



Forest Carbon Partnership Facility

FMT's Update on Carbon Fund Progress made since CF13

Fourteenth Meeting of the Carbon Fund (CF14)

Paris, France, June 20-22, 2016

Financial Contributions to the FCPF

- At COP21 in Paris in December 2015, **Germany, Norway and the United Kingdom pledged “\$339M to support circa five new large-scale emissions reductions programs under the FCPF Carbon Fund”.**
- In December 2015, for the FCPF Carbon Fund:
 - **Norway signed 1 billion NOK** commitment (~ USD 130 m)
 - **UK signed 130 million GBP** commitment (~ USD 190 m)
- In Oslo in June 2016, **Germany pledged additional 50 million Euro.**

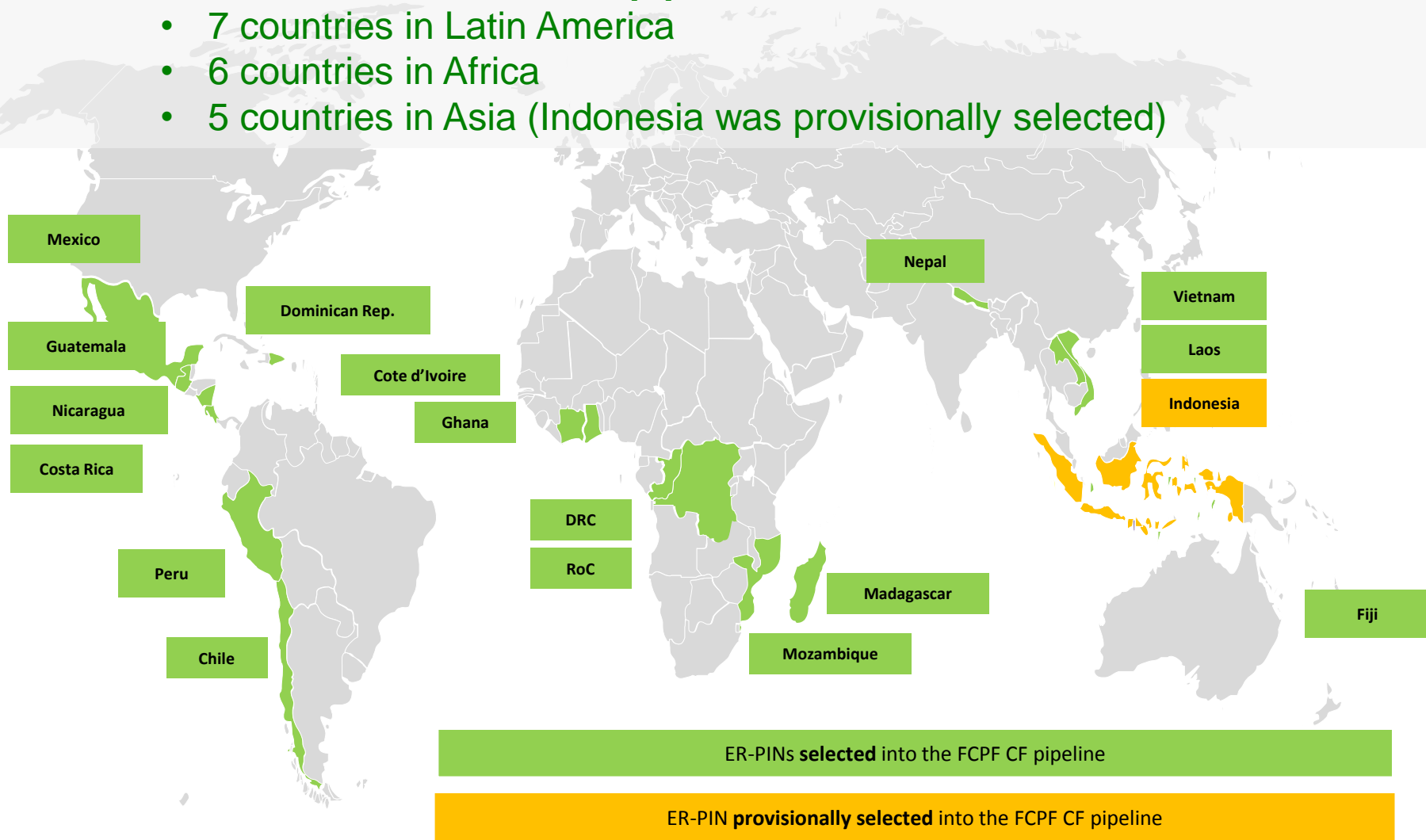
Committed funds to the Facility now total over \$1 billion:

- **Readiness Fund commitments of \$369 million**
- **Carbon Fund commitments of over \$755 million.**

