Annual Review - Summary Sheet

Title: Forest Carbon Partnership Facility Carbon Fund		
Programme Value (full life): £141.5m UK investment (£130m ICF + £11.5m ETF)		**Review Date: (and period)** 01 January 2019 – 31 December 2019
Programme Code: GB-GOV-13-ICF-0017-FCPF	**Programme Start Date:** 2011	**Programme End Date:** 2025

Summary of Programme Performance

Year	2012	2013	2014	2015[1]	2016	2017	2018	2019
Programme Score	A	A	A	A	A	A	B	A
Risk Rating	Low	Low	Medium	Medium	Moderate[2]	Moderate	Moderate	Major

Summary of progress and lessons learnt since last review

The programme has seen some significant achievements in the course of the review period, with the launch of the centralised transaction registry, signature of 4 Emission Reduction Payment Agreements (ERPAs), progress on multiple fronts on the enabling conditions for ERPAs (including title transfer and benefit-sharing), and continued progress on knowledge exchange and capacity-building. Informal evidence suggests that the Forest Carbon Partnership Facility (FCPF) plays an important role in supporting countries to get key elements of their REDD+[3] systems in place, and to design those systems in a manner that is methodologically rigorous, equitable and participatory. The delivery partner (World Bank) has shown a willingness to adapt and innovate to meet the needs of the programme. Good progress has been made on the recommendations from last year's Annual Review. The milestone for a key output indicator (number of ERPAs signed) has not been met, despite the target being reduced, and reflecting a consistent pattern in under-achievement in this specific aspect. While this continues to be a cause of concern, we note that the milestone was narrowly missed (by 1 ERPA), and also note significant improvements to the efficiency of processes and systems that underlie ERPA negotiations. Contributors have agreed a deadline for ERPA signature of November 2020, and, together with the evidence above and explained further in this review, this contributes to an expectation that the final target of 16 ERPAs through 2020 is likely to be achieved[4]. Given this and stronger progress in other areas, our assessment is that the programme can be considered to have met expectations, thus receiving an 'A' score.

However, progress is not consistent across all countries and areas. While the milestone of getting the pipeline of FCPF programmes to ERPA signature stage appears to be in sight, which is a significant achievement given the complexities involved and the breadth of the portfolio, this is not the end of the story. Operationalising ERPAs and delivering the terms of ERPA agreements present significant risks and challenges. During 2020 the programme will increasingly shift towards this next phase, and it will be crucial to build upon the lessons learned, systems and relationships established, to proactively identify challenges, needs and risks.

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[1] From 2015, FCPF ICF Annual Reviews focus on the Carbon Fund. Previous reviews 2012-2014 were assessed on the basis of slightly different criteria (including progress of the Readiness Fund). Therefore, direct comparisons to earlier reviews are not possible.

[2] New risk categories have been adopted since 2015 review (Minor, Moderate, Major and Severe).

[3] The UN Framework to Reduce Emissions from Deforestation and forest Degradation, enhance forest carbon stocks, sustainable forest management and conservation (+)

[4] This Annual Review was written prior to the COVID-19 pandemic, and therefore does not factor in the potential implications of the pandemic for programme results.

There are three particular areas to watch in 2020. The design and operationalisation of benefit-sharing plans will significantly determine the ultimate impact and legacy of the FCPF, so this must be a key area of focus in the coming year. A second area is Monitoring Reporting and Verification (MRV) capacity which is critical to FCPF's results-based payment approach: the technical requirements are significant, and in many cases unprecedented for REDD+ countries. A third area is the relevance of FCPF to broader initiatives and opportunities, such as compliance market opportunities and new results-based payment options. To what extent FCPF is able to influence or engage with these initiatives is an important component of its impact story, as well as Value for Money, in that it will help to ensure that the work that has been invested in the programme can reap dividends beyond its lifetime.

Progress on Recommendations from the Previous Review

Recommendation	Progress
The BEIS programme manager and Fund Management Team (FMT) should review the Theory of Change on mobilising private finance and identify output level indicators to explain how programmes will achieve targets under Outcome 3 in the Logframe (by August 2019)	**Delayed** due to dependency on BioCF activities. The FMT and Contributors to the BioCF are leading a process to develop a revised Theory of Change for leveraging private finance through jurisdictional REDD+ programmes. BEIS hosted a multi-stakeholder workshop in March 2019 to kick-start discussions, but an improved Theory of Change has not yet been approved. Once the Theory of Change is finalised for BioCF, the FCPF logframe should be updated to reflect stronger indicators to demonstrate progress and activity in this area.
The FMT should do a report on portfolio and programme financing, identify challenges to integrating different sources of finance and make recommendations for options to fill financial gaps (August 2019)	**Delayed.** A draft report has been produced. Timeline for finalisation influenced by acceptance of all Emission Reduction (ER) programmes into the portfolio, as this provided clarity on financing needs and gaps. Final ER programme documents were received in November 2019 so draft report is being revised. Final report expected in May/June, to be presented to Contributors during 2020.
The BEIS programme manager and FMT should agree improvements to be made to the monthly portfolio reports, and a schedule of regular informal calls with CFPs to update on programmes and key issues (February 2019)	**Achieved.** Regular calls are occurring, and the portfolio reports have been adjusted. This has been valuable in updating CFPs of recent progress and potential issues. Supporting more effective coordination and streamlined decision-making.
CFPs and the FMT should agree a 'default' ERPA term-sheet and confirm the roles and responsibilities for ERPA negotiations (March 2019)	**Achieved.** A note was published clarifying roles and responsibilities, and a default ERPA term-sheet established.
The BEIS programme manager should add a new indicator to the BEIS Carbon Fund logframe relating to the duration of ERPA negotiations (August 2019)	**Achieved.** Indicator added to logframe. Provides opportunity to understand progress in the efficiency of ERPA negotiations as learn from experience.
The FMT should review and confirm that the team has the capacity to negotiate multiple ERPAs simultaneously, and is preparing appropriating – putting the necessary structures, resources and processes into place – to shift into post-ERPA operational delivery mode (August 2019)	**Achieved.** While achievement of this recommendation is somewhat subjective, and requirements may continue to emerge or shift going forward, adequate progress has been made in the period. The FMT has sought to prepare for ERPA negotiation and operationalisation through (a) readiness in its own operational structure and capability, e.g: establishing ERPA signature as a core part of

	results agreements for legal team, establishing internal processing guidelines to align better with core World Bank processes, establishing clarity on internal transfer of funds to Practices, establishing an ERPA delivery unit which meets weekly to discuss status (b) readiness in systems and processes e.g.: finalising the centralised registry, publishing benefit-sharing plan guidance, publishing guidance on title transfer.
The BEIS Programme Manager should review the BEIS Carbon Fund Logframe alongside the completed FCPF Monitoring and Evaluation (M&E) Framework and make appropriate updates including: revising indicator 1.8 and considered proxies; updating indicators relating to Outputs 3 & 4.	**Partially achieved.** Some updates made to logframe as explained in detail below. Further refinement required in 2020 period e.g. revision of milestone dates based on evaluation plan, establishing missing targets.

