minutes.pdf>

also further clarify their requirements by making relevant documents, including project documents, available to the public in accessible formats, local languages and a central location.

Build on Existing Country Systems

Many countries have existing systems in place that can provide the bases for REDD+ safeguard coordination. Where this is the case, donors can benefit from using these systems instead of creating new ones.

In Cameroon, for example, donors have worked to align their support for the Ministry of Forestry and Environment (MINFOF) and the Ministry of Environment and Protection of Nature (MINEP) through a Consultation Circle for Partners of MINFOF/MINEP (CCPM). The CCPM brings together multilateral and bilateral donors and other development partners to discuss support for the forest and environment sectors. It meets on a monthly basis and has existed for several years, and so has provided an initial platform to support coordination on REDD+. Similarly in Mexico, the CTC REDD – a multi-stakeholder technical advisory committee on REDD+ – is built on existing experience in Mexico with CTCs on other topics.⁵⁰

Beyond coordination platforms, use of existing national assessment, implementation or monitoring systems can also sometimes provide a basis for enhanced coordination. Nepal, for example, has developed a monitoring and evaluation framework to help measure progress toward REDD+ goals. The aim of the framework is to consolidate information from various REDD+ partners.⁵¹

Engage in Joint Funding and Collaboration on Topic-Specific Issues

Joint funding for safeguard implementation, including implementation of each other's safeguard systems, can increase efficiency and long-term effectiveness of safeguard implementation.

For example, USAID's Forest Carbon, Markets and Communities (FCMC) initiative and the German Federal Ministry for Economic Cooperation and Development (BMZ) have together funded stakeholder participation in the creation of Colombia's REDD+ safeguard system. Supported activities, implemented in collaboration with WWF and the Ministry of Environment and Sustainable Development (MADS), include workshops, outreach to relevant communities, research, and development of a communication strategy. The support is helping Colombia formulate its SESA and Environmental and Social Management Framework (ESMF) and thus meet its obligations to the FCPF.

Clarify Relationship to UNFCCC REDD+ Safeguards

Donors can also enhance clarity by helping recipient countries understand the relationship between the donor's policies and those of the UNFCCC REDD+ safeguards. Many recipient countries are using the UNFCCC safeguard principles to help structure their national approaches to REDD+. Vietnam's REDD+ "roadmap" for example lays out a path for Vietnam to align its laws, policies and regulations with the UNFCCC safeguards.

⁵⁰ See, for example, Consuelo Castro, *Citizen Participation in Mexico Through Advisory Councils*, *International Journal of Not-for-Profit Law*, Vol. 12, Issue 1, November 2009. Online at: http://www.icnl.org/research/journal/vol12iss1/art_1.htm

⁵¹ Narandra Chand, *Nepal's Monitoring & Evaluation Framework for the REDD+ Readiness Process*, Presentation in Lombok, July 1, 2013. Online at: https://www.forestcarbonpartnership.org/sites/fcp/files/2013/june2013/7a.Nepal_MEframework%20PPT%20063013_final.pdf

Donors can also use the UNFCCC safeguards as a guide. The World Bank has made an effort in this direction by publishing a document on how it sees its safeguard policies aligning with the UNFCCC principles. Donors could also support the creation of more guidance on how to implement the UNFCCC REDD+ Safeguards and SIS from the UNFCCC bodies, although this benefit would need to be balanced against the costs of additional negotiations.

Increase Dialogue between Donors

A first step toward better coordination is simply enhanced communication. While this is already occurring in some forums, it can be made more strategic, targeted and effective.

Donors can enhance communication both within and outside the context of a specific country, and during several different stages of the safeguard process. For example, donors can coordinate their up-front investment decisions, their safeguard standards, and their safeguard implementation processes, including their reporting requirements. One beneficial way to enhance communication and understanding between donors is to engage in joint missions to relevant countries, regions and projects. The FCPF and UN-REDD have engaged in some such missions.⁵² Bilateral donors have also initiated some joint trips, including one by Germany, the UK and Norway to Colombia in May 2013.

Donors can also create working groups focused on key safeguard areas in order to talk through the challenges and share strategies. The multilateral development banks provide an example. These banks have created working groups aimed at sharing experiences and developing common standards in relation to different safeguards-related issues, including access to information and accounting of greenhouse gas emissions linked to investments.⁵³

⁵² UNREDD Programme Newsletter, Issue No. 12, September 2010. Online at: http://www.un-redd.org/Newsletter12/UNREDD_FCPF_Congo_Joint_Mission_en/tabid/5539/Default.aspx

⁵³ In November, 2012, several MDBs as well as AFD, KfW and NEFCO, agreed to an *International Financial Institution Framework for a Harmonized Approach to Greenhouse Gas Accounting*. Online at: http://www.ifc.org/wps/wcm/connect/518623004dc5f53c8e36aeab7d7326c0/IFI+Harmonisation+Framwork+for++GHG+Accounting_Nov+2012.pdf?MOD=AJPERES



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