



Forest Carbon Partnership Facility

2a. Timing of World Bank Preparation Process

Fourteenth Meeting of the Carbon Fund (CF14)

Paris, France, June 20-22, 2016

Today's Discussion

I. Background

- Carbon Fund Process Guidelines
- Presentation from previous CF Meeting

II. FMT Note

III. Recommendation

I. Background

Carbon Fund Process Guidelines

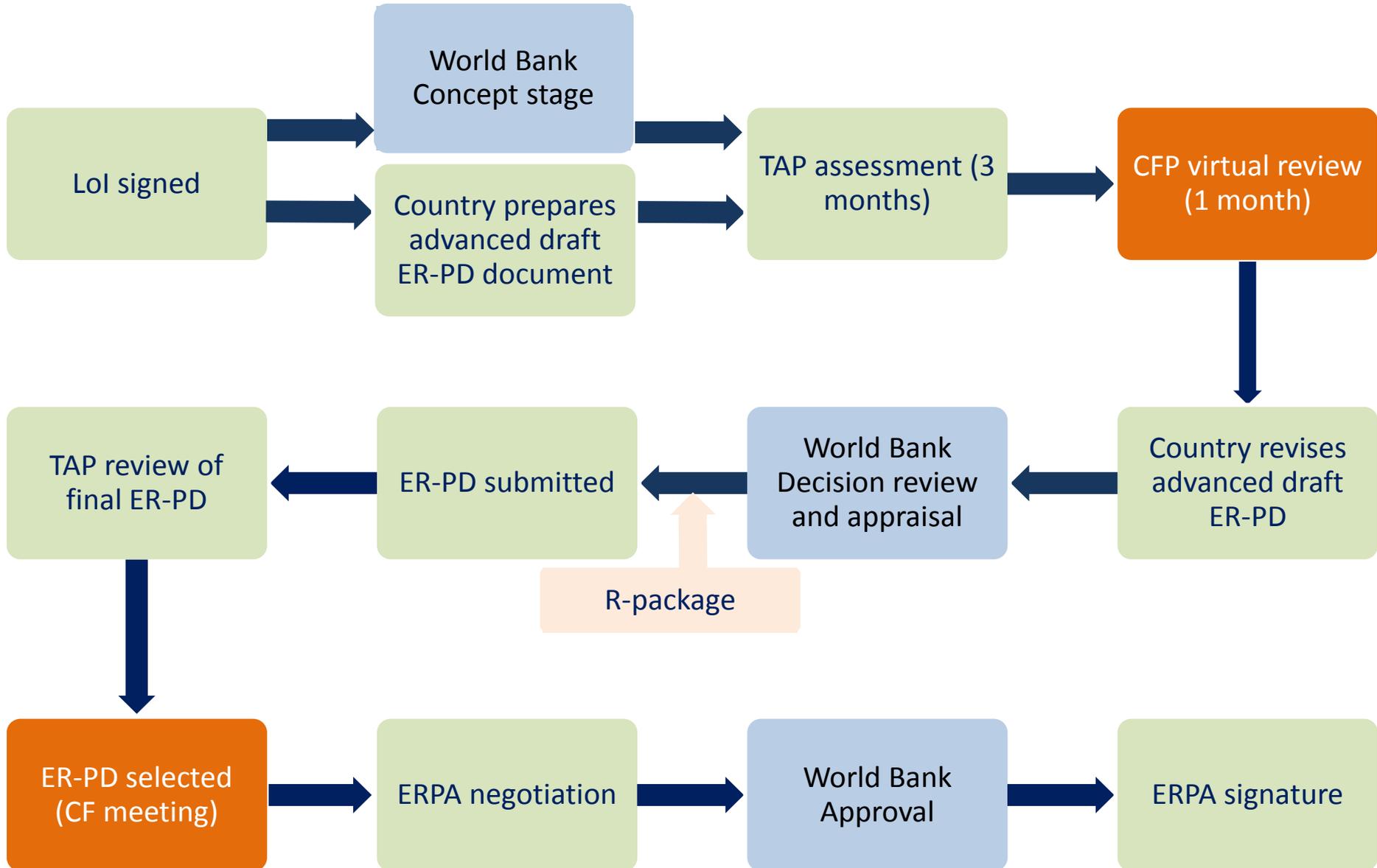
The REDD Country Participant...presents its ER Program Document at a Carbon Fund Meeting. Based on the information available to date, which **may** include... **the World Bank's due diligence**,...the CFPs of the respective Tranche(s) decide whether to proceed to negotiating an ERPA for the proposed ER Program.”