Summary of recommendations for the next year

1. **[Rolled over from 2019 AR]: World Bank and BEIS** should review the Theory of Change on mobilising private finance and identify output level indicators to explain how programmes will achieve targets under Outcome 3 in the Logframe (by August 2019).
2. **[Rolled over from 2019 AR]:** The FMT should do a report on portfolio and programme financing, identify challenges to integrating different sources of finance and make recommendations for options to fill financial gaps by June 2020.
3. **World Bank** to monitor and ensure adequacy of resources and activities to support the delivery of ER programmes, including enabling conditions, and report back in a timely and comprehensive manner to Contributors where gaps or needs are seen to be impacting the delivery of ER programmes (October 2020).
4. **BEIS** to develop, informed by World Bank inputs, an interim solution for reporting against indicators under logframe Output 2 prior to evaluative evidence emerging in 2022/23, as well as baselining those indicators by June 2020. This may include drawing upon monitoring data from regular reporting from task teams, and/or some rapid qualitative assessment.
5. **BEIS** to review adequacy of current Theory of Change and logframe indicators relating to a) operationalisation of ERPAs (conditions of effectiveness) b) delivery of ER programmes. New indicators may be added. Milestones to be aligned with the programme Monitoring and Evaluation (M&E) framework. (June 2020).
6. **World Bank and BEIS** to review targets that are yet to be defined in the programme logframe and consider appropriate actions to improve completeness – including establishment of a target and milestones of indicator 1.4 “amount of disbursements for ER payments” (June 2020).
7. **World Bank** to review monthly portfolio reports, and other reporting and risk management tools, to ensure adequate and appropriate coverage of milestones and risks in the post-ERPA operationalisation phase (May 2020).
8. **BEIS** to develop a plan and/or stakeholder mapping to inform and engage with stakeholders in ERPA countries e.g.: Post, local DFID offices and other HMG actors in Carbon Fund countries to encourage progress, emphasise HMG support to the programme, and gather information (October 2020).

A. INTRODUCTION AND CONTEXT (1 page)

Link to Business Case:	Original ICF Business Case (£45m), 2013 ICF Extension Business Case (£85m top up), 2015
Link to Log frame:	2019 Logframe
Link to previous Annual Review (if appropriate)	2018 Annual Review

Outline of the programme

The Forest Carbon Partnership Facility (FCPF) was established in 2008 to assist developing countries in their efforts to reduce emissions from deforestation and forest degradation and foster conservation, sustainable management of forests, and enhancement of forest carbon stocks (all activities commonly referred to as "REDD+") by providing value to standing forests. The FCPF is a multi-donor Trust Fund managed by the World Bank. It has two separate but complementary funding mechanisms — the Readiness Fund and the Carbon Fund.

The **Carbon Fund**, which is the focus of this Review, has been operational since 2011. The Carbon Fund is a pilot payment for results mechanism, designed to incentivise ambitious actions to reduce deforestation through payments for verified emission reductions (ERs) generated by REDD+ (Reduced Emissions from Deforestation and Forest Degradation) programmes.

Eighteen countries have been selected into the Carbon Fund portfolio on the basis of their ER Programmes[5]. Four countries have reached the stage of ER Payment Agreement (ERPAs) as of December 2019 (Democratic Republic of the Congo, Mozambique, Ghana, Chile).

To date, UK has invested **£141.5m** in the Carbon Fund (£11.5m Environmental Technology Fund investment in 2011; £45m International Climate Fund (ICF) investment in 2014; £85m ICF investment in 2015). Total committed funds to the Carbon Fund at the end of FY19 (30 June 2019) totalled **$900m**[6]. The UK is the third largest financial contributor with a c.21% burden share. There are 17 donors to the FCPF and 47 forest country participants, with observers from Indigenous Peoples, Civil Society Organisations, International Organisations, Women's Groups and the Private Sector.

B: PERFORMANCE AND CONCLUSIONS (1-2 pages)

Annual outcome assessment

The Carbon Fund's ultimate success will be measured in terms of progress against its intended outcome: ***The FCPF Carbon Fund has strengthened governance, built institutional capacity and mobilised investment for sustainable forest management in participant countries, to equitably support Reduced Emissions from Deforestation and forest Degradation (REDD+), and has contributed to the creation of global standards for REDD+.***

It is too early to comprehensively assess progress at the outcome level. No ERPAs were yet operational in 2019 (as those signed as pending completion of conditions of effectiveness), and thus

[5] Chile, Costa Rica, Cote d'Ivoire, Democratic Republic of Congo, Dominican Republic, Fiji, Ghana, Guatemala, Indonesia, Lao PDR, Madagascar, Mozambique, Mexico, Nepal, Nicaragua, Peru, Republic of Congo, and Vietnam

[6] Amounts may vary due to exchange rate fluctuations (FCPF 2019 Annual Report).

the Carbon Fund is yet to begin its full implementation phase. Several indicators of progress at outcome level cannot yet be measured either because they rely on processes that are yet to begin or because they require additional evaluative evidence. However, there are indications of progress towards the outcome, as described below.

There is evidence to suggest that FCPF is influencing other REDD+ programmes and practice, for example in the development of methodological frameworks for other multilateral or independent REDD+ results-based payment initiatives. The BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL), also funded by UK ICF, has been able to draw upon FCPF precedent and experience in its operational design.

Likewise there is a range of indicative evidence relating to the influence that FCPF has had upon REDD+ country participants' national approaches to managing their forests. Examples are provided in the programme's 2019 Annual Review, including:

- Costa Rica has advanced work to determine the ownership of carbon and enable transfer of title to carbon as required by its ERPA;
- Lao PDR passed new forest and land laws that support and advance its REDD+ framework, including provisions on carbon trading.

Countries supported through the programme have made progress in establishing core components of the Warsaw Framework under the UNFCCC, including a National REDD+ Strategy, a Forest Reference Emissions Level/Forest Reference Level (FREL/FRL), National Forest Monitoring System and Safeguards Information System:

- Chile, Indonesia and Paraguay submitted REDD+ technical annexes to the UNFCCC
- Panama, Mozambique and Democratic Republic of Congo (DRC) completed technical assessments of their FREL/FRL.

A key indicator at the outcome level is the net change in greenhouse gas emissions that the Carbon Fund has enabled. The lifetime target for the programme is 170m tonnes of carbon dioxide equivalent (tCO_2eq). No data is available for this indicator at this stage in the absence of operational ERPAs. Progress will depend upon ERPA signature, and subsequently, programmes delivering on their ERPAs to produce verified results. At the close of the 2019 reporting period there was progress on the former, with the Fund Management Team (FMT) expecting that the majority of ERPAs would be signed by June 2020 and all by November 2020. Various approaches to mitigating under-delivery risk have been built-in to the design and process of the ERPAs, including call options, a diverse portfolio, and detailed ER Programme Documents (ERPDs). However it remains difficult to assess prospects for ER programme delivery. Financing gaps for ER programmes remain, which creates a risk to operationalisation.

$1.54bn has mobilised as a result of financing through the FCPF[7], the vast majority of which is from public sources. Previous Annual Reviews noted the barriers to unlocking private finance and a recommendation to improve measurable targets in this area has not yet been met. However during 2019 efforts were made to enhance prospects for private sector finance. The FCPF advanced its application to serve as a programme under the UN International Civil Aviation Organization (ICAO) Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). In March the FCPF also, jointly with the International Emissions Trading Association, hosted a global workshop on how to unlock private sector finance for sustainable landscape management. REDD+ Country Participants along with financial institutions, carbon trading entities, commodity supply chain companies, and NGOs gathered to share lessons on how REDD+, carbon trading, and sustainable commodity supply chain initiatives can be integrated and scaled up. The workshop report is publicly available and can be found here.

Overall output score and description

[7] This data is reported in the World Bank Annual Report 2019, inclusive of Readiness Fund as well as Carbon Fund, is an aggregate (unattributed) sum.

