

## Forest Carbon Partnership Facility (FCPF)

### Readiness Fund

#### FY16 Budget Status and FY17 Proposed Budget for the FCPF Readiness Fund

April 2016

*This note is designed to (A) present the status of the FY16 budget in the context of the life of the Facility and (B) present the proposed budget for FY17 of the Readiness Fund, including additional activities.*

#### 1. The Budget Cycle and Expenditure Categories

The timing for FCPF budgets – for both the Readiness Fund (RF) and Carbon Fund (CF) – is based on the World Bank fiscal year (July 1-June 30), with FY17 starting July 1, 2016. Per the Charter, budgets are approved annually. The FY16 Readiness Fund and Carbon Fund budgets were approved in May 2015. **The FY17 budget of the Readiness Fund is submitted and proposed for approval in this meeting of the PC, PC21.**

The FCPF budget is built around five core activity types. Those are: Country Implementation Support; Country Advisory Services; REDD Methodology Support; the FCPF Secretariat; and Fund Administration. These activities fall into two groupings: Services to REDD Countries, and Secretariat and Trustee Function.

##### a. **Services to REDD Countries: Country Implementation Support, Country Advisory Services, and REDD Methodology Support**

The work of the implementing agency or delivery partner falls under **Country Implementation Support**. This covers the direct implementation support, including technical assistance, from Delivery Partners (World Bank, IDB and UNDP). This includes the key role of grant supervision and country level review, related to environmental and social due diligence, procurement and financial management policies and procedures of the Delivery Partners and the Common Approach to Environmental and Social Safeguards. With more countries having signed Readiness Preparation Grants and UNDP and the Inter-American Development Bank being active as Delivery Partners, this category of expenditures is making up a substantial portion of the total budget.

Also within Services to REDD Countries, **Country Advisory Services** consist of FCPF team coordination of, and feedback on, R-PPs, Mid Term Reviews and R-Packages. The work of providing guidance on FCPF social and environmental due diligence (SESA guidelines, etc.) also falls under this category. Sharing cross-country experiences, developing and sharing guidance (e.g., social inclusion) with individual REDD Country Participants is another key component.

Finally, **REDD Methodology Support**, rounds out the support to REDD Countries with activities such as the development of program cost assessment tools, the implementation of the Methodological Framework, Technical Advisory Panel (TAP) reviews of R-PPs and R-Packages. Other key responsibilities include the close liaison with UN-REDD and international REDD+ programs (FIP, CIFs), as well as analysis on key REDD+ topics and lessons learned (e.g., MRV, Reference Levels, Registries).

#### **b. Secretariat and Trustee Function**

The Secretariat and Trustee Function consists of two key areas: The **FCPF Secretariat** and the **Readiness Fund Administration**. The overall program management and activities related to maintaining partnerships among the many stakeholders of the FCPF, the Organization of the Annual Meeting and 2 PC meetings per year falls under FCPF Secretariat costs. FCPF Secretariat costs also cover travel and expenses of REDD Country Participants and Observers in meetings, website management, communications, knowledge management activities and translation services.

The **Readiness Fund Administration** work consists of functions related to the World Bank role as Trustee of the Readiness Fund, including the preparation of budgets, business plans and financial projections. This includes development of long term sources and uses of funds as well as the preparation of the FCPF Annual Report. Other key tasks such as, managing the operating budget throughout the fiscal year, contracting, reporting to partners and stakeholders and contributions management comprise fund administration. Finally, the tracking and reporting of the Facility wide M&E framework is also undertaken within the fund administration role.

## **2. Shared Costs**

At the set-up of the FCPF an arrangement on 'Shared Costs', that is costs of activities that cut across both the Readiness Fund and Carbon Fund, was agreed. The agreed split is that those costs are covered 65% by the Readiness Fund 35% by the Carbon Fund (per the FCPF Charter). Since the Carbon Fund was only in the early stages of development, it was agreed that the Shared Costs were only to be borne by the Carbon Fund from July 1, 2011. 'Shared Costs' have included in practice the activities paid out of the FCPF Secretariat and REDD Methodology Support functions.

