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| ***Step 1****. A REDD Country Participant (through its authorized representative, e.g., its national REDD+ committee or responsible institution) submits an ER Program to the FMT, using the ER Program Idea Note (ER-PIN) template* | | |
| **Questions from presentation** | **FMT remarks and suggestions** | **Comments from Fund Participants and observers** |
| Will the Carbon Fund review ER-PINs in batches or one by one? | How should the portfolio be managed in terms of diversity to create learning value and manage risks:   * Submission of ER-PINs in ‘windows’ to be able to compare proposals * ER-PIN is allowed to be submitted whenever the grant agreement has been signed and the country is ready to submit. In this case, it is acceptable for countries to submit similar ER Programs or are there suggestions about diversity required in the portfolio |  |
| ***Step 2****. The FMT verifies that the proposed ER Program meets the following requirements:*  *a. The ER-PIN template has been duly completed;*  *b. The entity submitting the ER Program is from an FCPF REDD Country Participant and authorized to submit the ER Program. If an ER Program is submitted by another entity than the national government, the FMT verifies that the submitting entity is authorized by the national government;*  *c. The proposed ER Program meets the ER Program selection criteria described in Section on Types of Emission Reductions Programs , or as determined by the Carbon Fund Participants;* | | |
| **Questions from presentation** | **FMT remarks and suggestions** | **Comments from Fund Participants and observers** |
| One of the requirements is that the entity submitting the ER Program is from an FCPF REDD Country Participant and authorized to submit the ER Program.  How will the FMT verify this requirement if the ER-PIN is not submitted by the FCPF REDD+ focal point? | * Should a REDD Country Participant issue a formal letter of approval for any ER-Program, including authorization of the submitting entity. * Who should issues the Letter of Approval (for example the agency authorized for this in the national REDD+ management arrangement). * If required, when should such a letter be submitted: together with the submission of the ER-PIN or at a later stage (for example at the time a Letter of Intent is signed, refer to step 8) |  |
| ***Step 3****. The FMT liaises with the REDD Country Participant to clarify any issues and obtain a commitment giving the Carbon Fund right of first refusal over the ER Program or a part of the Program’s ERs for a given period of time;* | | |
| **Questions from presentation** | **FMT remarks and suggestions** | **Comments from Fund Participants and observers** |
| Do we need right of first refusal at this stage of the process?  Can the right of first refusal be waived and /or combined with the Letter of Authorization. | Right for first refusal implies that the REDD Country Participant / authorized entity can negotiate with other interested buyers. If they get an offer from other buyers, they would need to offer the ERs first to the Carbon Fund at that same price. This is different from an exclusivity period in which the REDD Country Participant / authorized entity is required to negotiate with the Trustee an ERPA on the basis of exclusivity for a certain time period.  In step 8 of the process, the LoI could contain an exclusivity period which can potentially be followed by a period with right of first refusal. However there seem to be limited benefits to having right of first refusal in this step. Therefore the Trustee suggests to waive this provision for all ER Programs at this step |  |
| ***Step 4*** *If the proposed ER Program meets the requirements listed in step 2 above and the Carbon Fund has acquired right of first refusal, the FMT submits the ER-PIN to the Carbon Fund Participants and posts it on the FCPF website* | | |
| **Questions from presentation** | **FMT remarks and suggestions** | **Comments from Fund Participants and observers** |
| The process foresees posting of the ER-PIN. If any comments are received, the FMT would compile these comments and share them with the Fund Participants |  |  |
| ***Step 5*** *The Carbon Fund Participants may request the FMT to establish an Ad Hoc Technical Advisory Panel (TAP) to assist them in reviewing the ER-PIN* | | |
| **Questions from presentation** | **FMT remarks and suggestions** | **Comments from Fund Participants and observers** |
| Would the Fund Participants decide this on a case-by-case basis or can some general guidance be provided on when a TAP would be required and what the scope of their review would be? | * If a TAP would be established, which role is envisioned for TAP?   + Ensure consistency of ER-PIN with the R-PP and readiness progress;   + Provide feasibility/risk assessment of the ER-Program and its performance;   + Independent review of specific issues/aspects of the proposed ER-Program as requested by the Carbon Fund Participants;   + Other? * Is a TAP review required for each ER-PIN submitted?   Please note that for TAPs to be established, budget will need to be allocated |  |
| ***Step 6*** *The Tranche Participants make their decisions regarding inclusion of the proposed ER Program into their portfolio, taking into account the TAP’s ER-PIN review and other relevant comments;* | | |
| ***Step 7*** *If the ER Program is included in the portfolio of either Tranche, the Participants in that Tranche approve a budget allocation for the preparation of a carbon finance transaction based on the ER Program* | | |
| **Questions from presentation** | **FMT remarks and suggestions** | **Comments from Fund Participants and observers** |
| Is it OK to consider that inclusion means budget allocation to the country and the Bank, and authorization to Trustee to sign a Letter of Intent? This would basically combine step 6 and step 7 | The FMT suggests combining step 6 and 7.  In terms of budget allocation, the FMT suggest that budget allocation for the World Bank implemented activities (including World Bank due diligence and possible TAP or independent reviews) would be based on actual costs (with reporting every 6 months on progress and expenditures).  Program development, e.g., preparation of further documentation (for example ER Program documentation, see step 10), stakeholder consultations etc. could either be a flat budget allocation OR flexible based on country / size / complexity of the ER Program |  |
| ***Step 8*** *The Trustee sends a Letter of Intent notifying the submitting country of the Tranche Participants‟ intention to consider the ER Program or a part of the Program’s ERs for a potential ERPA with the Carbon Fund* | | |
