

**Forest Carbon Partnership Facility  
Eighteenth Meeting of the Carbon Fund (CF18)  
Paris, France | June 20-22, 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 eighteenth Forest Carbon Partnership Facility (FCPF) Carbon Fund meeting (CF18) held June 20-22, 2018 in Paris, France. I also wish to acknowledge the presence of and thank the Honorable Mr. Randriatefiarison Guillaume Venance, Minister of Environment, Ecology, and Forests, Madagascar; Honorable Dr. Phouang Parisak Pravongviengkham, Vice Minister of Agriculture and Forestry, Lao PDR; and Dr. Bishwa Nath Oli, Secretary, Ministry of Population and Environment, Nepal.

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/carbon-fund-eighteenth-cf18-june-20-22-2018-paris>.

### **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.

The FMT explained that the task at CF18 was the second decision point, i.e. to select into Carbon Fund portfolio based on ER-PD, and presented the selection criteria and guiding principles.

### **Selection of ER-PDs at CF18**

[Lao PDR](#), [Madagascar](#) and [Nepal](#) 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 Programs from [Lao PDR](#), [Madagascar](#), and [Nepal](#) into the Carbon Fund portfolio. ERPA negotiations will proceed subject to completion of the World Bank's due diligence on the programs.

## Lao PDR

CFPs commended Lao PDR on a well-conceived and ambitious [ER Program](#) that aligns with national strategies and development priorities. CFPs highly appreciated the commitment and responsiveness of the ER-PD preparation team in the review and technical assessment process.

CFPs recognized the significant technical work that has been performed to estimate emissions from forest degradation, which constitute the majority of the program area's total emissions. Given the magnitude, CFPs stressed the importance of estimating this source of emissions in a manner that builds on good international practice and helps increase the confidence in both the reference level and forest monitoring system.

CFPs appreciated the additional information provided by Lao PDR with respect to the forest definition and recognize that the proposed definition is consistent with the country's international reporting and communications as well as the national forest inventory.

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

- CFPs expressed that statistically robust estimates are paramount considering the highly dynamic land use patterns in Lao PDR, in particular shifting cultivation. Going forward, CFPs strongly encouraged Lao PDR to initiate and engage in a process that allows for a thorough technical review to identify opportunities to improve the quality of estimates of degradation emissions and removals from enhancement, and implement respective improvements accordingly, thereby reducing uncertainty.
- Considering the current status of program preparation and ongoing capacity building efforts, CFPs strongly encouraged Lao PDR to swiftly and rigorously implement the crucial preparation activities, in particular the development of safeguard instruments, a benefit sharing plan and feedback and grievance redress mechanisms, as well as take required actions to have the Prime Minister's Decree issued, prior to ERPA signature, to help demonstrate the Program Entity's ability to transfer Title to emission reductions to the Carbon Fund of the FCPF.
- CFPs encourage Lao PDR to consider synergies and complementarity with related programs, including those that may be submitted to the Forest Investment Program, Green Climate Fund and other bilateral and multilateral programs during the implementation of the ER Program.
- Given the significant potential impacts on forests of foreign direct investments and domestic investment projects, CFPs welcome Lao PDR's commitment to attract, prioritize and monitor investments that are consistent with the National REDD+ Strategy.

## Madagascar

CFPs commended Madagascar for the advances made in the development of the [ER-PD](#), and thanked Madagascar for the interactions and responses to questions received in advance of the CF meeting. CFPs also applauded Madagascar for the strong role of CSOs in the development of the ER-Program. In addition, CFPs commended Madagascar on the endorsement of its national strategy and the adoption of the REDD+ Decree (No 2018-500).