April 14, 2015
Para 15

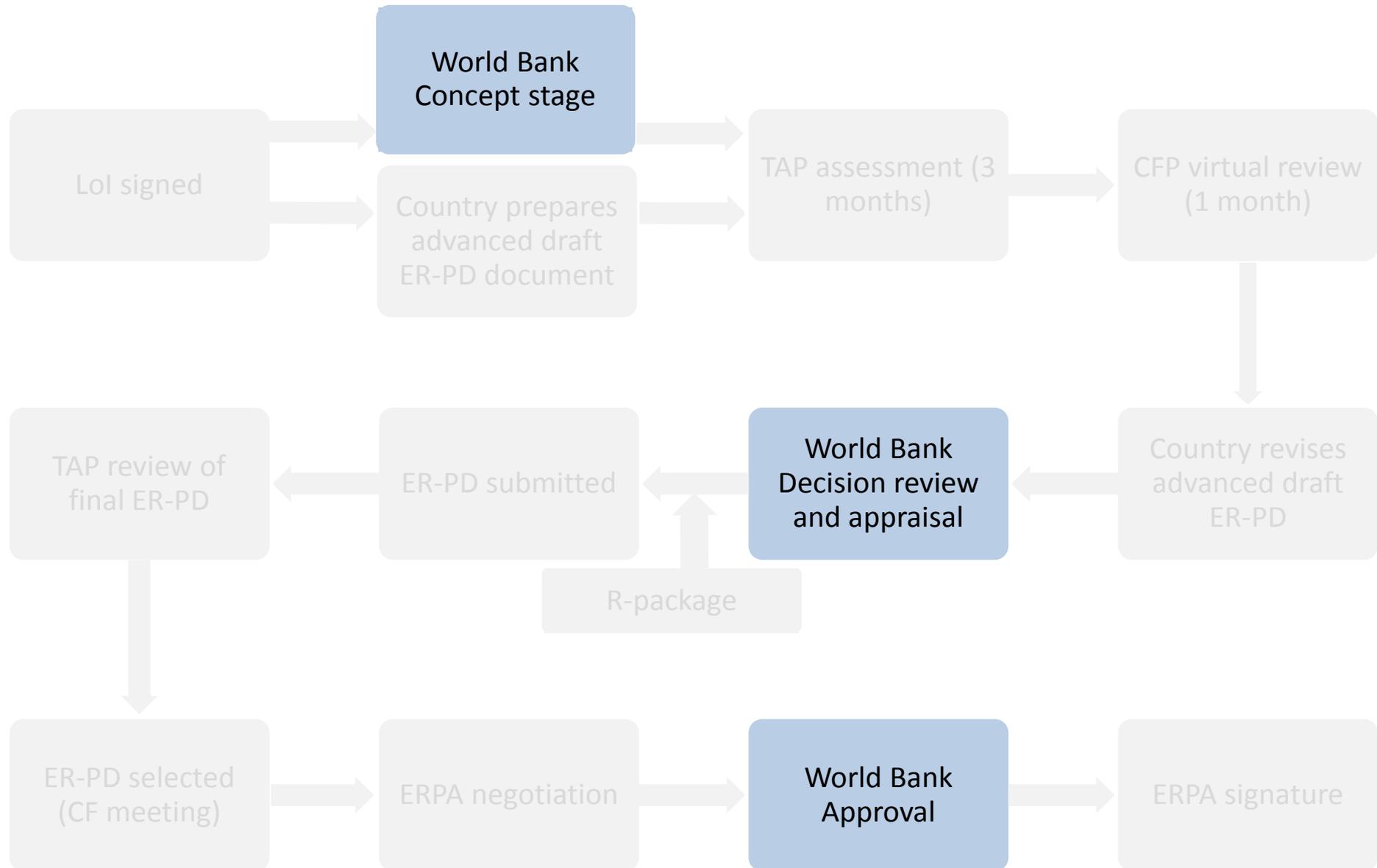
I. Background

- Proposed revisions to