Score	Output Description
A++	Outputs substantially exceeded expectation
A+	Outputs moderately exceeded expectation
A	Outputs met expectation
B	Outputs moderately did not meet expectation
C	Outputs substantially did not meet expectation

Output	Output Indicators	Score
Emissions Reduction Programmes planned and implemented/ progressing through the Carbon Fund process	**1.1** Numbers of countries accepted into the Carbon Fund portfolio	A+
	1.2 Number of ERPAs signed	B
	1.3 Percentage of ERPA negotiations finalised within 12 months from the data of unconditional acceptance into the Carbon Fund portfolio (%)	B
	1.4 Amount of disbursements for ER payments ($, cumulative)	N/A
Output 1 Score: B (weighting 60%)		
Countries implement programmes that conserve biodiversity and contribute positively to local socio-economic development, as well as generating emission reductions	**2.1** Extent to which FCPF processes support Participant country efforts to sustain and enhance livelihoods within REDD+ intervention areas	N/A
	2.2 % of monetary benefits from Carbon Fund programmes shared with beneficiaries	N/A
	2.3 Number of ER programmes that demonstrate relevant sustainability standards, as provided for in the Common Approach to Environmental and Social Safeguards (developed by FCPF Readiness Fund) and the World Bank safeguards	N/A
Output 2 Score: A (weighting 35%)		
Knowledge gained in the development of the FCPF and implementation of ER programmes are broadly shared and used by international REDD+ practitioners	**3.1** Percentage (%) of countries who say that FCPF support has improved national capacities to develop and deliver REDD+ projects.	A
	3.2 Number of non-FCPF programs and countries that have adopted elements of the FCPF Methodological Framework within their own REDD+ processes	N/A
	3.3 Percentage (%) of participants in South-South learning activities indicating that they will apply the new knowledge or skills in their work	A+
Output 3 Score: A (weighting 5%)		

“Not applicable” (N/A) relates to outputs that are not yet being monitored as they relate to activities at a later phase in the programme, or outputs that lack rigorous evidence at this stage. For the latter, a narrative assessment that may consider proxy indicators is carried in Section C below.

The score for the 2019 period is **A – outputs met expectation**. While the output scoring alone would result in the programme receiving a B-score, it is not the only input into the annual review process (and for FCPF, the need for additional inputs is particularly clear given several indicators cannot be measured yet). As described in the summary of progress in Section A, and in more detail in Section C, contextual considerations not captured in the logframe indicate stronger progress than the output scoring alone.

Has the logframe been updated since the last review?

The logframe has been updated following from a recommendation to do so in the 2018 Annual Review, and following the publication of the latest version of the programme’s Monitoring & Evaluation Framework (MEF) in May 2019. Outputs and indicators were reviewed for relevance and clarity: some related to previous phases of the programme and were thus removed in order to streamline the logframe; some were added in to better reflect needs in current and upcoming programming phases, and to align with the programme MEF; language and phrasing was modified to align with the programme MEF and to improve clarity; the outcome statement was consolidated, and overall number of indicators reduced, in line with HMG best practice guideline for programme monitoring and evaluation. There is a need to further strengthen the logframe during the next period, in particular to seek completion of missing targets – in general it is not good practice to have indicators without targets because progress against expectations cannot be assessed. The programme’s MEF provides some justification of instances where targets and milestones are TBD: BEIS will review this for adequacy and adjust our logframe as needed.

Recommendation:

- **World Bank and BEIS** to review targets that are yet to be defined in programme logframe and consider appropriate actions to improve completeness – including establishment of a target and milestones of indicator 1.4 “amount of disbursements for ER payments” (June 2020)

C: DETAILED OUTPUT SCORING (1-2 pages per output)

Output Title	Emission Reductions Programmes planned and implemented/progressing through the Carbon Fund process		
Output number in Logframe	1	**Output Score**	B
Risk rating (Minor, Moderate, Major or Severe)	Major	Impact weighting (%):	60
Risk[8] revised since last AR?	No	Impact weighting[9] % revised since last AR?	N

Indicator(s)	**Milestones from Logframe**	**Progress**
1.1 Number of countries accepted into CF portfolio (cumulative)	14	**Surpassed.** 18 countries are in the portfolio. Countries formally enter the portfolio once their ER Programme Document has received approval from Carbon Fund Contributors. The final set of countries presented their ERPDs at the June 2019 Carbon Fund meeting, subsequent to which the pipeline closed as had been previously agreed.
1.2 Number of ERPAs signed (cumulative)	5	**Not achieved.** Progress in this area was close to target however, with four ERPAs signed as of December 2019: Democratic Republic of Congo, Ghana, Mozambique and Chile. Targets under this indicator have consistently not been achieved as per the previous two annual reviews, for various reasons, both operational and contextual. Overall however, going in 2020, the pipeline is picking up pace in getting to ERPA signature.
1.3 Percentage of ERPA negotiations finalised within 12 months from the date of unconditional acceptance into the Carbon Fund portfolio (%)	100%	**Not achieved.** At the time of writing, 1 country (Mozambique) had seen its ERPA negotiations finalised within the 12 months since unconditional acceptance. Negotiations for the 3 other ERPAs signed had taken longer than 12 months. 7 other countries were accepted into the portfolio more than 12 months previously but

[8] Risk categories have been revised since the 2018 AR, however substantively there is no change.
[9] Output statements have been changed since the 2018 AR so it is not possible to undertake direct comparison. This conclusion is based on an assessment of comparability.

		have not yet finalised ERPA negotiations. 1 of 11 countries is equivalent to 9% of negotiations with countries meeting the target timescale. This indicator was added in upon recommendation in the 2018 Annual Review. Its purpose is to highlight and encourage a more efficient process between acceptance into the portfolio and agreement of ERPAs. Establishing the underpinning frameworks for ERPAs, such as safeguards systems and title of transfer is primarily responsible for the time taken, rather than the negotiations themselves. The Fund has established a formal deadline for November 2020 to complete all ERPA negotiations.
1.4 Amount of disbursements for ER payments ($, cumulative)	TBD	**Not applicable.** No ERPAs are yet operational and thus this indicator is not yet being measured. Targets have not been established for this indicator yet, within the programme M&E Framework or internally. This is because of the difficulty of forecasting payments without a full pipeline of signed ERPAs. A target should be established during 2020**.** Various measures are in place to mitigate risks of under-spend. Flexibility in the ERPA portfolio is enabled through sweep and call options in these contracts, which allows for purchasing high volumes of ERs from some programmes in response to under-delivery from others. The portfolio itself is large and diverse, which was an intentional risk mitigation measure. Modelling of ER delivery is carried out in advance of bi-annual fund meetings by the FMT using a Monte Carlo simulation. The modelling carried out in advance of the January 2020 fund predicted an average of 230.1m tCO2eq generated by the existing portfolio, or $1.2bn, which considerably exceeds the funds available in the Carbon Fund (approx. $815.9m). While uncertainty ranges remain fairly significant and thus this result is indicative, over time they are narrowing as the portfolio develops, thus the results of the model should become more reliable as a forecasting tool[10].

