

**Forest Carbon Partnership Facility (FCPF)
Carbon Fund
Seventh Meeting (CF7)
Paris, France, June 24-25, 2013**

Chair's Summary

Dear Carbon Fund Participants and Observers,

I would like to thank the Carbon Fund Participants (CFPs), Observers from REDD Country Participants, Indigenous Peoples' organizations, non-governmental organizations, private sector and TAP members, who took part in the seventh meeting of the FCPF Carbon Fund (CF7) on June 24-25, 2013 in Paris, France.

Please find below the main conclusions from the meeting. All background materials, presentations, resolutions and this summary are available on the FCPF website at: <https://www.forestcarbonpartnership.org/carbon-fund-seventh-meeting-cf7-june-24-25-2013-paris-france>

Presentation of the ER-PIN for Democratic Republic of Congo

- The Democratic Republic of Congo (DRC) presented its [ER-PIN](#) for consideration by Carbon Fund Participants. CFPs noted the high quality of the ER-PIN as well as the strong government commitment to the proposed program and to REDD+. CFPs further acknowledged the opportunity that the program presents to demonstrate that REDD+ can be implemented at scale in Sub-Saharan Africa.
- CFPs expressed interest in working further with DRC towards potentially including the ER-PIN in the pipeline of the Carbon Fund, raising several issues that will need to be addressed before full consideration, including:
 - The need for a better description and explanation of the approach used to set Reference Levels, in particular for degradation;
 - Description of the planned institutional set up for the National Fund, and information on how funds would channel down to local communities;
 - Description of the composition of the *Comité de Direction*.
 - Better explanation of how the proposed program would address the identified drivers of deforestation, in particular drivers related to small-scale agricultural expansion, charcoal production and mining, and how benefit-sharing would be aligned with the activities proposed to address these drivers;
 - Description of the status of ongoing land tenure reform;
 - Detail on how potential associated institutional capacity challenges will be overcome, given that the program target area, Mai Ndombe, is not yet a “politically operational” province¹; and
 - Description of improved stakeholder participation in the design of the program, including at the ER-PIN stage.
- CFPs noted that the updated Mid-term Report, which is expected to be submitted in the next few weeks, will provide important context on governance aspects related to REDD+.

¹ As per the 2006 Constitution, the DRC is to increase the current number of 11 provinces to 26 provinces. The proposed program area corresponds to one of the new provinces that has not yet been established and currently forms part of a larger province.

- CFPs were made aware of concerns from civil society on potential challenges with registration of REDD+ projects in the DRC pursuant to the recent ministerial order on the accreditation procedures for REDD+ Projects (*Arrêté ministerial No 004/CAB/MIN/ECN-T/012 du 15 Feb 2012 fixant la procédure d'homologation des projets REDD+*).
- The DRC clarified in response that: i) provincial boundaries are not expected to change during the term of a potential ERPA as the country is rolling out the re-organization of provinces slowly, ii) a governance matrix has recently been defined to help improve the investment climate, iii) the ministerial order will be reviewed according to the outputs of the ongoing Social and Environmental Assessment (SESA) process, and iv) additional donor funding would be welcome to cover the cost of investment activities that aim to reduce deforestation.
- Generally, CFPs recommended that all countries include in their ER-PINs a short explanation of how their proposal fits with the overarching guidance provided by the emerging Methodological Framework.

Follow up action: The DRC is expected to revise the ER-PIN based on the feedback provided by the CFPs with the aim of resubmitting the document for consideration at the next CF meeting.

Presentations of early ideas from Chile, Indonesia and Mexico

- Chile, Indonesia and Mexico presented their early ideas for potential ER Programs. Participants welcomed the diversity of the proposals, acknowledged the high quality of the presentations made, and offered feedback to countries on how to improve the early ideas for proposals. Some of the key points discussed were, amongst other:
 - [On Chile's proposal](#): CFPs asserted their general support of the focus on degradation, but suggested to direct efforts to a larger contiguous area and to move away from an approach that assembles multiple projects. CFPs further noted that the ER crediting period would need to be adjusted to be aligned with the terms of the ERPA. CFPs also recognized the challenges related to accounting for forest degradation and requested more information on how Chile would guarantee a significant volume of emission reductions to the CF.
 - [On Indonesia's proposal](#): CFPs emphasized their appreciation of the clear integration of district level interventions in a national framework, but suggested that the linkages between the different jurisdictions involved could be improved. CFPs further recommended including additional information on benefit-sharing arrangements and measures to mitigate implementation risks. CFPs noted that the final definition in the emerging Methodological Framework will determine whether peatlands can be considered by the Carbon Fund.
 - [On Mexico's proposal](#): CFPs appreciated the integrated landscape approach presented, noted the institutional arrangements that provide for coordination between the municipality, state, and federal levels, and further welcomed the opportunities the proposal presents for showcasing the integration of multiple sources of climate finance. CFPs recommended additional information be provided on the alignment of the program with the national climate change and development strategy, on the relation of regional climate funds with the Carbon Fund, and on the role of the National Emissions Registry. CFPs further recommended broadening the sectoral scope of the program, i.e., to include cattle ranching, tourism, etc., and to strengthen private sector engagement.

Follow up action: Countries are expected to develop their ideas into ER-PINs for formal consideration by CFPs at future CF meetings. The FMT encourages CFPs to provide any additional feedback on early ideas to countries in writing, including to countries that presented at previous meetings, in particular the Republic of Congo who requested additional feedback at CF6.

