

**Forest Carbon Partnership Facility
Seventeenth Meeting of the Carbon Fund (CF17)
Paris, France | January 30-February 01, 2018
Chair's Summary**

Dear Carbon Fund Participants and Observers,

I would like to thank the Carbon Fund Participants (CFPs), REDD Country Participant delegations, and Observers—from REDD Country Participants, Indigenous Peoples' organizations, civil society, and the private sector—who took part in the seventeenth Forest Carbon Partnership Facility (FCPF) Carbon Fund meeting (CF17) held January 30-February 01, 2018 in Paris, France. I also wish to acknowledge the presence of and thank the Honorable Ha Cong Tuan, Vice Minister of Agriculture and Rural Development, Vietnam and the Honorable Celmira Frederico Pena de Silva, Vice Minister of Land, Environment and Rural Development, Mozambique.

Please find below the main conclusions from the meeting. All relevant background materials, presentations, resolutions and this summary are available on the FCPF website at <https://www.forestcarbonpartnership.org/CF17>.

Setting the Stage for ER-PD Selection

The Facility Management Team (FMT) recalled [the two decision points for selecting Emission Reductions programs](#) into the Carbon Fund:

- i. Selection into the pipeline of the Carbon Fund based on an Emission Reductions Program Idea Note (ER-PIN) (concept stage). This leads to the signing of a Letter of Intent (LOI) that confirms the Carbon Fund and country's intention to proceed with development of the program;
- ii. Selection into the portfolio of the Carbon Fund based on the Emission Reductions Program Document (ER-PD) (full proposal). This leads to the negotiation and signing of an Emission Reductions Payment Agreement (ERPA), a contract to pay for ERs generated by the program.

Selection of ER-PDs at CF17

[Mozambique](#) and [Vietnam](#) presented ERPDs for selection into the Carbon Fund portfolio. ER-PDs presented took into consideration comments received during the technical assessment from the Technical Advisory Panel (TAP), CFPs, and Observers, as applicable.

Portfolio selection is done on a first-come, first-served basis, taking into consideration the quality of the program proposal and selection criteria as considered at ER-PIN selection stage—including consistency of the ER-PD with the Methodological Framework (MF).

CFPs [selected the ER Program from Vietnam](#) and [provisionally selected the ER-Program from Mozambique](#) into the Carbon Fund portfolio. ERPA negotiations will proceed subject to completion of the World Bank's due

diligence on the programs and, in the case of Mozambique, fulfillment of conditions as stated in the [respective resolution](#).

Mozambique

CFPs commended Mozambique for a [high quality and ambitious ERPD](#), particularly on carbon accounting matters; and noted the strong political commitment at different government levels, and for aligning an impressive array of financing sources and projects to finance ER Program activities that address the identified drivers of deforestation. CFPs commended Mozambique's efforts to leverage resources and the involvement of the private sector in the Program, and the emphasis on establishing platforms to promote a common vision on landscape management across different stakeholders. CFPs noted the replication potential of the Program, particularly in dealing with small-scale agriculture. In addition, CFPs commended Mozambique for continuously seeking to improve the overall enabling environment for REDD+, and encouraged the continuation of the ongoing forest sector review.

During this CF17 meeting, the CFPs and Mozambique agreed that the Emission Reductions Payment Agreement (ERPA) to be signed for Mozambique's ER Program will include a provision that would require the Program Entity to report, as a separate annex to the ER Monitoring Report, on emissions from deforestation in Zambezia districts outside the ER Program Accounting Area ("Outside Area") based on the national forest monitoring system.

In the event that such emissions are 1) significantly higher than the baseline emissions for the Outside Area at the time of first Verification, and 2) it is ascertained that such emissions are due to Displacement, the ERPA will also require the Program Entity to prepare a mitigation plan, to the reasonable satisfaction of the Trustee, to improve the measures described in the ERPD that are taken to address the risk of Displacement.

On the issue of benefit sharing, the CFPs encouraged the Program Entity to prepare a draft Benefit Sharing Plan by May 2018, as presented by the Program Entity during this CF17 meeting.

Vietnam

CFPs commended Vietnam on an [ambitious ER Program](#) that aligns with national strategies and contributes to the government's goals in relation to climate change. CFPs applauded the impressive amount of quality technical work and implementation planning that has been performed and effectively responds to comments provided at CF15, including measures taken and continuing to be taken to address conversion of natural forests, such as the passing of the new Forestry Law and Directive 13. In addition, CFPs welcomed Vietnam's commitment to be responsive to the technical recommendations emanating from the TAP review to continuously improve the accuracy and consistency of emissions measurements going forward, including the use of dense image time series analysis.