Key Points

Targets for ERPA signature (indicator 1.2) have not been met in the previous two annual reviews (targets: 1 ERPA in 2017, 3 ERPAs in 2018), and the target for 2019 was re-baselined during the current reporting period, from 10-13 to 5. However, notwithstanding the missed target in 2019, the process does appear to have become more efficient and there has been a significant uptick in pace and progress to ERPA

[10] Presentation: FCPF Portfolio Management Update, CF21, January 22-23 2020. Available on FCPF website.

signature in late 2019 and into early 2020, such that progress can be considered on track towards the final target of 16 ERPAs in 2020. It is notable that 3 of the signed ERPAs are from African countries, signalling successful engagement by FCPF in the region, with a mix of geographies in the pipeline. A deadline has been set of November 2020 for ERPA signature: this builds on the experience of setting a deadline for ERPDs (summer 2019) which appeared to accelerate and incentivise more rapid progress. This deadline was established with support of forest country representatives and FCPF observers. In 2018 part of the delay was attributed to the lack of clarity on ERPA roles and responsibilities, and guidance on benefit-sharing plans. As discussed in the recommendations section, these issues were addressed in 2019 and there are signs that they are helping to speed up the process. There is evidence that lessons have been learned from this process, for example in the procedures being followed in a similar programme the BioCF ISFL.

Several of the factors that have caused the delays to ERPA signature may recur and create challenges to the timely achievement of milestones in subsequent phases of the programme. These factors include lack of preparedness and difficulty anticipating the types of challenges that might arise, on the part of the Carbon Fund; difficulties in aligning needs for meeting those challenges with existing operational set-ups and resourcing, e.g. for the Carbon Fund; and shifting commitment and dynamics in recipient countries. It is important to proactively learn, reflect and anticipate future challenges. There is evidence that the FMT is making an effort to learn and adapt from its experience with ERPA negotiations, including making changes to its team structure (e.g. reviewing objectives and priorities for legal experts who have a key role in negotiations) and improving consistency and efficiency of processes (eg: template ERPA term sheet).

It had been agreed in 2018 that the Carbon Fund meeting in July 2019 (CF20) would be the last opportunity for accepting additional ER programmes into the pipeline. All but one (Cameroon) of the 19 countries in the Carbon Fund made this deadline[11]. All signed ERPAs so far include “Conditions of Effectiveness” (COE), that must be completed prior to the ERPA becoming operational. These may include, for example, submission of a final benefit-sharing plan, or proof of ability to transfer title to ERs. Progress appears variable in the time taken to complete those conditions. As of late 2019, DRC, the first country to sign an ERPA in 2018, is yet to complete five of its six conditions of effectiveness. The main sticking point is the revision of the Reference Level, which is ongoing; the finalisation of the Benefit-Sharing Plan (a further COE) depends in part upon that. However there has been stronger progress in other countries, particularly Mozambique, which is expected to complete this process in early 2020. While the programme management focus has been on getting to ERPA signature stage, the COE stage represents an intermediate phase prior to ERPA operationalisation, thus delays should be monitored and mechanisms to improve efficiency and accountability considered. BEIS should consider adding an indicator to the BEIS logframe to monitor progress in COE completion.

Indicator 1.4 speaks to the extent to which results are being generated, and thus corresponds directly to the programme’s outcome statement. It is expected that some ERPAs will become operational during 2020 and thus the indicator will start to be monitored; it is important that a target be set so that progress can effectively be assessed; BEIS will work with the FMT on this in 2020. BEIS will also seek to monitor and encourage a proactive approach to identifying the operational requirements for this phase, including programme and portfolio management tools and documentation relating to delivery, risk, communication. A recommendation is included to this end.

[11] Cameroon was not ready to present its ERPD at the Carbon Fund meeting in July 2019 (CF20). CFPs decided to against extending the deadline, however noting the importance of REDD+ in Cameroon and encouraging Cameroon to take advantage of other sources of finance and support currently or potentially available to support its REDD+ agenda including the Central African Forest Initiative, the Forest Investment Programme, the Forest Governance, Markets and Climate Programme.

A significant achievement in 2019 is the operationalisation of the FCPF's centralised registry, which is a key operational requirement for rewarding results. The registry will enable transactions to occur, will ensure double-counting of results does not occur, and will support transparency and accountability. This central transaction registry will provide a user-friendly software solution to register and issue ER units, mitigate the risk of double counting, and allow users to run quick and reliable queries through a web portal. Verification guidelines have been updated, and provide guidance on the eligibility of verification entities as well as the verification process. The process for selecting and contracting verification companies is ongoing as of the close of this reporting period.

Summary of responses to issues raised in previous annual reviews (where relevant)

Several recommendations made in AR 2018 relate to Output 1. There has been good progress in terms of responses to those recommendations. The FMT has strengthened its tools for communicating updates and progress to CFPs, including calls and portfolio reports. Key operational requirements have been documented and templates have been created to improve efficiency as countries move through the pipeline stages, e.g. a default ERPA term sheet. The FMT has sought to prepare for ERPA negotiation and operationalisation through (a) readiness in its own operational structure and capability, e.g. establishing ERPA signature as a core part of results agreements for its legal team, establishing internal processing guidelines to align better with core World Bank processes, establishing clarity on internal transfer of funds to Practices, establishing an ERPA delivery unit which meets weekly to discuss status (b) readiness in systems and processes e.g. finalising the centralised registry, publishing benefit-sharing plan guidance, publishing guidance on title transfer. These actions all set useful precedents for delivering recommendations made in this Annual Review, which refer to readiness for the upcoming stage of ER programme operationalisation.

Recommendations

- **BEIS** to review current Theory of Change and logframe to consider adequacy of indicators and change logic relating to a) operationalisation of ERPAs (conditions of effectiveness) b) delivery of ER programmes. New indicators may be added. Draw upon, and align as far as possible with, the programme MELF and evaluation plan, including indicators under output 2.4 (June 2020)
- **World Bank and BEIS** to establish a target and milestones for indicator 1.4 “amount of disbursements for ER payments” (June 2020)
- **World Bank** to review monthly portfolio reports, and other reporting and risk management tools, to ensure adequate and appropriate coverage of milestones and risks in the post-ERPA operationalisation phase (May 2020).
- **BEIS** to develop a plan and/or stakeholder mapping to inform and engage with stakeholders in ERPA countries e.g.: Post, local DFID offices and other HMG actors in Carbon Fund countries to encourage progress, emphasise HMG support to the programme, and gather information (October 2020).

Output Title	Countries implement programmes that conserve biodiversity and contribute positively to local socio-economic development, as well as generating emission reductions.		
Output number in Logframe	2	**Output Score**	A
Risk rating (Minor, Moderate, Major or Severe)	Major	Impact weighting (%):	35

Risk revised since last AR?	No	Impact weighting % revised since last AR?	N

Indicator(s)	**Milestones from Logframe**	**Progress**
2.1 Extent to which FCPF processes support Participant country efforts to sustain and enhance livelihoods within REDD+ intervention areas	TBD	**Not applicable.** This indicator will be assessed through qualitative evaluation. While not an adequate proxy, it is relevant to note that 18 ER Programmes (i.e.: all programmes in the Carbon Fund) propose to test ways to sustain and enhance livelihoods.
2.2 % of monetary benefits from CF programs shared with beneficiaries (disaggregated by gender, CSOs, IPs, Local Communities)	0%	**Not applicable.** No payments have yet been made, thus this indicator is not yet being monitored. Milestones and targets should be established during 2020, prior to first reporting. It should be possible to establish milestones on the basis of the approved benefit-sharing plans. Four advanced draft benefit-sharing plans were submitted during 2019, for each country that signed an ERPA. Each of those countries have, in their ERPA, finalisation of their BSP as a condition of effectiveness. Progress has been variable: Mozambique's BSP has been finalised as of early 2020, but DRC's is still not finalised with several issues outstanding.). In parallel to the BSPs themselves, the FMT published in July 2019 a guidance note on benefit-sharing for ER programmes, followed by a report[12] on good practices for benefit-sharing in results-based land-use programmes. The need for such guidance had been identified in the 2018 Annual Review. These resources provide useful clarity on a topic and process that lacks much precedent.