The budget for these two cost categories, and hence for Shared Costs, is approved by the Participants Committee (PC). To ensure that costs are contained, an overall cap of \$12 million that can be charged to the Carbon Fund for Shared Costs over the lifetime of the Fund (Approved by the PC through Resolution PC/8/2011/8) was also established.

### 3. Fund Contributions

The current capitalization of the Readiness Fund is \$368.9 million as shown below.

**Table 1 FCPF Contributions as of March 31, 2016 (US\$ thousands)**

FCPF Readiness Fund Donor Contributions as of March 31, 2016 (in \$ thousands)										
Participant Name	Total	Outstanding*	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09
Australia	23,892						6,330	7,997		9,565
Canada	41,360							41,360		
Denmark	5,800								5,800	
European Commission	5,192	1,140			1,364		2,688			
Finland	23,196			3,230		5,261	5,749			8,956
France	10,340						5,136		592	4,612
Germany	76,766			23,784	13,913	13,113		25,956		
Italy	5,000							5,000		
Japan	14,000						4,000		5,000	5,000
Netherlands	20,270					7,635	7,635			5,000
Norway	113,062	44,136			38,727			8,801	16,398	5,000
Spain	7,048									7,048
Switzerland	8,214									8,214
United Kingdom	5,766							5,766		
United States of America	9,000					4,000			4,500	500
<b>Committed Funding</b>	<b>368,907</b>	<b>45,276</b>		<b>27,014</b>	<b>54,004</b>	<b>30,009</b>	<b>31,538</b>	<b>94,880</b>	<b>32,290</b>	<b>53,895</b>

### 4. Approved FY16 Budget

The FMT constructed a budget based on its forecasted work program and estimated country support needs. After reviewing the FY16 proposed budget, the PC approved the following operating budget<sup>1</sup>.

**Table 2 FCPF Readiness Fund Overall FY16 Annual Budget (Operating Costs)**

Readiness Fund (\$000s)	FY16 Approved Budget
<b>Readiness Trust Fund Administration</b>	331
<b>FCPF Secretariat</b>	1,719
<b>REDD Methodology Support</b>	975
<b>Country Advisory Services</b>	1,445
<b>Sub-total</b>	<b>4,470</b>
<b>Country Implementation Support</b>	3,215
<b>Sub-total</b>	<b>7,685</b>
<b>IP and CSO Capacity Building Program (Program Admin, Other (travel etc))</b>	483
<b>Total Readiness Fund (Operating Costs) (including Carbon Fund Shared Costs)</b>	<b>8,168</b>
<b>IP and CSO Capacity Building Program (Grants)</b>	3,047
<b>Total Approved Budget</b>	<b>11,215</b>

<sup>1</sup> The FY16 Budget was amended at PC20 to include the costs of the 2015 FCPF Evaluation. (Resolution PC/20/2015/5)

**Table 3 Share of the Budgeted Costs between Readiness Fund and the Carbon Fund**

<b>Overall Budget shared between funds (\$000s)</b>	<b>FY16 Budget</b>
<b>Readiness Fund</b>	7,225
<b>Carbon Fund</b>	943
<b>Total</b>	<b>8,168</b>

**5. Estimated Spend for FY16****Table 4 Estimated Spend for FY16**

<b>Readiness Fund (\$000s)</b>	<b>FY16 Budget</b>	<b>FY16 Estimates</b>	<b>Estimated Under (over) spend</b>	<b>Actual Burn Rates</b>
<b>Readiness Trust Fund Administration</b>	331	244	87	74%
<b>FCPF Secretariat</b>	1,719	1,449	270	84%
<b>REDD Methodology Support</b>	975	647	328	66%
<b>Country Advisory Services</b>	1,445	1,347	98	93%
<b>Sub-total</b>	<b>4,470</b>	<b>3,688</b>	<b>782</b>	<b>83%</b>
<b>Country Implementation Support</b>	3,215	3,918	(703)	122%
<b>Sub-total</b>	<b>7,685</b>	<b>7,605</b>	<b>79</b>	<b>99%</b>
<b>IP and CSO Capacity Building Program (Program Admin, Other (travel etc))</b>	483	248	235	51%
<b>Total Readiness Fund (Operating Costs) (including Carbon Fund Shared Costs)</b>	<b>8,168</b>	<b>7,853</b>	<b>314</b>	<b>96%</b>