Letter of Intent with Costa Rica

- Notwithstanding the fourteen calendar day no objection review period provided for in CF Resolution [CFM/6/2013/1](#), the CF Participants expressly authorized by unanimous consent the CF Trustee to sign the Letter of Intent (LOI) with FONAFIFO (Costa Rica). The CF Trustee will sign the LOI in due course.

Discussion on the Draft Methodological Framework for the Carbon Fund

- The FMT presented the purpose of the [Methodological Framework](#) (MF) as well as the approach taken and process followed thus far to develop the draft MF. The FMT further highlighted the key topics that were discussed during the working group meeting preceding the Carbon Fund meeting.
- Participants deliberated the revisions of the MF in depth, in particular focusing on reference levels and possible adjustments to reference levels, applicable safeguards and the relationship to the World Bank's due diligence process, accounting for reversals and other potential risks, and sustainability of ERPs beyond the term of the Facility in 2020.

Follow up action: The FMT will rework the draft MF taking into account the comments received from CFPs during the meeting. Upon revision, the FMT will circulate the revised MF to CFPs for a two week review period. Subsequently, the FMT will revise the MF again based on additional comments received and will then circulate the MF for a final two week non-objection period. If no objections are received, the FMT will proceed with posting of the MF for a public comments period. Following the public comments period, the FMT will proceed with finalization of the MF for presentation at CF8 where CFPs will be invited to decide on its adoption.

Disclosure regime for Carbon Fund documents

- The FMT presented [FMT Note CF-2013-2](#) with the draft disclosure guidance for the Carbon Fund that follow the World Bank Access to Information Policy (AIP) and will be annexed to the Process Guidelines for the CF.

Follow up action: The FMT will revise the disclosure guidance to provide for ER Program Reviews to be posted 14 days prior to relevant Carbon Fund meetings. The FMT will further consult in the World Bank internally to identify options for disclosure of i) the advanced draft of the Benefit-Sharing-Plan during the consultation process, and of ii) the documents resulting from the World Bank's due diligence process, i.e. in particular the Carbon Finance Assessment Memorandum (CFAM) or any equivalent document. Revised disclosure guidance will be posted to the FCPF website.

FY14 Carbon Fund Budget

- The FMT presented its Fiscal Year 2014 (FY14) [budget](#) proposal for the Carbon Fund for approval. Responding to questions from CFPs on the use of investment income, the FMT confirmed that such income is added to the balance of Fund.
- The CFPs adopted [Resolution CFM/7/2013/1](#) approving the FY14 Annual Budget for the Carbon Fund.
- The CFPs further agreed that the Carbon Fund will be first closed to contributions shortly before the time of the signature of the first ERPA, so that CFPs' shares of ERs under the said ERPA will be fixed at that point.

Follow up action: Going forward the FMT will prepare a note on the budget rather than just a presentation.

Revision of the agenda

- Due to time constraints during the meeting resulting from extensive discussions on the draft Methodological Framework, agenda items 3d (Update on development of other ER Programs), 4b (Update on Pricing Approach), 4c (Creation and transfer of Emission Reductions), 5a (Update on REDD+ cost assessment tool), and 7 (Update on marketing to the private sector) were either dropped or postponed. Agenda items 3e (Update on potential Conflict of Interest in ER-Program development) and 5c (Draft General Conditions of a future ERPA) were covered under the agenda of the fifteenth Participants Committee meeting at which almost all CFPs were in attendance.

Next meetings

- Going forward, CFPs indicated their preference to continue with two (instead of three) Carbon Fund meetings per year thereby also allowing more time for the FMT to prepare meetings. CFPs suggested that any immediate issues could be addressed by means of teleconference. Additional Carbon Fund meetings would only be justified if the semiannual meeting schedule would delay ER Program development.
- The eighth Carbon Fund meeting will be held either in late October (in conjunction with the Oslo REDD+ Exchange scheduled for October 29-30, 2013) or in early December (in conjunction with the FCPF Participants Committee meeting tentatively scheduled for December 5-7, 2013).

In closing

Over the last few months, tremendous progress has been made on the development of the draft methodological framework to govern the Carbon Fund. This work is timely, as countries are advancing their readiness preparation activities and important building blocks for the operationalization of REDD+ are taking shape at the country level. To date, early ideas for programs under the Carbon Fund have emerged from ten countries and one proposal from Costa Rica has already been selected into the pipeline. The CFPs are now looking forward to shaping a diverse portfolio for the Carbon Fund that will generate high-quality and sustainable ERs at scale, deliver environmental and community benefits, and generate important learning value. Over the coming months, the FMT will support countries to develop their early ideas into ER-PINs and to finalize the important work of the Methodological Framework based on final feedback and input from the CFPs and the general public. I look forward to country's presentations of their program ideas at the next Carbon Fund meeting (CF8).

On behalf of the CFPs and Observers, I would also like to express our gratitude to Simon Whitehouse for his leadership and to the FMT for its support throughout this interim period, and recognize the progress made in this period of transition to a new FCPF Coordinator.

If you have any questions or concerns, please do not hesitate to contact me (Peter.Horne@climatechange.gov.au) or the FCPF at fcpfsecretariat@worldbank.org.

Sincerely,
Peter Horne
Australia