[12] *World Bank Group. 2019. Benefit Sharing at Scale : Good Practices for Results-Based Land Use Programs. World Bank, Washington, DC. © World Bank. https://openknowledge.worldbank.org/handle/10986/32765 License: CC BY 3.0 IGO.*

2.3 Number of ER programmes that demonstrate relevant sustainability standards, as provided for in the Common Approach to Environmental and Social Safeguards (development by FCPF Readiness Fund) and the World Bank safeguards	TBD	**Not applicable.** This indicator is dependent upon ERPAs being operationalised. It will likely require a combination of quantitative and qualitative evidence, to reflect the nuance and variety of situations to which safeguards may need to apply.

Key Points

It is not possible to provide a rigorous assessment of progress against indicators under Output 2. This is either because it is too early in the programme phasing for the relevant activities that would contribute to the output to have begun, or because there is inadequate evidence available to assess progress against the indicator. The latter case is where the required evidence is qualitative and evaluative.

Evaluation timings and approach are described in the revised programme's M&E Framework, published in May 2019 (also see Section H of this Annual Review). Milestones for relevant indicators need to be adjusted in the next reporting period to align with those timings. It is anticipated that the 2022 Annual Review will be able to review substantial evaluative evidence from the Final Evaluation of the Readiness Fund and the Thematic/Influence Evaluation of the Carbon Fund. In the meantime, other evidence will be used as far as possible – including proxies from regular monitoring, and informal qualitative data garnered from conversations and other interactions. These sources do not substitute for evaluative data but will help to build a picture of progress in the meantime.

Some indicative evidence relating to Output 2 is provided in the Annual Report. In Cote d'Ivoire, zero-deforestation agriculture is a key part of the National REDD+ Strategy, and efforts are ongoing to pilot and scale-up activities. As with several other countries, including Dominican Republic whose national REDD+ strategy includes agroforestry and silviculture techniques, Cote d'Ivoire factors in biodiversity conservation to its REDD+ efforts. Madagascar's Safeguards Information System has been integrated into its REDD+ information system, as an example of progress made on safeguards. FCPF has continued to support broad consultation processes in countries on a range of topics. For example: In Guatemala, 21 territorial consultation workshops involving all country partnerships were held to discuss drivers of deforestation.

Benefit-sharing plans are intended to be bespoke and suited to national and local circumstances. As expected therefore, the emerging plans vary widely in terms of the activities supported, the means of reaching and supporting communities, and the emphasis placed upon appropriate definitions of reward in line with socio-economic and cultural conditions. The guidance note and synthesis report described above are intended for use by practitioners, including FCPF participants. The utility and impact of these resources will depend upon dissemination and uptake; it is not possible for this review to assess these aspects. It is expected, however, that the length of the review process and the quality of BSPs will improve over time as lessons are learned.

Safeguards and benefit-sharing plans remain highly sensitive topics, subject to significant scrutiny and risk. The scale of the ER programmes and the number of stakeholders involved creates challenges to oversight and monitoring. We expect the World Bank to take safeguarding matters seriously at the corporate and programme level, and have noted the delivery team's willingness to innovate in response to challenges. Contributors and the World Bank identified a shortcoming in the adequacy of World Bank safeguards approaches for jurisdictional-scale results-based programmes, in situations where the activities of third parties within the ER programme area raise safeguarding issues, with whom the World

Bank has no formal contractual or legal relationship. The FMT accepted the need to modify the World Bank's safeguards approach in this area, and will present a suggested approach to Contributors at the January 2020 Carbon Fund meeting.

The Capacity Building Programme for Indigenous Peoples and Civil Society Organisations has continued to support meaningful engagement of these groups in the Carbon Fund process and REDD+ more generally. The Fund provides grants through 7 regional organisations, and during the reporting period has supported research on customary land tenure to inform REDD+ benefit-sharing mechanisms, development of strategic frameworks to guide engagement of Indigenous Peoples, and outreach. A need for this support to continue under the Carbon Fund has been identified, and German funding committed to enable this. BEIS encourages the World Bank to consider other needs that might be unmet now or in the future, for example as a result of assumptions made at the FCPF design phase that no longer hold, and share with Contributors where such needs are identified. We will also seek to maximise synergies with other programmes and initiatives with similar objectives at the community level, for example Progreen.

Summary of responses to issues raised in previous annual reviews

The 2018 Annual Review recommended that the World Bank and BEIS review the programme's approach to mobilising private finance in ER programme areas, and adjust the logframe accordingly. This is with a view to leveraging and crowding in efforts from private sector actors to support, and scale, activities. The FCPF will draw upon the experience and progress of the BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL) programme in developing its private sector engagement strategies; progress in ISFL in this regard is ongoing, and during 2020 FCPF should be able to action this recommendation. The FMT is also working on a report on gaps in financing for ER programmes; this was scheduled for delivery during 2019, but has been delayed in order to accommodate the full ERPA pipeline. This report will be important in identifying outstanding needs to operationalise the programmes, and FCPF Contributors and observers should be invited to discuss its findings and implications. There may be additional support needed for the enabling conditions for ERPA delivery, including as regards MRV, benefit-sharing, governance and institutional capacity; other programmes may be able to fill these gaps if approached strategically, and a recommendation is added to that end below.

Recommendations

- **[Rolled over from 2019 AR]: World Bank and BEIS** should review the Theory of Change on mobilising private finance and identify output level indicators to explain how programmes will achieve targets under Outcome 3 in the Logframe (by August 2019)
- **[Rolled over from 2019 AR]:** The FMT should do a report on portfolio and programme financing, identify challenges to integrating different sources of finance and make recommendations for options to fill financial gaps
- **World Bank** to monitor and ensure adequacy of resources and activities to support the delivery of ER programmes, including enabling conditions, and report back to CFPs where gaps or needs are seen to be impacting the delivery of ER programmes (October 2020).
- **BEIS** to develop, ideally with World Bank, inputs an interim solution for reporting against indicators under Output 2 prior to evaluative evidence emerging in 2022/23, as well as baselining those indicators. This may include drawing upon monitoring data from regular reporting from task teams, and/or some rapid qualitative assessment

Output Title	Knowledge gained in the development of the FCPF and the implementation of ER programmes is broadly shared and used by international REDD+ practitioners		
Output number in Logframe	3	**Output Score**	A
Risk rating (Minor, Moderate, Major or Severe)	Minor	Impact weighting (%):	5

Risk revised since last AR?	Y	Impact weighting % revised since last AR?	N

Indicator(s)	Milestones from Logframe	Progress
3.1 Percentage (%) of countries who say that FCPF support has improved national capacities to develop and deliver REDD+ projects	TBD	**Achieved.** The lack of milestone means it is not possible to rigorously assess progress made. The average response of participants is mid-way between "Agree" and "Completely Agree" (average score 4.49[13] across 43 country responses on a 5-point scale where 0 is completely disagree and 5 is completely agree). This is a positive result and is considered an adequate proxy for considering the indicator to be achieved.
3.2 Number of non-FCPF programs and countries that have adopted elements of the FCPF Methodological Framework within their own REDD+ processes	TBD	**Not applicable.** Progress against this indicator is to be assessed through the "influence" evaluation scheduled for 2022/23. Examples provided in programme annual reviews, based on information received from delivery partners in country, suggest that this is occurring.
3.3 Percentage of participants in South-South learning activities indicating that they will apply their new knowledge or skills in their work	50	94[14]. **Surpassed.** South-South Knowledge Exchanges have covered a diverse range of topics and participants. They have occurred on a bilateral basis, a regional basis and inter-regional basis eg: in April 2019, an Africa-Asia Pacific Exchange on ERP Development, with 22 participants from 5 countries. Anecdotal evidence suggests that a high proportion of participants complete feedback forms.