previous presentations

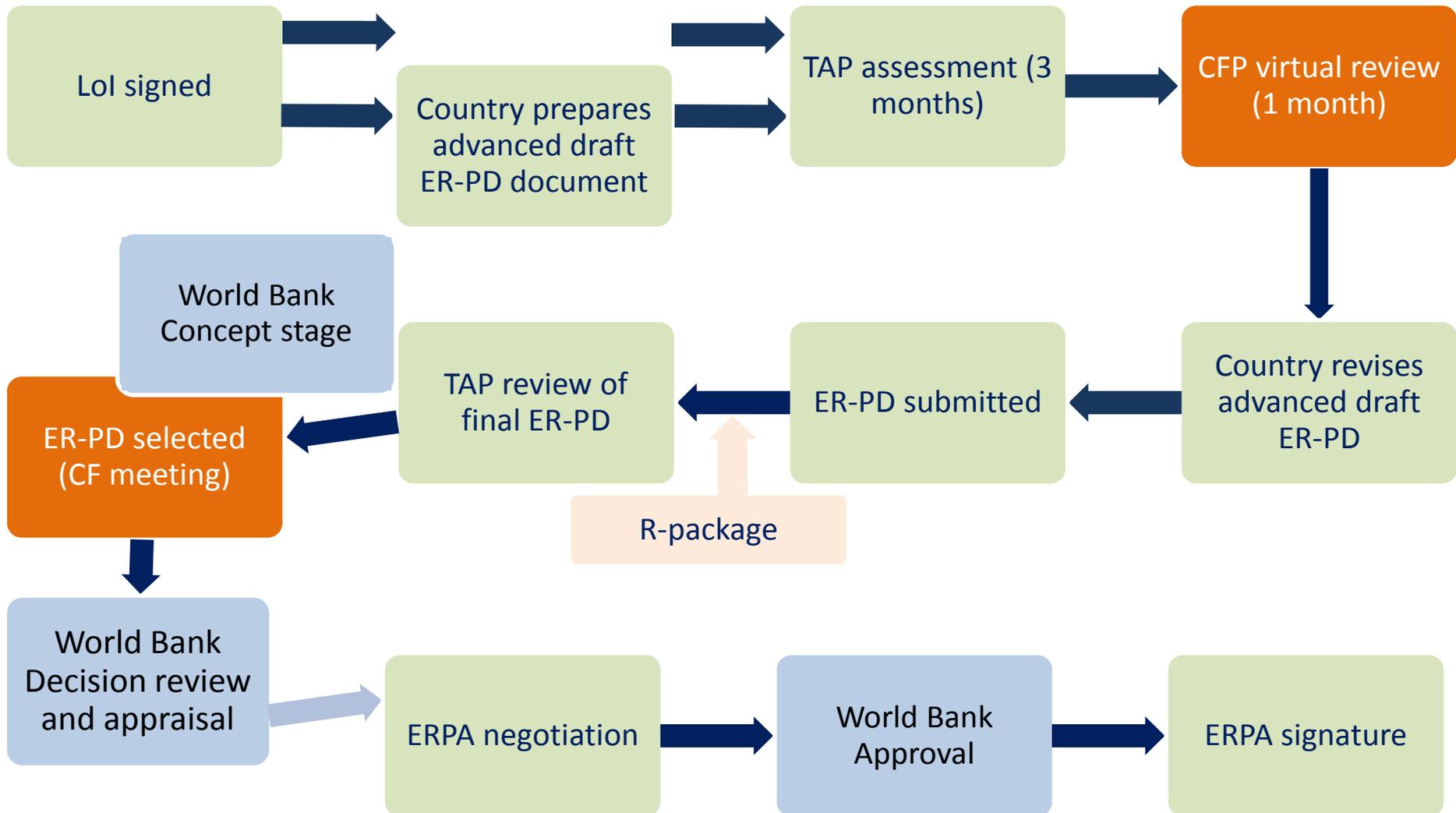
ER-PD assessment process (previously)



