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May 31, 2011

Dear Facility Management Team and Carbon Fund Participants,

Our organizations appreciate the overall openness and positive attitude toward civil society participation at FCPF Readiness Fund meetings.

However, we are concerned that this commitment to openness and transparency will not be maintained at the FCPF Carbon Fund in light of some recent developments and urge you to take timely steps to address these concerns.

In particular, the undersigned civil society organizations strongly object to the complete exclusion of observers from the second day of the upcoming Carbon Fund meeting in Barcelona. With all due respect, it is our view that any decision to exclude observers at this time is unjustified and was reached without adequate consultation with interested parties. We call your attention to the following points:

- With no significant outreach to civil society on an issue known to be of great importance to civil society, the FCPF Charter has been amended and the Carbon Fund (CF) Rules of Procedure has been developed to include exclusionary provisions related to the participation of observers in Carbon Fund meetings. These include the complete removal of a Charter mandate allowing observers to participate in Tranche meetings, and the formulation of discretionary rules in the CF Rules of Procedure on excluding observers from meetings of the CF Participants. In addition, no rules have been set as to exactly what decisions can be made in Tranche versus CF Participants meetings.
- Draft Rules of Procedure for the Carbon Fund were circulated less than two business days prior to discussion scheduled for May 31 and June 1 in Barcelona, allowing virtually no time for review and comment by civil society.
- A decision was made to exclude observers from the second day of the upcoming meeting in Barcelona on June 1, apparently based on provisions in the draft Rules of Procedure, which have yet to be adopted.
- There appear to be few, if any, agenda items in the June 1 meeting where there is a substantive reason for excluding observers. In addition, important elements of the FY12 Work Program, including the development of R-Package guidance, an ER-PIN template, and ERPA General Conditions, will only be discussed during the closed door sessions.
- The closed meeting on June 1 includes a discussion of the R-Package “outline”. This is the first time we have seen a formal presentation on this topic, and we question the appropriateness of having a substantive discussion with the CF Participants in the absence of observers or REDD countries. As you know, this is a very important issue for civil society.

CSOs understand the need for business confidentiality in some cases. At the same time, most of the funding for the Carbon Fund comes from public sources, and long-standing civil society objectives for transparency and effective public oversight are at stake. Accordingly, our organizations make the following requests:

- Invite observers to participate in the June 1 meeting.
- Carry out meaningful consultations with potential observers, including civil society and indigenous peoples' organizations, on the Rules of Procedure for meetings of the Carbon Fund and of the Carbon Fund Tranches in consultation following a timetable that allows for meaningful consideration and input.
- The Rules of Procedure for meetings of the Carbon Fund and of the Carbon Fund Tranches should be based on a presumption of openness and transparency and follow the strong example set by the Readiness Fund in this regard. Observers should be excluded from meetings only in clearly-defined cases of business confidentiality, as established and agreed up front.
- Develop and publish a calendar of upcoming Carbon Fund and Tranche meetings. Whenever possible, schedule these meetings to coincide with PC meetings to reduce travel costs for participants and observers.

Finally, we would like to take this opportunity to urge the FMT to ensure that there is proper sequencing between activities supported by the Readiness and Carbon Funds. Specifically, the guidance and criteria for R-Packages should be developed prior to moving forward with the development of guidance for emissions reductions programs (including the ER-PIN template). It is important to provide clear, up front guidance to REDD countries about the requirements for participating in the Carbon Fund before they are encouraged to start developing proposals for emissions reduction programs. These requirements should be developed in a consultative process and need to be strong enough to ensure a country's ability to provide high quality emissions reductions credits, developed and monitored in the context of national-level systems and policies, without generating negative social and environmental outcomes. In this way, the Carbon Fund can advance and not undermine the objectives of the readiness phase.

Thank you for your prompt consideration of these requests. Please feel free to contact us with any questions or clarifications.

Yours sincerely,

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