Pipeline of Emission Reductions Programs

18 countries selected into the pipeline to date:

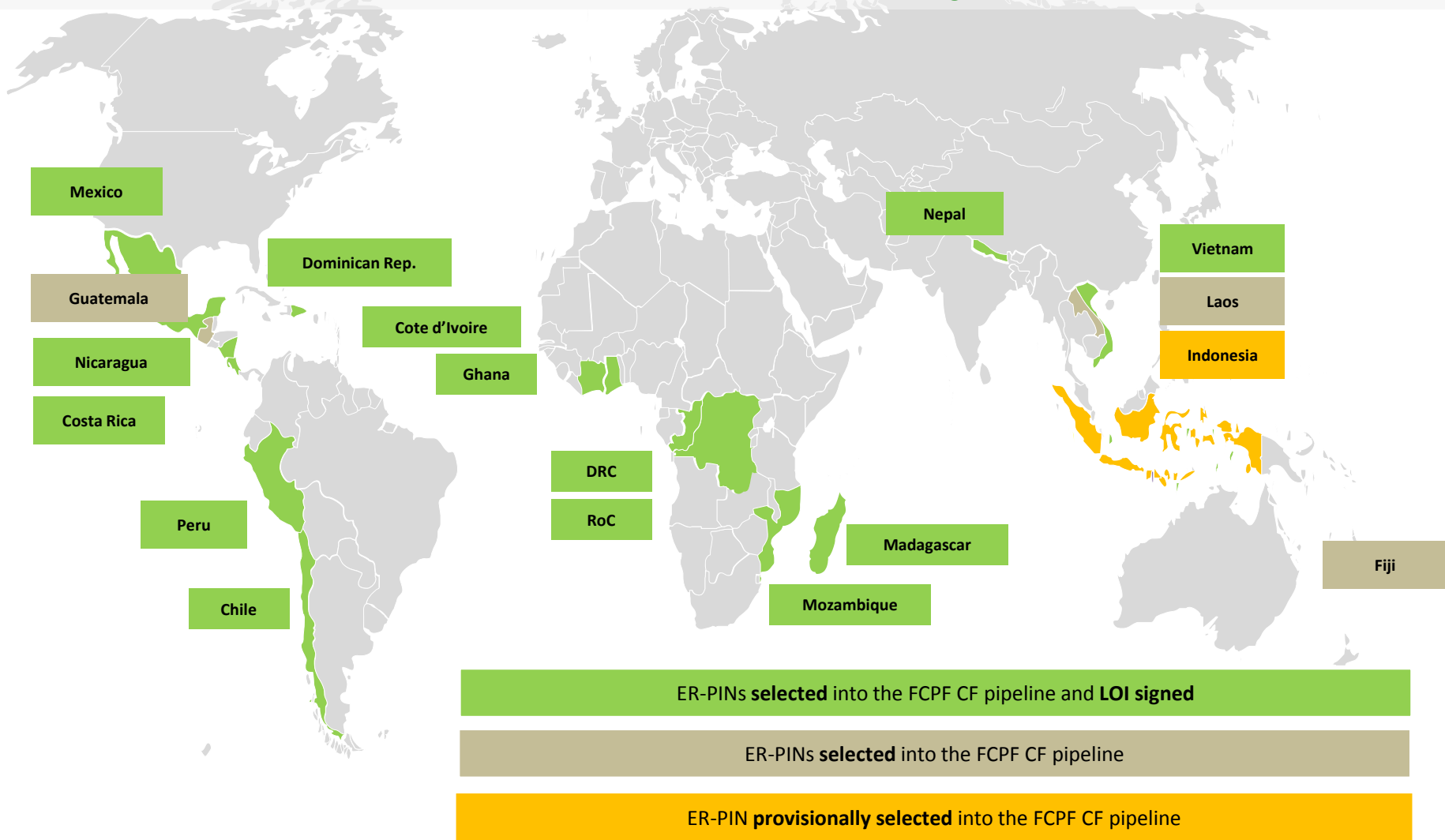
- 7 countries in Latin America
- 6 countries in Africa
- 5 countries in Asia (Indonesia was provisionally selected)



Progress with entering into Letters of Intent (LOIs)

14 Letters of Intent (LOI) signed in total

(6 LOIs since CF13; additional 3 expected to be signed soon)



Progress against interim milestones agreed at CF13

At CF13, CFPs adopted a resolution on milestones and deadlines for ER-PINs to encourage REDD countries to continue efforts to swiftly advance on ER Program development. The table below shows progress made against deadlines since CF13.