Key Points

During 2019 the FCPF advanced its application to the International Civil Aviation Organisation's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which is expected to be an important source of demand for compliance-grade emission reductions in the coming decade. For FCPF participants, it could represent a new source of funding for their ERs, and for the programme, provide an important proof-of-concept with regards its relevance and acceptability to international offsetting efforts.

Further information relating to the capacity-building and influencing implications of the programme is provided in the programme's Annual Report. For example:

[13] This data is taken for the World Bank fiscal year June 2018 – June 2019, so is not exactly congruent with the Annual Review reporting period.
[14] See previous footnote

- 54500 people participated in activities funded by the IP-CSO capacity building fund between June 2018 and June 2019, of which 42700 were female and 11800 were indigenous peoples.
- Targets relating to knowledge products have been exceeded, with 29 news stories/blogs, 60 knowledge seminars and 26 other products being produced cumulatively through the Fund lifetime. There has been a >100% increase in unique visitors and visits to the FCPF website.
- South-South learning exchanges this year focused on lessons from ERP development: MRV, GHG inventories and NFMS. There was a further conference focusing on social inclusion in REDD+, and the programme's annual Knowledge Day held alongside the Participants Assembly in October 2019. 613 people participated in South-South learning activities. This exceeds the target established in the programme logframe; however, the proportion of women and indigenous peoples participating was considerably below the target.

Evaluative evidence will be useful for providing a more nuanced picture of progress against this indicator, and demonstrating how reported results are contributing to progress at the outcome level. The influence evaluation scheduled for 2022/3 will be key here, potentially along with findings from other thematic evaluations.

Summary of responses to issues raised in previous annual reviews (where relevant)
Not applicable.

Recommendations
No recommendations.

D: FUND PERFORMANCE NOT CAPTURED BY OUTPUTS

N/A

E: VALUE FOR MONEY & FINANCIAL PERFORMANCE

Key cost drivers and performance

Financial contributions to the Carbon Fund now total c.$881m of which approximately $814m will be available for ER purchases[15].

Since the Carbon Fund became operational in 2011, expenditure to date totals $36m. This consists of administrative costs, technical advisory panels (eg: for reviewing ER programme documents), technical support to countries, ER programme development costs, shared costs with the FCPF's Readiness Fund, and costs relating to registries and private sector engagement[16]. No payments for emissions reductions have been made yet.

Most of the UK's £141.5m (of which £130m from the ICF, and £11.5 from the ETF) investment in the Carbon Fund has been committed via Promissory Note and has not yet been encashed. As a result, the UK contribution is subject to exchange rate fluctuations.

[15] Financial Contributions have been established using the latest version of the FCPF Results Collection Model 2019. The model uses information from the February 2019 FCPF Carbon Fund meeting. Numbers may vary due to time period differences and exchange rate fluctuations. BEIS ICF Analysts have used exchange rates as per ICF appraisal guidance.
[16] FCPF AR2019

The Carbon Fund has not yet produced any Emissions Reductions results, so the evidence has been evaluated as moderate.[17] This evidence base is built on expected results as opposed to actual results.

Economy (i.e. are we or our agents buying inputs of the appropriate quality at the right price?)

- The economy of the Carbon Fund is sensitive to changes in the Sterling to US dollar exchange rate, and as a result has increased this year due to favourable exchange rate movements from a UK perspective
- For the four signed ERPAs, the price agreed for the contract value is equivalent to that agreed by Contributors as their willingness to pay, i.e.: $5/t CO2 equivalent. With this precedent, the likelihood that all ERPAs will be signed at this price increases. There is scope for price flexibility in the Call Options; should those be utilised in the future, a price under $5 would mean in a general sense the economy of the Carbon Fund increases, and a price over $5 would mean it decreases. The information on ER volumes within ERPAs has resulted in an update to BEIS analysis of total emissions reductions pledged, and caused a reduction of 6 MtCO2eq in comparison to aggregate volumes calculated on the basis of pledges made at programme concept note stage.

Efficiency (i.e. how well do we or our agents convert inputs into outputs?)

- As explained in Section C, it has not been possible to assess progress against several outputs – either because they relate to a later phase or because of a lack of relevant evidence. This constrains an assessment of efficiency, and one recommendation from this review is to consider strengthening evidence to allow for a better assessment in FY20.
- Slippage of timelines against milestones has consistently been reported for the FCPF. This relates to the complexity of the programme, including several outputs, and the number of internal and external factors that can affect delivery. While the key target for ERPA signatures has again been missed this year, the target for accepting ERPDs into the pipeline has been surpassed. Key processes and templates to enable efficiency have been put in place and/or strengthened. Consequently, the fund is considered more efficient than it was last year.

Cost –effectiveness (i.e. how much impact does an intervention achieve relative to the inputs that we or our agents put in?)

- As no ER programmes are yet operational, and no ERs have been paid for, it is not possible to assess cost-effectiveness, however some potential risks and issues are flagged.
- A key issue that would affect cost-effectiveness would be underspend, i.e. if countries did not deliver the ERs anticipated in their ERPA term sheets, and if the options built-in to source those ERs from other programmes (via call options) were inadequate to fill the gap. The World Bank employs two models for predicting underspend, whose findings are communicated to CFPs at meetings or calls. BEIS will seek to include this information in our own risk management models and supplement with internal modelling and/or supplementary information, for example from networks in country. BEIS still expects that the funds will be fully disbursed by 2025, and this will be kept under review.
- As a payment-for-results mechanism, disbursements are tied to the achievement of clearly specified outcomes; in the case of the Carbon Fund, this is the number of Emissions Reductions. Therefore, the majority of payments will only be made if the intervention is successful.[18]
- The cost of reducing a tonne of carbon is used as a measure of cost effectiveness; compared to last year this has fallen from £5.66 to £5.57 at the UK attributed fund-level. The increase is due to a decrease in the forecast of total tonnes of CO2e avoided, following a reduction in the amount of pledged emissions reductions from ERPAs relative to previous estimates (see above). This cost of reducing a tonne of carbon is within the value-for-money range for ICF programmes, and is close to the original business case estimation, indicating that the Carbon Fund remains a sound investment.

[17] The first actual results related to carbon savings are only expected to be reported during the first payment year which will be dependent on the negotiated terms of the ERPA and countries completing any conditions of effectiveness. BEIS expects this to be during 2020.

[18] There is a possibility that programmes could negotiate advances to cover the upfront costs of their ER programme.

Equity

- Carbon Fund countries are required to produce detailed benefit-sharing plans, according to which the payments are disbursed. These plans detail how payments will translate into various positive development outcomes including sustainable livelihoods, poverty reduction, empowerment of local communities and indigenous peoples, institutional strengthening, protecting valuable ecosystems, etc.

VfM performance compared to the original VfM proposition in the business case & assessment of whether the programme continues to represent value for money

As the Carbon Fund is yet to deliver verified results, it is too early to determine whether the Programme has deviated significantly from the original value-for-money expectations. Two risks to achieving value for money include 1) further delays to ERPA operationalisation, and 2) the potential for underspend. Delays to disbursement of funds and operationalisation of ERPAs will negatively impact the efficiency of the Programme. Additionally, underspend will negatively impact the effectiveness of the Programme as less ERs than expected would be purchased.