CFPs encouraged Vietnam to further develop the following issues under its ER Program and inform the FMT, CFPs and Observers, prior to ERPA signature:

- Take required actions to have the Prime Minister’s Decision issued, prior to ERPA signature, to demonstrate the Program Entity’s ability to transfer Title to emission reductions to the Carbon Fund of the FCPF.
- Further elaborate and continue the development of the Adaptive Collaborative Management Approach (ACMA), including provision of additional information on how the ER Program will:
 - promote full and effective participation of ethnic minorities and forest-dependent communities in the ACMA process and benefit sharing arrangements under the ER Program, in accordance with the new Forestry Law, paying particular attention to the forest management and user rights of these ethnic minorities and forest-dependent communities; and
 - align with other ongoing activities to support and empower ethnic minorities and forest-dependent communities.

Portfolio Management Decisions

The Carbon Fund pipeline includes a total of 19 ER-PINs, and the portfolio includes 8 ERPDs following this meeting. [CFPs considered strategic portfolio management issues](#) including estimates of delivery under the Monte Carlo method and the ER delivery risk assessment model introduced at CF15, as well as High Forest Cover, Low Deforestation (HFLD) adjustments.

A new US\$180 million (US\$150 million to the Carbon Fund and US\$30 million to the Readiness Fund) contribution from Germany brings the total contributions to the FCPF to approximately US\$1.3 billion, with almost US\$900 million in the FCPF Carbon Fund.

Follow-up Action

CFPs requested that from the next CF meeting onwards, the FMT provide comparative numbers generated by the two models at different times.

Progress Update

The FMT provided an [update on progress made since the last meeting](#) in June 2017. CFPs were encouraged by all the progress made since the last meeting, appreciating the FMT’s engagement with the private sector and the Global Forest Observations Initiative. They also looked forward to the provision of updates on financing of ER Programs and private sector engagement at CF18.

The FMT highlighted several areas of focus for 2018, aside from ER Programs, including the following:

- signing the first batch of ERPAs (main priority);
- completing due diligence and appraisal for countries selected into the portfolio;
- continuing to build country capacity for ERPA negotiations (commercial terms, contract ERs vs option ERs, etc.);
- continuing support to countries in ER Program development and implementation;
- supporting countries in meeting remaining indicators of the Methodological Framework (e.g., Benefit-

Sharing-arrangements, ER title transfer ability, etc.), including through South-South Knowledge Exchange;

- leveraging additional investment to finance/strengthen financial viability of ER Programs;
- continuing support to countries in development of benefit-sharing plans and safeguards plans;
- supporting PC-funded gender activities focused on Carbon Fund countries; and
- implementing stronger portfolio monitoring and management.

The REDD country observers at the meeting developed a draft Terms of Reference to bring consistency and structure to the role to make the observers more effective in providing input to the Carbon Fund process. In addition, they intend to submit a request to the FMT for support so that they may (i) more effectively engage REDD+ countries as a group in the Carbon Fund process and (ii) share their insights, ideas, and concerns at Carbon Fund meetings and via calls, memos, and other forms of communication, between meetings.

Follow-up Action

CFPs have requested that the FMT prepare a schematic on the distinct roles and responsibilities within the World Bank (as relevant to the CF).

Improving Uncertainty of Reference Levels

At CF16, the FMT delivered a [presentation](#) showing that there is a need to allow countries to improve the accuracy and uncertainty of the data used for establishing the RL, namely their Activity Data. CFPs agreed to continue exploring the need to provide guidance to countries to improve the uncertainty of the activity data of their RLs.

The FMT prepared a [note](#) and delivered a presentation on January 10 to CFPs and Observers on this issue. CFPs showed diverging views on whether guidance should be provided, and it was decided that the issue be [presented](#) at CF17.

CFPs were supportive of continuing the discussion on allowing countries to improve the uncertainty of their Reference Level.

Follow-up Action

CFPs request the FMT prepare a summary of what was discussed, indicate different options on the process to apply this in practice, and convene a phone call, tentatively set for the week of February 26th, for the discussion with CFPs and Observers.

Carbon Accounting and TAP Process Issues

The FMT [presented](#) progress made since CF16 on integrating the lessons learned identified during the Workshop held in Rome in 2017. The FMT will provide an overview of the specific actions that have been or are being taken forward to address the suggestions and recommendations made at the workshop.

CFPs were supportive of the actions taken (or that will be taken) by the FMT to address the suggestions and recommendations made at the workshop in Rome 2017, especially on increased communication, especially with TAP, and knowledge-sharing.

