

**Forest Carbon Partnership Facility
Nineteenth Meeting of the Carbon Fund (CF19)
Washington DC | February 5-7, 2019
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 Countries, Indigenous Peoples' organizations, civil society, and UNFCCC—who took part in the nineteenth Forest Carbon Partnership Facility (FCPF) Carbon Fund meeting (CF19) held February 5-7, 2019 in Washington DC.

Please find below the main conclusions from the meeting. All relevant background materials, presentations, resolutions and this summary are available [here](#) on the FCPF website.

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 (ER) 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 CF19

[Côte d'Ivoire](#) and [Indonesia](#) 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 provisionally selected the ER Programs from [Côte d'Ivoire](#) and [Indonesia](#) into the Carbon Fund portfolio. ERPA negotiations will proceed subject to completion of the World Bank's due diligence on the programs and fulfillment of conditions as stated in the respective resolutions.

Côte d'Ivoire

CFPs acknowledged the extensive efforts made by Cote d'Ivoire and the high quality of their [ER-PD](#).

CFPs encouraged Côte d'Ivoire to further develop the following issues under the ER Program, and inform the FMT, CFPs, and Observers prior to ERPA signature:

- Address and respond to the TAP recommendations in relation to carbon accounting, particularly the consideration and minimization of sources of uncertainties in the reference level activity data. This includes developing robust Quality Assurance/Quality Control procedures and/or Standard Operating Procedure for the visual interpretation of canopy cover as well as increasing the sampling intensity and improving the stratification, to the extent practical. Improvements should be consistent with “FMT Guidance Document on Methodological Framework 2: Guidance on Technical Corrections to GHG emissions and Removals Reported in the Reference Period”.
- Provide criteria to be applied to the planned reclassification of selected or portions of classified forest into agroforests, including rules and indicators for compensation areas, strategies to avoid degradation or conversion of remaining natural forest, and a definition of agroforests.
- Ensure the ER Program and benefit-sharing plan provide access and participation options for women and all relevant stakeholders, including forest-dependent communities, in the ER Program Accounting Area.
- Ensure that the ER Program has a strategy to promote women’s empowerment, including the promotion of land title for women.
- Publish or make accessible any relevant decrees related to the new Forest Code (pending parliamentary adoption).

Indonesia

CFPs acknowledged the extensive efforts made by Indonesia and the high quality of their [ER-PD](#).

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

- Strengthen coordination among the ministries, as well as government entities—at the national, provincial, and local levels—that would be responsible for implementing the ER program.
- Further develop measures to reduce leakage risks, through measures such as providing alternative livelihoods to communities and continuing moratoria of all new permits on primary forests and peatland following the presidential instruction.
- Strengthen the benefit sharing arrangement, to ensure (i) equitable and transparent sharing of benefits among all Adat communities, considering the challenges in the government’s ongoing process of legally recognizing Adat communities and land titling of these communities; and (ii) private sector entities only receive non-monetary benefits.
- Continue to improve emission factors in production forests, including those forests where Reduced Impact Logging is implemented, with a view to better monitoring logging impacts in the future, in line

with “FMT Guidance Document on Methodological Framework 2: Guidance on Technical Corrections to GHG emissions and Removals Reported in the Reference Period”.

- Continue to refine the methodology to measure forest degradation, including associated emission factors, in line with “FMT Guidance Document on Methodological Framework 2: Guidance on Technical Corrections to GHG emissions and Removals Reported in the Reference Period”.
- Improve carbon accounting in the ER Program in line with (i) TAP recommendations in order to reduce uncertainty and (ii) “FMT Guidance Document on Methodological Framework 2: Guidance on Technical Corrections to GHG emissions and Removals Reported in the Reference Period,” with special emphasis on sample design.
- Continue the commitment to make land use data and safeguard documents publicly available.

Portfolio Management Decisions

The Carbon Fund pipeline includes a total of 19 ER-PINs, and the portfolio includes 13 ERPDs, some 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.

Progress Update

The FMT provided an [update on progress](#) made since the last meeting in June 2018. CFPs were encouraged by all the progress made since the last meeting, appreciating the signing of the first ERPAs, the progress on the Carbon Fund portfolio, the FMT’s engagement with the private sector, and work on benefit-sharing and gender inclusion.

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;
- to develop and make operational a Centralized Transaction Registry prior to the first issuance of verified emission reductions
- continuing support to countries in development of benefit-sharing plans and safeguards plans;
- supporting PC-funded gender activities focused on Carbon Fund countries

Update on Carbon Fund Process Guidelines and ER Monitoring Report Template

The FMT delivered a [presentation](#) on updated versions of the [Carbon Fund Process Guidelines](#) and the [ER Monitoring Report Template](#). CFPs asked the FMT to ensure consistency between the revised Carbon Fund Process Guidelines and other relevant documents.

Follow-up Actions

- FMT will share the updated Carbon Fund Process Guidelines and the ER Monitoring Report template indicating changes from the previous version with the CFPs for virtual review.

Payment for ERs generated prior to ERPA signature (Retroactive ERs)

The FMT delivered a [presentation](#) on options for consideration regarding the payment for ERs generated prior to ERPA signature.

CFPs offered general support for the concept, requesting the FMT to provide further information.

Follow-up Action

- FMT will draft an FMT Note on options regarding the payment for ERs generated prior to ERPA signature.

Verification Standards

The FMT and Climate Focus made a [presentation](#) on different options regarding (i) the scope of verification and the implications of each of these options and (ii) the decision-making process for CFP approval of the verification standard.

CFPs indicated a general preference for Option B (moderate scope) in terms of verification scope, while requesting additional information on the practical implications of Options B (moderate scope) and C (broad scope).

CFPs indicated a preference for Option 1 in terms of the decision-making process for approval (TOR and main elements submitted for virtual non-objection), while requesting a clear timeline for consultation and delivery of documents prior to the non-objection period.

Registries

CFPs welcomed the FMT [update](#) on registries, which included (i) the results from consultancies on the architecture of the Centralized Transaction Registry System and an analysis of risks and legal issues; (ii) the preparation of the Business Requirements Document of this Centralized Transaction Registry System; and (iii) the implementation roadmap to get the registry operational.

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

The FMT also confirmed that implementation of the registry on time is one of its top priorities. CFPs recommended that the integration with external national/third party registries (the second phase of the Carbon Assets Trading System (CATS) program) be completed as soon as possible.

Portfolio and Program Financial and Economic Analysis

CFPs appreciated the FMT's [presentation](#) on the analysis of ER program financing, which focused on sources and uses of funds, identifying potential financing gaps, cash flow analysis, portfolio investment analysis, and the role of FCPF results-based payments for emission reductions in catalyzing public and private investment at program and portfolio levels.

Next Meetings

The [20th Carbon Fund meeting](#) will likely be held in July, with the location to be determined. The FMT will advise on further details as soon as possible.

In Closing

CF19 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 more countries, provisionally, into the Carbon Fund portfolio—Côte d'Ivoire and Indonesia—brings the total number accepted to thirteen. And with the final six countries—Cameroon, Dominican Republic, Fiji, Guatemala, Nicaragua and Peru—planning to present their ER Programs at CF20, there is a possibility that all 19 countries in the pipeline could enter the Portfolio.

Meanwhile, in welcome [news](#) the Carbon Fund has signed its first two ERPA's—with DRC and Mozambique—with several others anticipated in the coming months. These agreements, the first of their kind globally, will provide important lessons and experiences for 'proving the concept' of jurisdictional 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, and benefit-sharing.

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

Sincerely,

Mads Halfdan Lie

Norway

CF19 Chair