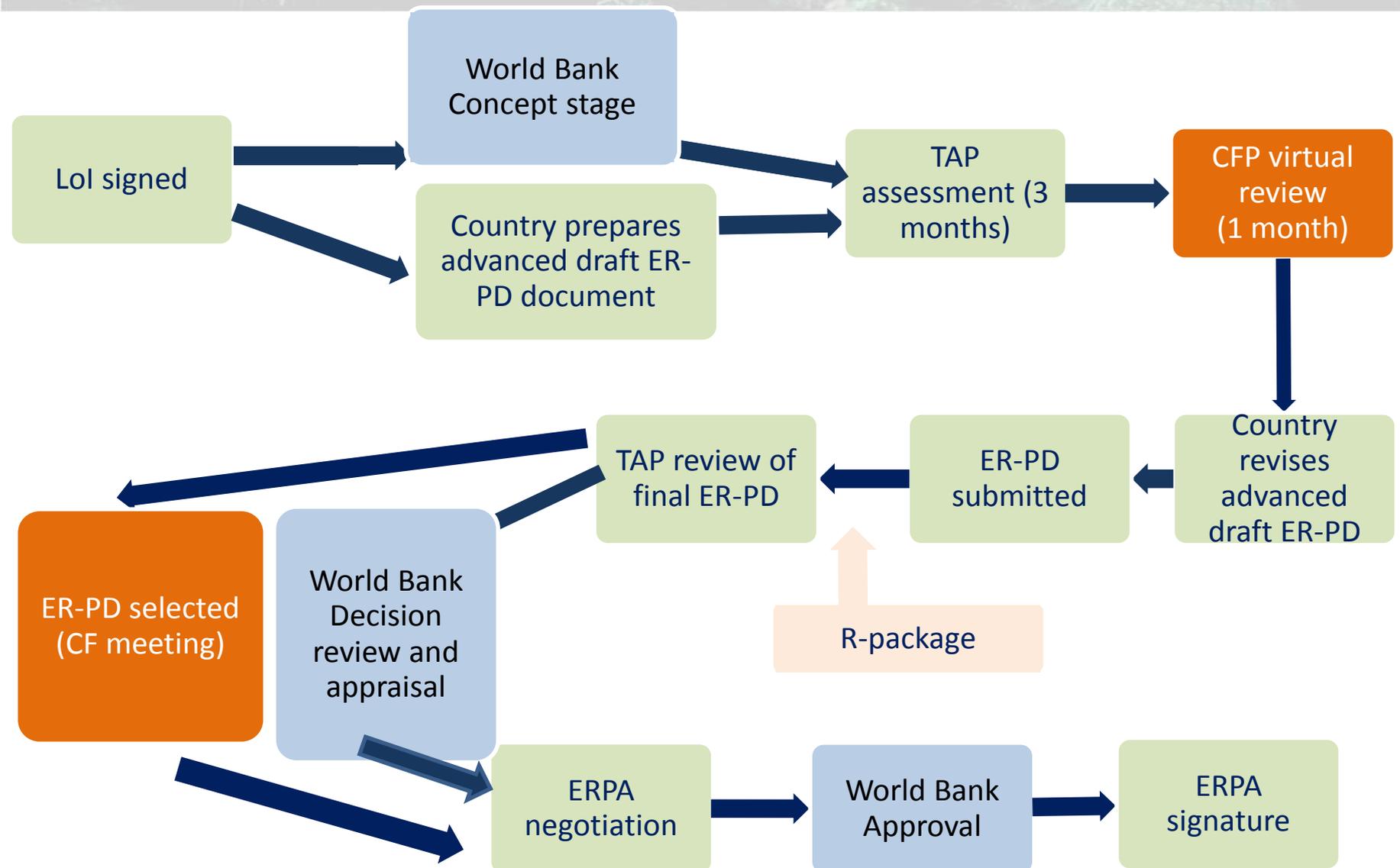
World Bank Process – primary steps (previously)