Deadlines for entering into an LOI:		
Country	Status	Details
Selected prior to CF13 – Deadline: April 8, 2016		
Guatemala	x	Pending due to change in government following elections, new deadline: Oct 5, 2016
Peru	✓	March 2016
Selected at or after CF13 – Deadline: 9 month after pipeline selection (9 months after ER-PIN submission for provisionally selected countries)		
Dominican Republic	✓	Signed in June 2016
Cote d'Ivoire	✓	Signed in November 2015
Fiji	x	submitted revised ER-PIN in April 2016; deadline hence January 2017
Lao PDR	x	submitted revised ER-PIN in February 2016; deadline hence November 2016
Nicaragua	✓	Signed in January 2016
Madagascar	✓	Signed in November 2015
Mozambique	✓	Signed in November 2015
Deadlines for a decision on ER-PINs:		
Decision on the provisionally selected ER-PIN –deadline by CF14		
Indonesia	✓	yes, submitted for virtual review on April 29, 2016; CFPs requested decision at CF14
Decision on ER-PINs presented at CF13 but invited to come back – deadline by CF15:		
Cameroon	✓	Submitted for decision at CF14
Guyana	x	Not yet

Progress since CF13:

Technical Assessment Process of ER-PDs

- **1st set of ER-PDs:** Technical Assessments have been completed for Costa Rica and DRC.
- **2nd set of ER-PDs:** TAP is currently reviewing the draft ER-PDs for Chile, Mexico, Republic of Congo, and Vietnam.
 - Expected virtual review periods for Advanced Draft ERPDs and TAP Reports: end of July – early September 2016
 - Posting of final ERPDs and TAP Reports: early November 2016 for presentation at CF15 in December 2016
- Ongoing series of calibration/orientation calls with TAP members on an as needed basis. Further, standardized guidance and templates developed for TAP.

Progress since CF13: Technical Guidance

Buffer Guidelines:

- In January 2016, the **Buffer Guidelines were approved virtually**. (The latest draft was presented at the 13th Carbon Fund Meeting in Brussels in October 2015.)
- The guidelines establish rules for how to apply ER buffer reserves which are intended to manage the risk of uncertainty and reversal of ERs generated by ER Programs.

Carbon Fund Business Process Guidance:

- **Guidelines for the Carbon Fund Business Process** (including disclosure guidance) have been updated to reflect lessons from Costa Rica and DRC's review process.

Guidance on Registries:

- **Guidance on REDD+ Transaction Registries Development and Management** will be presented at this CF14.

Progress since CF13: Development of an ER delivery risk assessment tool

- **Purpose of tool:** quantitatively estimate the portfolio's expected ERPA delivery over time, in order to ensure capital is allocated wisely across its programs
 - Tool can inform ERPA contracting, business planning, portfolio management and pipeline development
- **Metric of the tool** is informed by **ER delivery risks**, i.e., the probability of a program generating its ERPA purchase (actual or intended)

Development of an ER delivery risk assessment tool – *continued*

- Input to the tool will be **based on the World Bank's systematic risk-rating tool (SORT)**, which considers the risks to the achievement of an operation's expected results and the operation's unintended consequences across 8 risk categories.
 - Political and governance
 - Macroeconomic
 - Sector strategies and policies
 - Technical design of project or program
 - Institutional capacity for implementation and sustainability
 - Fiduciary
 - Environment and social
 - Stakeholders
- Risks as per SORT are reviewed as part of the World Bank's due diligence process.
- SORT is a qualitative assessment; it reflects best available information on program-related risks and is continuously updated throughout the program cycle.

Development of an ER delivery risk assessment tool- - *continued*

- The FMT is developing a tool to translate SORT ratings (qualitative) to ER delivery risk (quantitative):
 - **Approach:** Probabilistic model to identify major causes and sources that drive the delivery of ERs (based on collective team expertise)
 - **Status:** Finalizing scoping phase of exercise, currently assessing different options for the design of the model, input from the team on relative impact of SORT risk categories on ER delivery to follow
 - **Next Steps:** Tool to be presented at next Carbon Fund meeting, including preliminary ratings of the portfolio

Update on Independent Evaluation of the FCPF

- As mandated in the FCPF Charter, a **second independent evaluation was commissioned in 2015.**
- The evaluation process was overseen by an **evaluation oversight committee** to ensure independence from the FMT.
- The evaluation team presented an overview on the evaluation process, its scope, data collection and evaluation methods, as well as **initial findings at PC21 in May 2016.**
- The **zero draft evaluation report** was subsequently circulated for feedback from Participants during the period from **May 20th to June 3rd, 2016.**

Update on Independent Evaluation of the FCPF

- **The evaluation oversight committee has not endorsed the report due to it not meeting minimum quality standards for evaluation** as set out by the OECD/DAC's guidance on 'Quality Standards for Development Evaluation'.
- Concerns related to text and conclusions that were not clear, balanced and evidence-based.
- Indufor has been given the opportunity to improve the quality of the report.

