

Forest Carbon Partnership Facility (FCPF)

Carbon Fund

Shared Costs

March 23, 2012

This note provides information on Shared Costs in response to a request by Carbon Fund Participants at the second meeting of the Carbon Fund (CF2) held in Berlin in October 2011.

What are Shared Costs?

1. Shared Costs are defined in the Charter as ‘the costs and expenses incurred in the administration of the Facility which include, but are not limited to, the Participants Assembly, meetings of the Participants Committee, Steering Committee and the activities undertaken by the Facility Management Team for both the Readiness Fund and the Carbon Fund’ (Section 1.1, para. 69).
2. In practice, the activities and costs included in the Shared Costs across both the Readiness Fund and Carbon Fund have been drawn from the FCPF Secretariat and REDD Methodology Support budget lines, and have been comprised of the following:

FCPF Secretariat Costs

- Overall program management and activities related to maintaining partnerships among the many stakeholders of the FCPF;
- Organization of the FCPF meetings (one Participants Assembly (PA) meeting and approximately three Participants Committee (PC) meetings per year);
- Travel and expenses of REDD Country Participants to attend FCPF meetings;
- Supporting the participation of the Indigenous Peoples’ Observers in the FCPF’s PA and PC meetings;
- Knowledge management, including FCPF website and communications; and
- (More recently) Common Approach and Multiple Delivery Partners work.

REDD Methodology Support Costs

- Work of the ad hoc Technical Advisory Panels (TAP) in support of FCPF Participants Committee and/or the FMT, advancing global topics (e.g., valuation of emission reductions, opportunity costs, monitoring, reference scenarios levels);
- TAP review of Readiness Preparation Idea Notes, Readiness Preparation Proposals and elements of country Readiness Packages;
- TAP travel and participation in FCPF meetings;

- Ensuring adequate liaison with UN-REDD Programme and other international REDD+ programs;
- Indigenous Peoples capacity building program on REDD (\$200k per year originally approved FY09-13);
- (More recently) other key ad hoc support to Indigenous Peoples on REDD+; and
- Contingency (\$200k per year originally approved FY09-13).

3. The approved budget for FY12 included some large global activities such as the continuing work on Multiple Delivery Partners and the global FCPF dialogue with Indigenous Peoples. The Participants Committee (PC) was asked in June 2011, during the budget discussion, to consider if any of these items should be left outside of the Shared Costs, even though they were contained within the FCPF Secretariat or the REDD Methodology Support budget lines. The PC agreed that these items should remain in Shared Costs for FY12.

4. The PC subsequently approved (October 2011) an additional allocation of \$5.5 million for FY12-15 for expansion of the Indigenous Peoples capacity building program and the creation of a southern CSO capacity building program, subject to the availability of resources. Though details were not specifically addressed at the October 2011 PC meeting, based at least on current practices both of these expanded programs would normally form part of FCPF Secretariat Costs or the REDD Methodology Support Costs. It has been assumed thus far by the FMT that they would therefore also be included in the Shared Costs, to be shared and paid by the Readiness Fund and the Carbon Fund.

How are Shared Costs shared between the Readiness Fund and the Carbon Fund?

5. According to the Charter, “Unless the Participants Committee decides otherwise, the Readiness Fund shall bear 65% of the Shared Costs and the Carbon Fund shall bear 35% of the Shared Costs” (Section 19.1 (b)).

6. The PC has decided that the Readiness Fund should bear all Shared Costs incurred up to June 30, 2011 (the end of FY11). Therefore the Carbon Fund has only begun to cover 35% of the Shared Costs from July 1, 2011 onwards. The budget approved by the PC for the Readiness Fund for FY12 indicates the 35% Carbon Fund share of the budgeted FCPF Secretariat Costs and REDD Methodology Support Costs, a total of approximately \$1.47 million¹.

7. Since the Shared Costs are approved as part of the approval of the annual budget by the PC, it was recognized that the Carbon Fund Participants did not have full control of the level of Shared Costs that could be charged to the Carbon Fund. This was an important concern for potential Carbon Fund Participants, before they were able to commit to joining the FCPF, since they were unable to take on a potential open-ended liability for which they did not have budget control. The PC therefore agreed to limit the amount of Shared Costs that could be charged to the Carbon Fund over the life of the Facility to

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<http://www.forestcarbonpartnership.org/fcp/sites/forestcarbonpartnership.org/files/Documents/PDF/Jun2011/Resolution%204%20Readiness%20Fund%20FY12%20budget.pdf>

a maximum of \$12 million². If that cap of \$12 million were to be reached, the budget lines that comprise the Shared Costs would become the full responsibility of the Readiness Fund.

What are the forecast levels of Shared Costs over the term of the Facility?

8. In preparing the long term financial plan for the Carbon Fund meeting in October 2011, a forecast for Shared Costs over the life of the Facility was calculated. This was based on a 35% share of the FCPF Secretariat Costs and REDD Methodology Support Costs included in the long term financial plan for the Readiness Fund, plus a 35% share of the subsequent additional allocation of \$5.5 million for the Indigenous Peoples and southern CSO Program. This calculation indicated that the Carbon Fund portion of the forecast Shared Costs over the term of the Facility would exceed the maximum of \$12 million. In accordance with the PC resolution on limiting Shared Costs to be charged to the Carbon Fund, the Shared Costs indicated in the long term financial plan for the Carbon Fund were limited to the agreed \$12 million.

9. In light of this forecast indicating that the agreed limit of \$12 million would be exceeded, it is important to note that, for planning purposes, any future increases in the long term forecasts for FCPF Secretariat Costs and REDD Methodology Support Costs will be wholly allocated to the Readiness Fund.

10. Of course, in practice, 35% of the actual FCPF Secretariat Costs and the REDD Methodology Support Costs will be charged to the Carbon Fund until the maximum of \$12 million is reached. Thereafter 100% of the actual FCPF Secretariat Costs and the REDD Methodology Support Costs would be charged to the Readiness Fund.

² Resolution PC/8/2011/8 available at

<http://www.forestcarbonpartnership.org/fcp/sites/forestcarbonpartnership.org/files/Documents/PDF/Mar2011/Resolution%208%20Capping%20Shared%20Costs%20for%20Carbon%20Fund.pdf>