ER-PD assessment process (DRC and Costa Rica)



Indicative ER-PD assessment process going forward



Information in FMT Note

- Stages of the World Bank's normal project (or program) cycle leading to ERPA signing:
 - Identification (Concept Review Meeting)
 - Preparation (Decision Review Meeting)
 - Appraisal
 - Negotiations (for WB and CFPs)
 - Approval (by WB and CFPs)
- ERPA is signed following Approval by WB and CFPs
- Costa Rica and DRC programs are more developed than projects/programs normally are at concept stage
- Both have only completed the Concept Review meetings shortly prior to the Carbon Fund Meeting

Expectations Going Forward

- At the time of the relevant Carbon Fund Meeting the Concept Review Meeting will have been completed, at a minimum
- For future programs much of the due diligence work should be completed prior to Carbon Fund Meetings and Appraisal would follow shortly after the decision by CFPs to proceed to negotiating an ERPA

Implications of Different Models

- Decision Review and Appraisal completed prior to the relevant Carbon Fund Meeting
 - Risk to the World Bank and the country that the CFPs decide not to proceed with a program
 - Significant human and financial resources committed from WB and country
 - Expectations difficult to manage

Implications of Different Models

- **Minimum of Concept Review completed prior to the relevant Carbon Fund Meeting**
 - Further due diligence should be completed prior to the relevant Carbon Fund Meeting (and is likely to be in future cases)
 - Decision Review meeting would be planned for shortly before or after the decision by CFPs to proceed to negotiating an ERPA
 - Extent of due diligence completed beyond the Concept Review meeting would be at the discretion of the WB Country Director
 - All stakeholders know WB will carry out its due diligence to its own standards before negotiating an ERPA, including an assessment of environment and social impacts and preparation of mitigation measures (e.g. safeguard plans)
 - Little, if any, downside
 - If risks are too high WB will not proceed
 - Program Preparation can proceed secure in the knowledge that the CFPs have given the go-ahead to proceed to negotiating an ERPA

Options for Decisions by Carbon Fund Participants (1)

- i. Decide to **select** an ER Program into its portfolio and proceed to negotiating an ERPA subject to completion of World Bank due diligence and final World Bank approval of the program
- ii. Decide to **provisionally select** an ER Program into its portfolio and proceed to negotiating an ERPA subject to: completion of World Bank due diligence and final World Bank approval of the program and other requirements, such as a **list of key issues** to be addressed, have been fulfilled to the satisfaction of the World Bank
- iii. Request the REDD Country to **resubmit a revised ER-PD** with specific revisions or attention to certain areas
- iv. Decide **not to select** an ER Program into its portfolio and, therefore, not to proceed to negotiating an ERPA and do not request the country to resubmit (i.e. rejection)

Options for Decisions by Carbon Fund Participants (2)

- Option iv should only be valid if proposed ER Program is substantially different from the selected ER-PIN or the selection has portfolio management implications e.g., in relation to net emission reductions across the portfolio
- Other issues, such as non-compliance with the Methodological Framework, could be addressed through options ii or iii
- Even without completion of WB due diligence by the time of the relevant Carbon Fund Meeting, WB and the REDD Country are still relatively heavily invested in the program, which poses a reputational risk for both WB and the CFPs

Recommendation

- The FMT recommends that the ER-PD is submitted to the CFPs for selection prior to appraisal (and at minimum, after completion of the Concept Review stage)
- It would be at the discretion of the WB's Country Director to decide to proceed with a Decision Meeting prior to or post the CFPs' decision to proceed to negotiating an ERPA