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

- Consider during the implementation of the ER Program synergies and complementarity with related programs, including those submitted to the GCF, and other bilateral and multilateral programs.
- Regularly monitor (based on available data) deforestation rate in the remaining areas of the 5 relevant regions outside of the ER Program Accounting Area, and should a significant increase in the rate of deforestation occur and such deforestation relates to the ER Program (e.g. displacement), consider potential measures to address causes of such deforestation.
- Continue to consider ways to avoid double counting of ERs generated in the ER Program Accounting Area (in particular ERs from Makira Protected Area and the GCF project referenced in the ER Program Document), including by using the transaction registry for ER transactions in the ER-Program Accounting Area, and through revisions to the existing arrangements for the commercialization of ERs from the Makira and CAZ Protected Areas.
- Continue to include communities in the monitoring plans for the relevant aspects of the ER Program, including on non-carbon benefits, safeguards, and benefit sharing.
- Consider improving the methodology for activity data estimation and emissions factors estimation as suggested by the TAP.
- Continue exploring different financing sources for the ER program implementation.
- Provide clarification and additional information on the benefit-sharing arrangement, in accordance with the requirements of the FCPF CF Methodological Framework and, in particular, on (i) the fund management, (ii) further defined criteria for the selection of REDD+ activities to be funded with the ER Payments (large scale, regional, and communal activities), and (iii) monitoring arrangement for the implementation of the benefit sharing plan.
- Continue the operationalization of the ER Program as stipulated in the REDD+ decree (Decree No 2018-500), including the adoption of the REDD+ implementation decree in September 2018.

### Nepal

CFPs commended Nepal on an ambitious ER Program and the progress on its [ERPD](#), including improvements to carbon accounting and advancement on the [Environmental and Social Management Framework](#). CFPs applauded the strong focus of the ER Program on inclusion of gender and marginalized communities and on respecting and recognizing Indigenous Peoples' rights.

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

- Consider during the implementation of the ER Program synergies and complementarity with related programs, including those that may be submitted to the Forest Investment Program (FIP), Green Climate Fund (GCF), and other bilateral and multilateral programs.
- Consider additional measures to address potential underperformance or lack of ER generation, by for example, exploring additional financing sources for the ER Program, including the private sector.

## **Progress Update**

The FMT provided an [update on progress](#) made since the last meeting in January 2018. CFPs welcomed the comprehensive progress update that covered *inter alia* progress against interim milestones, the ongoing ERPA negotiation and technical assessment processes, ER Program financing plans, gender, new knowledge and communication products, and upcoming deliverables and decisions.

The FMT highlighted several areas of focus for Fiscal Year 2019, including the following:

- Signing the first batch of ERPAs;
- Complete due diligence and appraisal for countries selected into the portfolio;
- Continue to build country capacity for ERPA negotiations (commercial terms, contract ERs vs option ERs, etc.);
- Continue support to countries in ER Program development and implementation;
- Support countries in meeting remaining indicators of the Methodological Framework (e.g., Benefit-Sharing-arrangements, ER title transfer ability, etc.), including through South-South Knowledge Exchanges;
- Leverage additional investment to finance/strengthen financial viability of ER Programs;
- Continue support to countries in development of benefit-sharing plans and safeguards plans; and
- Support PC-funded gender activities focused on Carbon Fund countries and ensure continuity of IP-CSO capacity from readiness to program implementation.

## **Budget**

CFPs adopted a [resolution](#) approving the [Carbon Fund budget](#) for Fiscal year 2019, which begins on July 1, 2018.

## **Portfolio Considerations**

The Carbon Fund pipeline includes a total of 19 ER-PINs, and the portfolio includes 11 ER-PDs (including Republic of Congo, provisionally) 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.

CFPs decided to support the proposed deadline of CF20 (likely June/July 2019) for the submission of final ERPDs by countries, unless decided otherwise by CFPs. This decision was based on the need to sign ERPAs by December 2019 to have minimum 5-year ERPA reporting periods and to allow a year for ER monitoring, reporting, verification and payment prior to the termination of the Carbon Fund on 31 December 2025. In order to meet this deadline draft ERPDs would need to be submitted between September and December 2018. CFPs recognized the possibility that some of the country programs currently in the pipeline of the Carbon Fund may not be able to meet these deadlines.

## **Organizational Structure and ERPA Negotiations**

CFPs welcomed the FMTs [detailed explanation](#) on the various roles and responsibilities of different World Bank units involved in FCPF programs, as well as the FMT's [presentation](#) on the proposed ERPA negotiations process. The FMT confirmed that a note on the proposed ERPA negotiations process would be shared with CFPs once agreed internally within the World Bank.

With regard to the benefit sharing plan (BSP) aspects, the FMT updated the CFPs that the review process and guidance

note for BSPs are currently being discussed within the World Bank and are expected to be finalized in the coming months.

CFPs encouraged the REDD Countries to include as much information as available on the benefit sharing arrangements in the ER-PD and to prepare a BSP early on, to facilitate the review and the ERPA negotiations process.