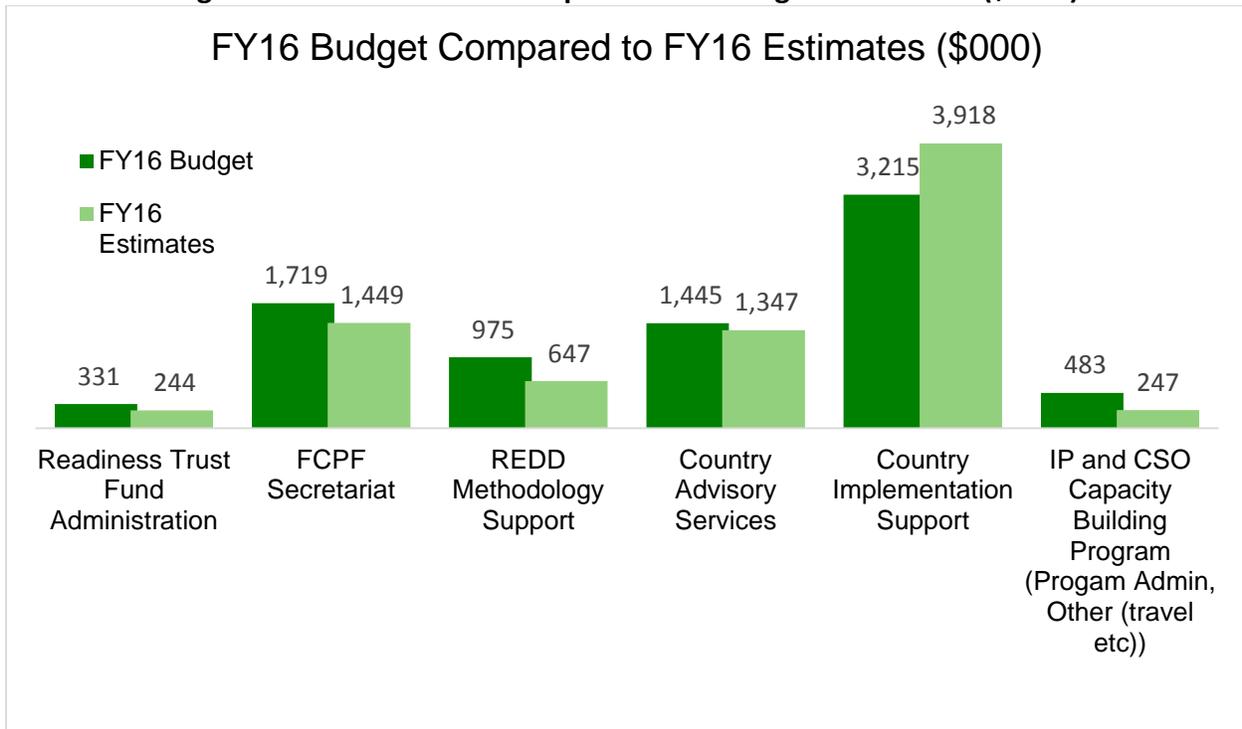
Final FY16 expenditures will be reflected in the Annual Report to be prepared by the time of the Participants Assembly (PA). With the FY16 books not closing until June 30, 2015, the estimated expenditures are tentative. The FY16 budget is estimated to show a 96% spend against the total allocated envelope once the final figures are available. This corresponds to a forecast underspend of approximately \$300k on the total operating budget of \$8.2 million. However, there is a predicted underspend attributed to continued delayed disbursements within the IP/CSO Capacity Building Program while the grant delivery arrangements are being finalized.

The IP/CSO Capacity Building Program, including grants, has historically been included in the operating budget. However, this inclusion means the operating budget is very dependent on the outflow of grants that typically should be accounted for elsewhere along with other Recipient Executed activities such as the Readiness grant disbursements to countries. This note therefore separates the grants from the real operating budget to better reflect the true operating budget.

A closer look at the real operating budget shows fairly accurate budget planning within the FCPF. In fact, when the IP/CSO Capacity Building Program grants are excluded, the estimated spend is 96% of the FY16 requested budget.