CFPs indicated the usefulness of preparing a memo, as announced by the FMT, that clarifies roles and responsibilities in relation to the TAP.

CFPs indicated their interest in having access to the draft of the non-binding good practice guidance documents that are being produced.

ER Monitoring Report Template

The General Conditions of the Carbon Fund stipulate that ER Programs shall provide an ER Monitoring Report for a Reporting Period as the basis for transfer and payment. CFPs were generally supportive of the first draft of the [ER Monitoring Report Template presented](#) by the FMT.

Follow-up Action

The FMT invites CFPs, REDD+ country delegations, and observers to provide more detailed written feedback on the ER Monitoring Report Template by March 2, 2018.

Safeguards

CFPs were generally supportive of the World Bank's [clarification](#) on how the World Bank safeguards will be applied to and monitored in the ER programs, while asking several follow-up questions.

CFPs recommended that the FMT design an accessible communications product on this clarified safeguards approach as this approach is rolled out to the REDD+ Countries, and inform the CFPs of further guidance or clarification on this approach when it becomes available.

Transfer of Title

CFPs agreed with the World Bank's [elaborated approach](#) to ER Title transfer, including [due diligence aspects and types of evidence](#) to demonstrate the ability to transfer ER Title.

The FMT has posted the ER Title guidance note on the FCPF website, and CFPs and others may provide comments on this guidance note, if deemed necessary.

Registries

CFPs welcomed the [results](#) of the [survey](#) of REDD+ Country participants on their preferences regarding a centralized generic versus national transaction registry and look forward to receiving an update after the remaining CF countries submit responses.

CFPs were generally supportive of the FMT's approach to Registries, while encouraging the FMT to explore ways to decrease the proposed timeline for operationalization.

ICAO

CFPs reiterated their general support for [exploring the potential for the FCPF to serve as a program](#) under the CORSIA, while recognizing that such engagement is conditional on (i) the absence of any adverse impacts on the environmental integrity and high standards of FCPF emissions reduction programs; (ii) does not create any non-voluntary obligations on the behalf of REDD+ Countries; and (iii) does not pose a reputational risk.

Verification Process

Till Neeff and Donna Lee [presented highlights](#) of the [GFOI report "Technical assessments and verifications: Lessons learned for REDD+ from evaluations of GHG performance"](#) and based on the results of this study, shared recommendations for conducting verifications using verification entities and also recommendations for the Technical Assessment of ERPDs conducted by TAPs.

Following the decision made at CF16, the FMT [presented](#) a list of potential verification entities. CFPs provided guidance on the reporting and verification process of ER Programs. CFPs recommendations include the following:

- The list of possible verification entities (to be submitted for PC approval) be presented to the CF for a three-week no objection, with the understanding that the list may be expanded in the future and any additions to the list must also receive PC approval.
- The FMT provide more information and more clarity on the different options proposed, and will organize a phone call with CFPs for discussing these different options.

ERPA Negotiations

The FMT presented a proposed update to the ERPA negotiation process. CFPs and REDD+ countries requested time to review the presentation and will provide comments in due course.

Approaches to REDD+ Nesting

Donna Lee [presented a study](#) on "Approaches to REDD+ Nesting: Lessons Learned from Experiences to Date."

Next Meetings

The 18th Carbon Fund meeting will likely be held in June, with the location to be determined. The FMT will advise on further details as soon as possible.

In Closing

CF17 was another major step forward for the FCPF Carbon Fund, with years of countries' preparatory work in national REDD+ readiness and ER Program development coming to fruition. The addition of two countries into the Carbon Fund portfolio—Vietnam and Mozambique, provisionally—brings the total number accepted to eight. And momentum behind portfolio development and diversification continues to build, with three additional countries expected to present their ER Programs at CF18—Madagascar, Nepal, and Nicaragua.

Meanwhile the first ERPA negotiations are anticipated in the coming months and will result in the first contracts for large-scale transaction from REDD+. This progress will provide important lessons and experiences for 'proving the concept' of REDD+ and catalyzing the realization of REDD+ at scale.

The content of Carbon Fund meetings continues to address the technical aspects of countries' ER Programs, with welcomed elaboration on areas such as registries, verification, due diligence on transfer of title, and safeguards.

Finally, with the FCPF celebrating its ten-year anniversary this year, one can look forward to a series of activities, events, and products in the coming months to mark this special occasion.

If you have any questions or concerns, please feel free to contact the FCPF FMT at fcfsecretariat@worldbank.org.

Sincerely,

Katrin Harding

BP

CF17 Chair