Quality of financial management

The FMT provide annual financial reports as part of the FCPF Annual Report. Budgets are approved annually by Carbon Fund Participants at the Carbon Fund meeting closest to the end/start of the World Bank's fiscal year, which starts on July 1 and ends on June 30.

BEIS has confidence in the capability of the World Bank to deliver the requirements of the programme. The 2018 Annual Review noted that the FMT had scaled up its resources to meet needs, and in 2019 the FMT has continued to adjust its structure and set-up to meet programme needs. For example, the objectives of legal experts on the team have been revised to include a more explicit focus on ERPA operationalisation. The FMT must continue to ensure that the requisite structures, procedures and resources are in place to enable effective post-ERPA operational delivery. It is likely that efficiencies will be realised as the portfolio size increases, and learning is shared across programmes. Where additional expertise is required this has been be procured by the World Bank, such as a Technical Advisory Panel to support the development of programmes and provide an independent assessment of programmes' technical quality. Additionally the FMT appear to have drawn in expertise and resources from different Global Practices within the World Bank, to supplement its own technical capability.

Date of last narrative financial report	November 2019
Date of last audited annual statement	30 June 2019

F: RISK (1/2-1 pages)

Overall risk rating:
Major

Overview of programme risk

Risk categories comprise four options, described as follows. The rating provided in this Annual Review takes into consideration the impact of mitigation measures (i.e.: refers to residual risk).

Individual issue / risk	Definitions
Minor	This is an issue / risk that could have a minor effect on the achievement of one or many of the Department's strategic objectives, or could have a minor effect on the effectiveness or efficiency of the Department's activities or processes.
Moderate	This is an issue / risk that could have a moderate effect on the achievement of one or many of the Department's strategic objectives, or could have a moderate effect on the effectiveness or efficiency of the Department's activities or processes.
Major	This is an issue / risk that could have a major effect on the achievement of one or many of the Department's strategic objectives, or could have a major effect on the effectiveness or efficiency of the Department's activities or processes.
Severe	This is an issue / risk that could severely affect the achievement of one or many of the Department's strategic objectives, or could severely affect the effectiveness or efficiency of the Department's activities or processes.

Risk description	Mitigation strategy	Residual Risk rating
ERPA negotiations and/or completion of Conditions of Effectiveness are prolonged (reducing the efficiency of UK ICF investment in the Fund) or fail altogether (meaning there is an insufficient number of ERPAs to commit 100% of Carbon Fund contributions – resulting in lower results than expected and a return of unspent capital)	FMT will build upon improvements made to ERPA negotiation process in 2018, including default approaches and greater capacity. FMT to keep closely in touch with country task teams to monitor and support negotiation process. On conditions of effectiveness, FMT to include in portfolio reports milestones relating to completion of conditions of effectiveness. FMT and Contributors to monitor issues in COE completion and consider transferable lessons.	Moderate
GBP:USD Exchange rate risk. GBP weakens further, UK contribution and overall financial resources of the Carbon Fund reduce as a result leading to lower than expected results. NB: as of early 2020 the World Bank has indicated an intention to request encashment of the UK contribution on the basis of the forecast for committing ERPAs.	UK is expected to cash its contribution in early 2020. Assessment of exchange rate implication to be made at the time, but currently it appears that exchange rate risk is not significant and thus risks limited to the UK share.	Moderate
Delivery risk (including underspend) due to programmes being unable to attract sufficient funding for the upfront investments required to	FMT to publish report on financing gaps, and discuss options for addressing gaps with Contributors. FMT to inform Contributors early and	Major

implement the programmes and/or facing other challenges to implementing activities outlined in the ER programmes.	honestly about risks to ER programme delivery, through regular update calls and Fund meetings. FMT and Contributors to proactively identify and engage with other programmes and initiatives that could provide support to meet/support delivery. Support the World Bank's efforts to advise countries on wider support that may be available to them from the Bank and other sources. Update portfolio and programme management, and communication, tools to reflect emerging risks and issues to delivery. Use option for flexible thematic evaluations to build understanding of issues.	

Outstanding actions from risk assessment

- FMT to update monthly portfolio reports with information about milestones towards ERPA operationalisation, including progress on completing conditions of effectiveness
- Monitor the Foreign Exchange Rate Risk and the impact on portfolio management if the GBP:USD exchange rate remains significantly below the historical average.[19]
- FMT and Contributors to discuss approaches to meet financing gaps on the basis of paper to be published in 2020

Multi-country REDD+ results-based payment programmes are inherently complex and risky. The FCPF is also a pilot scheme, so in many cases does not have precedent to refer to. BEIS and the World Bank will continue to monitor risk using respective approaches; will communicate regularly about changes and mitigation options; and will escalate as needed.

G: COMMERCIAL CONSIDERATIONS (½ page)

Delivery against planned timeframe

The initial underestimation of set-up time and perceived delays in the Carbon Fund were discussed at length in the Extension Business Case (2015). UK expectations (and logframe) were re-baselined in 2017 so that progress can be monitored effectively based on updated, realistic, expectations. According to these revised expectations the Carbon Fund is not progressing as hoped, due to delays in the signing of ERPAs and the subsequent operationalisation of programmes.

Performance of partnership (s)

[19] The exchange rate used in the COP21 Joint Statement from Germany, Norway, and the United Kingdom was based on average exchange rates in the period from Sept 2014 to Nov 2015, which corresponds to an average exchange rate assumption of 1.59 USD to 1 GBP.

The delivery partner is the World Bank. The Fund Management Team sit within the Climate Funds Management Practice, within the Climate Change Group. Various Global Practices are involved in the delivery of the FCPF, at headquarters, regional and country level. The terms of the partnership are governed by a Participation Agreement. The partnership is overall working well. BEIS has a good relationship with the FMT, with a good flow of information and communication about substantive progress. BEIS appreciates the inclusive governance structure of the FCPF, which allows for inputs not only from other donors but from groups whose voices are critical to programme impact, including Civil Society Organisations, Indigenous Peoples and Women's Groups. BEIS is applying lessons from experience in this programme mainly to the BioCF ISFL, which is similarly structured and managed within the same Practice. The particular structure and components of REDD+ Results-Based Payment programmes means that transferable lessons to other types of programme are limited.

BEIS would welcome more evidence that the World Bank is incorporating lessons from this programme into its wider programming and strategies, and that its evolving corporate approach to climate, forests, land-use and nature is consistent and supportive of FCPF priorities. It will be important to see synergies with new World Bank Trust Funds which share objectives to FCPF and could be leveraged in support of FCPF outcomes, such as Progreen, and ideally programmes beyond the World Bank, such as the GCF REDD+ Results-Based Payment window.

BEIS would also welcome more evidence and/or dialogue with the FMT on how the FCPF is being linked into other World Bank initiatives on scaling up finance and ambition for forests and land-use, including with respect to supporting NDC ambition and carbon markets.

Asset monitoring and control

The assets in the Carbon Fund relate to the emissions reductions produced by the programme. The FCPF has now launched a centralised registry to enable transactions of emission reductions between REDD+ countries, the Carbon Fund, and in some cases third parties. Contributors have discussed and agreed an approach for the use (by the seller or the buyer) of emissions reductions generated by Carbon Fund programmes.

BEIS has confidence in the delivery partner's ability to manage the project assets and to provide detailed results and monitoring information. BEIS will use our established monitoring processes to ensure that the delivery partner continues to deliver a high level of service and to provide strong value-for-money. We will continue to expect our requests to implementing partners for information and actions to be efficiently dealt with in 2020.