**6. Overspends and Underspends by Category**

**Figure 1 Status of the FY16 Expenditures: Budget v Estimates (\$000s)**



**a. Secretariat and Trust Fund Administration**

Trust Fund Administration costs are expected to be slightly under budget (74% spend). As the experience of the FMT grows the team finds ways to save on standard tasks. Also spending below budget, the Secretariat costs will likely be at only 84%. The main contributing factor here is lower communications costs due to video production activities that were put on hold as well as fewer than anticipated large technical documents (R-Packages) that kept translation spend low.

**b. Services to REDD Countries**

REDD Methodology Support, Country Advisory Services, and Country Implementation Support spending rates are all estimated to be on par with the budget with the exception of REDD Methodology Support. This lower expense rate of 66% there is attributed to two main factors: A lower than expected burden on the TAP in FY16 due to fewer than anticipated R-Packages; and delayed work on the REDD Cost Assessment tool and Implementation of the Methodological Framework. This also reflects the FMT’s continued goal on keeping direct country support as the central focus, rather than work on ‘additional activities’.

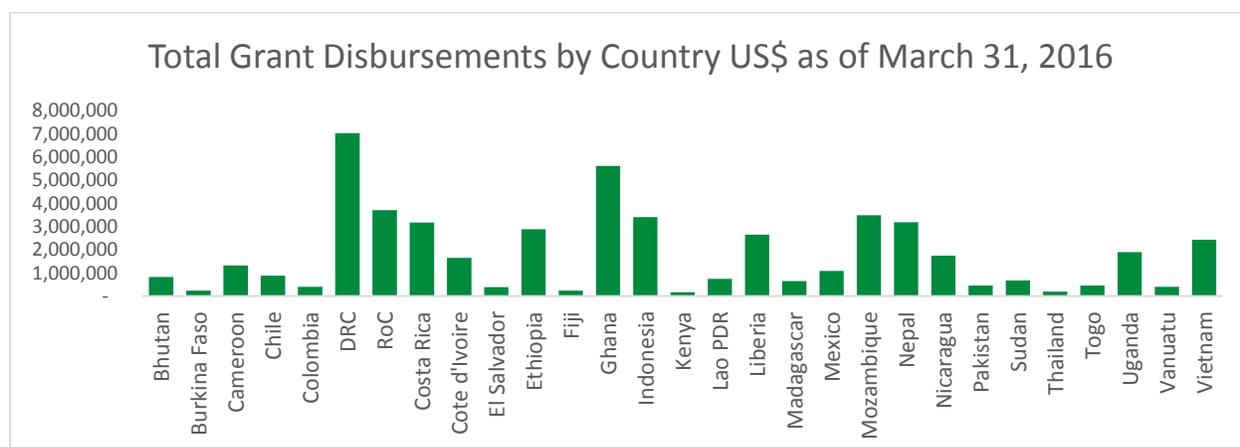
In the Country Advisory Services function, showing a 93% spend rate on the budget, the team carried out substantial work supporting 5 countries in their submission of Mid

Term Reviews, potentially unlocking additional grant funds of up to \$5 million each for work on Readiness. Continued progress was also seen in the form of 3 countries signing \$3.8 million Preparation Grants and 3 countries signing grants for additional funding of up to \$5 million so far this FY.

The final area of country support is Country Implementation Support. The costs here show work in full swing in all active REDD Countries in the FCPF portfolio. The estimated spend for FY16 is \$3.9 million -- an overspend of \$0.7 m (a burn rate of 122%). The overspend is explained by lump sum transfers of Implementation Support funds to both UNDP and IDB in the amounts of 539k and \$750k respectively, the latter of which was unexpected this FY and therefore not budgeted. This work of the implementing agencies is also crucial in the signature of the 6 additional grants so far in the current fiscal year.

Related to that is a continued acceleration in grant disbursement, reaching a cumulative total of \$52 million disbursed through the World Bank as Delivery Partner as of March 31, 2016. Almost \$18 million of this was disbursed in the current fiscal year. The details of the disbursements are shown in Figure 2. In addition, yet another \$3.8 million was disbursed to non-World Bank Delivery Partners (for a total there of \$30.4 million to date), making a total grant disbursement of more than \$82.4 million – a 50% increase over the cumulative figure reported in FY15.