| **Questions from presentation** | **FMT remarks and suggestions** | **Comments from Fund Participants and observers** |
| What is covered by the LoI? | Legally-binding agreement between Trustee and REDD Country Participant / authorized other entity  Includes provisions that shall guide the ERPA negotiation process (E.g. Intention of parties, period to negotiate an ERPA in good faith on basis of exclusivity (Exclusivity Period), cost recovery in case of early termination of negotiation process, Governing Law, Dispute Resolution) |  |
| ***Step 9*** *The FCPF Participants Committee, based on the information available (Readiness Package and other relevant information such as readiness progress reports and the ER-PIN itself), and possibly using the assistance of a TAP, assesses whether the submitting country has made sufficient progress towards REDD+ Readiness to enter into an ERPA with the Trustee of the Carbon Fund* | | |
| ***Step 10*** *The World Bank performs its due diligence as required by the applicable Operational Policies and Procedures, including on environmental and social aspects, and in accordance with the standard internal procedures. The World Bank also advises the submitting country on ways to improve the quality of the ER Program during design and/or implementation, as appropriate* | | |
| **Questions from presentation** | **FMT remarks and suggestions** | **Comments from Fund Participants and observers** |
| Is some kind of emission reduction due diligence required as the basis for the CF Participants to make their final decision on the Program?  If so, are the ER-PIN and the other information mentioned in step 9 sufficient for the Fund participants to make a decision or is more needed? (for example a ‘ER Program document‘)  If more is needed, what should be covered in the document(s) and who is paying for the preparation? | Step 11 below mentions the submission of an ER Program document. Such an ER Program document could contain further information on the implementation of the methodological framework and the ER Program characteristics defined in the Issues Note. Is such a document useful and are there other subjects to be covered in the document?  If required, should such a document be independently assessed and by whom (TAP or maybe ‘validation’ style assessment)?  What are the costs and budget implications, both for the possible preparation of such a document and the independent review  What is the process and are the criteria for the CF Participants to make the final go / no go decision on an ER Program? |  |
| ***Step 11*** *The REDD Country Participant continues to develop the ER Program, based on inputs received from various parties, as appropriate, and submits its final ER Program document to the FMT* | | |
| ***Step 12*** *Based on the Pricing/Valuation Approach and the General Conditions for ERPAs, which will have been adopted by the Participants Committee, the Trustee drafts an ERPA for this particular ER Program, which is sent to the submitting REDD Country Participant and the relevant Tranche Participants. To the extent possible, the Tranche will only commit to paying for a fraction of the ER potential of the ER Program, leaving room for other interested entities to participate in one or several separate transactions. This (these) separate transaction(s) could include Participants from either Tranche looking to negotiate an additional, separate ERPA* | | |
| ***Step 13*** *The REDD Country Participant and relevant Tranche of the Carbon Fund come to an agreement on the terms of the ERPA* | | |
| **Questions from presentation** | **FMT remarks and suggestions** | **Comments from Fund Participants and observers** |
| What can be done by the Trustee to facilitate the ERPA process, e.g. disseminate knowledge/organize workshops? | As discussed in the meeting session on legal issues, since the PC will need to endorse the general terms and conditions of the ERPA, the Trustee suggests to organize workshops for Participants to better understand the issues  Furthermore, within the Partnership, the Trustee is seeking to play the role of ‘honest broker’ between the buyers and the sellers. In the discussions during the CF2 meeting, some Participants preferred to leave the Pricing/Evaluation Approach relatively simple and non-prescriptive. With that background and looking at step 12 and 13:   * How do Participants see the role of the Trustee in the ERPA negotiation and what role will the Fund Participants play themselves (and how should this be organized) * Is additional capacity building required on top of the workshops mentioned above for the PC on the ERPA general terms and conditions? The Entity implementing the Program and negotiating the ERPA might not necessarily be in the PC workshops. What else can the Trustee do to level the playing field between seller and buyer (mainly to reduce the asymmetry in knowledge and thus capacity to negotiate) e.g.,   + Pre-ERPA negotiations, information sessions or workshops, including independent third parties;   + Dissemination of adequate information on the FCPF in the appropriate language(s);   + Other? |  |
| ***Step 14*** *The REDD Country Participant or its approved entity and the Trustee of the Carbon Fund sign the ERPA* | | |
| ***Step 15*** *The REDD Country Participant or its approved entity implements the ER Program and reports on performance, in particular ERs generated, on an annual basis or at a frequency to be agreed* | | |
| ***Step 16*** *In the absence of an international or other compliance regime, as applicable, an independent reviewer approved by the Participants Committee assesses the country’s performance report* | | |
| ***Step 17*** *The Trustee supervises that the ER Program is in compliance with the applicable Operational Policies and Procedures and ERPA provisions, in accordance with the applicable carbon finance guidelines* | | |
| ***Step 18*** *Based on the independent reviewer’s verification report, and subject to applicable Operational Policies and Procedures and ERPA provisions being complied with, the Trustee of the Carbon Fund makes payments to the REDD Country Participant or entity designated in the ERPA, in accordance with the ERPA provisions* | | |
| ***Step 19*** *The Trustee of the Carbon Fund accounts for the ERs delivered to the Tranche of the Carbon Fund and allocates a pro rata share of ERs to each Tranche Participant through the World Bank’s Carbon Asset Registry System* | | |

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| **Any other comments or suggestions from Fund Participants and observers on the business process as outlined in the Issues note** |
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