H: MONITORING & EVALUATION (½ page)

Evidence and evaluation

The evidence used to compile this Annual Review is as follows:

- FCPF 2019 Annual Report
- BEIS internal programme documents, including risk register and results collection note.
- Additional qualitative information shared by delivery partners and other stakeholders via calls and meetings

No evaluation has occurred in the period (the last evaluation was completed by 2016, relating to the Readiness Fund). Therefore no evaluative evidence was used for this Annual Review.

The FMT published a revised M&E Framework in 2019. This includes the version of the results framework developed in 2018, and adds in additional information such as an evaluation plan. The framework meets the UK's priorities, for example in that it utilises both quantitative and qualitative measures of progress where appropriate, and has included more flexibility in the evaluation component to respond to themes and issues as they arise.

The Theory of Change continues to hold. In general, the assumptions continue to hold, although in some cases there is variable evidence. In particular, the assumption that the external context for ER programmes remains supportive and conducive to ER programme implementation, is subject to change depending upon the political and socio-economic context, including administrative shifts.

M&E recommendations made in the previous AR have been completed. They relate to amendments to the logframe (see Section B). Further efforts are required to finalise the logframe in the next period.

Monitoring progress throughout the review period

The bi-annual Carbon Fund meetings provide opportunity to monitor progress throughout the year. The annual Participants Committee is also a useful opportunity to take stock on the progress of the facility overall (covering both the Readiness Fund and the Carbon Fund). BEIS seeks additional information from its networks in-country, including UK Government (eg: FCO, DFID) and non-government stakeholders.

Learning

The programme meetings mentioned above are a useful venue for formal and informal learning, and for discussing how learning can actively feedback into programme design. Learning opportunities will be greater on the basis of evaluative evidence, which provides greater depth and reflection that monitoring data used in this period. BEIS endeavours to apply learning from each of its REDD+ RBP programmes to others, and this is particularly the case between FCPF and ISFL given their similarities. The REDD+ Early Movers Programme, too, provides a useful precedent and source of learning that is relevant to FCPF; for example, in relation to Benefit-Sharing Plans.

I: TRANSFORMATIONAL CHANGE

Rating

There is, as yet, limited evidence available against the below indicators. Therefore, the FCPF Carbon Fund overall KPI 15 box marking is currently judged be ***box 1 – no evidence yet available – too soon to revise assessment in business case***. However, some indicators show evidence of *box 2 - Some early evidence suggests Transformation likel*y or *box 3 - Tentative evidence of change – transformation judged likely*. Increases to scores from the March 2019 results collection are marked with an arrow (↑).

Evidence and evaluation

CRITERIA	INDICATOR	EVIDENCE (BY DECEMBER 2018)	SCORE
1. Fostering political will to act on climate change	*1.1. A qualitative assessment of ERPINs and ERPDs on the level of political buy-in.*	Anecdotally, it is observed that the ERPA signature process has helped to increase the involvement of Ministries of Finance, given they are often a signatory. This can help to increase political commitment at highest levels in government.	2

	1.2. Number of R-Packages endorsed by Participations Committee (FCPF Readiness Fund indicator but of relevance to FCPF-C as R-Package is required before an Emissions Reductions Payment Agreement (ERPA) can be negotiated)	24 R-Packages were endorsed by 2019.	3
	1.3. Number of forest countries coming forward under the FCPF-CF or similar funds with credible ER proposals.	The Carbon Fund portfolio stands at 18 countries. This shows strong demand from forest countries. This exceeds the original expectations of the Carbon Fund which has originally aimed to pilot REDD+ results-based payments in 5 countries.	3
	1.4. Number of ER programs designed and successfully implemented under the FCPF-CF or similar funds.	0 programs at implementation stage.	1
As of December 2019, there has been *some* early evidence to suggest that transformation is likely against *some* of the above indicators. Some indicators cannot be assessed given the stage of the programme, which will gradually change through 2020 – 2021. Stronger evidence will be provided by the "influence" evaluation scheduled for 2022/2023.			**2**
2. Delivering at scale	*2.1. Qualitative assessment of ER Programs against the aim to address a significant portion of forest related emissions and removals.*	ER programmes are required per the Methodological Framework to be jurisdictional in scale, and to include all significant sources and drivers of GHG emissions. So far, no programme accepted into the portfolio has failed to meet these criteria. This could move up to a 3 once success is demonstrated in programmes being implemented.	2
	2.2 An assessment of the significance of the reported number of hectares where deforestation and degradation have been avoided through ICF support.	Evidence will be available once ER programmes are being implemented (none are yet being implemented).	1

	2.3 An assessment of the significance of the reported number of forest dependent people with livelihoods benefits protected or improved as a result of ICF support.	Evidence will be available once ER programmes are being implemented (none are yet being implemented).	1
As of December 2019, no actual results have been reported as no ER programmes are yet at implementation stage.			**1**
3. Evidence of effectiveness, Ideas and lessons shared widely.	*3.1. The number of and types of standards and management tools discussed and endorsed for ER programs, including (a) Methodological framework and Pricing Approach (b) business processes (ER-PD, ER-PIN, ERPA) and (c) legal documents (General Conditions, ERPA term sheet)*	All of the anticipated standards and management tools have now been endorsed. 18 ERPDs have been accepted from a diverse mix of countries in terms of region, size, ecological, socio-economic and political profile. The FCPF Carbon Fund could score a 3 against this indicator once more ERPAs are signed and programmes are being implemented, which will prove the viability of these standards.	2/3
	3.2 Number and type of knowledge sharing resources made available on the FCPF website.	There are a number of resources and templates available on the FCPF website. This could score a 3 if there is evidence that these resources are widely used. The “influence” evaluation planned for 2022/3 will provide valuable information for this.	2/3
	3.3 Qualitative assessment of improved quality of ER programmes demonstrating learning from previous experience. Number of countries developing high quality ER programmes with limited support.	There is anecdotal evidence that host countries have learnt from previous Carbon Fund meetings what CFPs’ key concerns are, and anticipate how to address these questions before they present their ERPDs. The quality of ERPDs presented at Carbon Fund meetings has generally increased over time. There is anecdotal evidence that the quality of Benefit-Sharing Plans is improving over time, indicating strengthening of processes and lessons learned.	1
	3.4 FCPF has catalysed the creation of recognised global standards for REDD+ and there are examples of nonparticipant	There is anecdotal evidence that the FCPF methodological framework has influenced various programmes, including the Green Climate Fund scorecard, the TREES approach, the California Tropical Forest Standard, and the	2/3

	countries that have adopted FCPF standards in their own REDD+ process	BioCF ISFL approach. The FCPF has also been referenced in discussions relating to the technical criteria for programmes eligible under ICAO's CORSIA. This could score a 3 once evaluative evidence to available to corroborate current anecdotal evidence.	
The FCPF has a high level of transparency. All of the materials and evidence of discussion is published on the FCPF website. There is some evidence to suggest the FCPF Carbon Fund could be transformational in this regard, a higher score will be given when there is further evidence of the utility of these ideas and lesson sharing to forest countries inside or outside the FCPF.			**2**
4. HMG supported activities are creating the incentives for others to act on climate change.	*4.1. The volume of public finance mobilised for climate change purposes as a result of ICF funding (£s)*	Evidence will be available once ER programmes are being implemented (none are yet being implemented)	1
	4.2 The Volume of private finance mobilised for climate change purposes as a result of ICF funding (£s)	Evidence will be available once ER programmes are being implemented (none are yet being implemented)	1
No actual results reported yet. Nothing to warrant change against expected results.			**1**