### **Verifications**

CFPs supported the [suggested process](#) steps for monitoring, reporting and verification in the Carbon Fund.

The FMT will provide more details on the steps in an updated version of the Carbon Fund process guidelines for discussion at the next meeting.

### **Registries**

The FMT provided an [update](#) on ongoing work on transaction registries, including initial results from ongoing consultancies on a FCPF Carbon Fund- ISFL BioCarbon Fund (BioCF) Transaction Registry, core structure design, IT architecture and functional attributes, and implementation scenarios.

The FMT confirmed that the Centralized Transaction Registry solution will fully meet the FCPF Carbon Fund and ISFL BioCF criteria and requirements and the requirements of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) under the UN International Civil Aviation Organization (ICAO).

### **Technical Corrections to Reference Levels**

Recognizing that limited technical corrections might be made to the reference level to reflect improvements in measurement and monitoring systems and ensure consistency, CFPs have suggested the FMT draft guidance for countries who wish to make technical corrections to reference levels prior to the first verification.

### **Follow-up Action**

FMT will share draft guidance shortly after the CF meeting, requesting comments from CFPs and Observers; based on feedback received, FMT will propose final draft guidance for the CFPs' consideration.

### **Private Sector Engagement**

The FMT provided a [progress update](#) on the four main pillars of its private sector engagement approach: (i) collaborative opportunities with relevant networks; (ii) support in increased role of private sector FCPF Observers; (iii) topical deep dives and knowledge products to inform private sector strategies; and (iv) program-specific private sector engagement support.

CFPs welcome the [analysis](#) of opportunities to better engage the private sector conducted by Meridian Institute. Following the recommendations of the report, CFPs agree to the recommendation to have IETA and WEF serve as Private Sector Observers (PSO), subject to the process and outcomes of the formalization of the TOR (including term limits, future selection process, and procedures for communicating and working with the FMT) for the PSO role.

The CFPs also thanked CMIA for their valuable input throughout the PSO term and look forward to CMIA's continued

support of the progress of the FCPF as part of the broader private sector engagement. CFPs welcomed IETA as the PSO, and will look forward to working with WEF should they accept the invitation.

### **Follow-up Action**

CFPs requested the FMT work with the PSOs and other private sector entities to further develop by CF20 the terms of reference for the PSO selection process including criteria, term limits, etc. and provide an interim report on progress at CF19.

### **ICAO and CORSIA**

CFPs appreciated the FMT's [update](#) on CORSIA. 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.

### **Multi-Country Forests Bonds Program**

The International Finance Corporation (IFC) [presented](#) on how their Multi-Country Forests Bonds Program to engage private sector investment can be leveraged by FCPF ER Programs in support of REDD+ efforts.

CFPs welcomed the IFC's innovative approach to engage private sector in forest conservation and to provide additional funding to support private sector REDD+ activities, while acknowledging how this could impact the target countries' benefit sharing plans and nesting issues.

### **Green Climate Fund**

The Green Climate Fund [presented](#) on its Private Sector Facility and provided an update on its REDD+ Results-Based Payments pilot program. CFPs welcomed the update on the progress made.

### **Next Meetings**

The [19<sup>th</sup> Carbon Fund meeting](#) will most likely be held in Paris between December 2018 and February 2019. The FMT will advise on further details as soon as possible.

### **In Closing**

CF18 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 three countries into the Carbon Fund portfolio—Lao PDR, Madagascar, and Nepal—brings the total number accepted to eleven. And momentum behind portfolio development and diversification continues to build, with three additional countries possibly presenting their ER Programs at CF19—Nicaragua, Indonesia, and Cote d'Ivoire.

Meanwhile the first conclusions of ERPA negotiations are anticipated in the coming months and will result in the first contracts for large-scale transactions 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 and practical aspects around ER Program implementation, with welcomed elaboration on areas such as registries, verification, and private sector engagement.

Finally, we wish to thank Ellysar Baroudy, the outgoing FCPF Program Coordinator, for her tireless work over the past years moving this important agenda forward.

If you have any questions or concerns, please feel free to contact the FCPF FMT at [fcpfsecretariat@worldbank.org](mailto:fcpfsecretariat@worldbank.org).

Sincerely,

Nicolas Duval-Mace

Canada

CF18 Chair