Updates from the World Bank Group

- **Forest Action Plan** and **Climate Change Action Plan** were both launched in April 2016. They are complementary and reference each other. In addition, the **World Bank's Gender Strategy for 2016-23** was launched in December 2015.
- With the **Forest Action Plan**, the WBG is positioning itself as a **partner of choice for rethinking forests within a broader landscape**, minimizing tradeoffs and identifying opportunities for forests to contribute more fully to development across sectors such as agriculture, energy and transport.
 - Initially 20 Country Forest Notes will be prioritized for countries with emerging ER Programs.

Updates from the World Bank Group - continued

- With the **Climate Change Action Plan**, the WBG aims to **accelerate efforts to tackle climate change over the next five years** and help developing countries **deliver on their national climate plans** submitted for COP21 in Paris in December last year.
 - Forests are a key pillar of the CCAP which lays out specific targets for this agenda, including supporting REDD+ strategies in more than 50 countries and mobilizing financing for sustainable forest management in at least 10 countries by 2020.
- With the **Gender Strategy**, the WBG aims to ensure the full and equal participation of women and men, girls and boys, recognizing that failure to fully unleash women's productive potential represents a major missed opportunity.
 - As part of the FCPF budget for FY17, the PC approved an increased budget to address gender gaps in the context of REDD+ strategy implementation and through FCPF operations.

Strategic Engagement with Ministers of Finance at WBG Spring Meetings



On April 14, 2016:

Two big forest events during WBG Spring Meetings:

- 1) Publically streamed event: “Think Forests: Why investing in forests is the next big thing”
- 2) Invitation-only meeting: “Streamlining financing packages for forest landscapes”
 - High-level representatives from **15 countries, including Ministers of Finance**:
 - » **REDD+ Countries**: Colombia, Cote d’Ivoire, DRC, Ethiopia, Ghana, Guatemala, Indonesia, Madagascar, Nicaragua.
 - » **Donor countries**: Canada, France, Germany, Norway, UK, USA. Also present: Prince’s Charities’ International Sustainability Unit.
 - Discussions emphasized the **importance of investing in forests for sustainable development and climate action**.
 - Co-hosting by WBG Sr. Directors for Agriculture, Environment & Natural Resources, and Climate Change, the **WBG demonstrated commitment to cross-sectoral approaches**.
 - **WBG signaled readiness to support client countries in their decision making and financing needs**.

What to expect at CF14:

- At this meeting, the FMT seeks decisions on:
 - **Costa Rica and DRC:** Decision to proceed to CF portfolio based on ERPDs presented
 - **Indonesia:** Confirmation of pipeline selection based on revised ER-PIN
 - **Cameroon:** Feedback and discussion on revised ER-PIN
 - **Budget for FY17**
- The FMT will provide information on the following:
 - Discussion on the **Carbon Fund business process**, including i) timing of WBG due diligence steps and CF decisions, and ii) updates to the Process Guidelines and Disclosure Guidance based on experiences with the Technical Assessment process for ER-PDs
 - Discussion on **emerging issues in ER-PD Development**
 - Information on the **ERPD Negotiation Process** and commercial terms
 - Information on final draft technical paper and guidance document on design, development, and management of **REDD+ transaction registries**

For CF Participants to expect in 2016:

- Findings of the FMT's review of **financing options** (e.g. guarantees, bonds) and proposal to address financing gaps in ER Programs
 - In previous CF Meeting, CFPs recognized limitations on use of CF contributions for some financial options, such as bonds and guarantees. However, it was recognized that there was a financing gap for investments in the ER Program areas
 - Developing a concept note which requires initial internal review.
- Guidance on **double counting**
- **Discussion of the action plan proposed by the evaluation team** in response to their findings and recommendations as per the independent evaluation
- Clarifications on **options for “soft closure” of CF tranches**

Focus of FMT for 2016

- Continue to leverage additional investment to finance/strengthen **financial viability of ER Programs**
- **A Programmatic Approach** as per the WBG's Forest Action Plan provides institutional backing for further integration of with WB lending portfolio
 - At the FIP Steering Committee Meetings last week, the **Investment Plans for Cote d'Ivoire and Mozambique** were approved.
 - These Investment Plans will provide indispensable direct investments that address the drivers of deforestation and forest degradation and support countries' development and REDD+ objectives.
- Continue support to countries in **ER Program development**

Focus of FMT for 2016 - continued

- Complete **due diligence** and technical reviews of emerging ERPDs
- Build **country capacity for ERPA negotiations** (e.g., understanding of commercial terms, contract ERs vs option ERs, etc.)
- Put in place some of the remaining building blocks for **ERPA negotiations**
- Focus preparing for ERPA signing and proof of concept as soon as practical.