**Figure 2 FCPF Total Grant Disbursements**



**c. IP/CSO Capacity Building Program (CBP)**

The new phase of the program through Regional Intermediaries has not advanced as quickly as forecast. This is clearly reflected in the underspend against the grants portion of the program (Table 5).

**Table 5 IP/CSO Capacity Building Program Spend**

<b>Indigenous Peoples/CSO Program Grants (\$000s)</b>	<b>FY16 Budget</b>	<b>FY16 Estimates</b>
<b>Support through contracts/grants</b>	<b>3,047</b>	<b>247</b>

As mentioned earlier in this note, the IP/CSO Capacity Building Program, including grants, has historically been included in the operating budget. However, this structure skews the operating budget to be very dependent on the outflow of grant funds that typically should be accounted for elsewhere along with other Recipient Executed activities such as grants to REDD Countries. From hereon the FMT will no longer report on the IP/CSO grants as part of the operating budget of the FCPF. Rather, disbursements will be reported on separately from the operating budget. At least four of the six planned grant agreements are forecast to be signed between the World Bank and Regional Intermediaries by the end of FY16. Though grants are expected to be signed by the close of FY16, only amounts equal to 10% of each grant will flow at the time of signature. An estimated grant amount of \$247k is anticipated which is shown separately for clarity.

## 7. Status of Additional Activities

**Table 6 Additional Activities (\$000s)**

<b>Additional Activities</b>	<b>FY16 Budget</b>	<b>FY16 Estimates</b>	<b>%</b>
<b>MRV/Reference Levels (Decision Support Tools and Data Management Systems)</b>	293	66	22%
<b>Implementation of the Methodological Framework</b>	303	173	57%
<b>REDD+ Program Cost Assessment and Financing</b>	129	78	60%
<b>TOTAL</b>	<b>725</b>	<b>317</b>	<b>44%</b>

The additional activities were under budget with a 44% total spend rate. The main reasons for this are a subsidy of \$100k from the REDD+ Partnership for work on the Decision Support Tools and less activities than expected with regard to the Cost Assessment Tool. Budget will be requested for further work on the Technical Learning and Decision Support (formerly Decision Support Tools) in FY17. This will require the PCs approval (see section 10 below).

## 8. Sources and Uses as of March 31, 2016

The overall financial status of the fund is healthy. As shown in Table 7, \$229.8 million of the total \$373.3<sup>2</sup> million in committed funding is allocated for Grants to REDD Countries. \$87.5 million is already allocated for Operations and Country support activities. This leaves \$56.0 million in reserve with a proposed plan to allocate these funds to 10 Additional grants of up to \$5 million to countries demonstrating significant progress, together with the related support costs.

**Table 7 Sources and Uses as of March 31, 2016**

Summary of Long Term Sources and Uses of Readiness Funding (in \$ million, as of March 31, 2016)		
Explanation	of which	Totals
<b>Committed Funding (risk adjusted<sup>1</sup>)</b>		362
Investment Income		11.3
<b>Total Sources</b>		<b>373.3</b>
<b>Committed Uses for funds</b>		
Commitments (grants) to REDD+ Countries (48 @ \$3.8 million)	182.4	
Additional grant funding to REDD+ Countries that demonstrate significant progress on readiness [Chile, Costa Rica, DRC, Ghana, Indonesia, Liberia, Mexico, Mozambique, Nepal, Republic of Congo, and Vietnam] (11@ \$5 million)	55	
Less grants to inactive REDD+ Countries who did not submit R-PPs by PC14 (2 @ \$3.8) <sup>2</sup>	(7.60)	
<b>Net Grant Commitments</b>		<b>229.8</b>
<b>Administrative, Operations, and Country Support of which:</b>		
FY09-15 Actual costs	45.7	
FY16-21 Projected costs	39.8	
Reserve for Delivery Partner capacity for dispute resolution	2	
<b>Total Uses</b>		<b>317.3</b>
<b>Estimated Reserve: Committed funding less Total Uses</b>		<b>56.0</b>
<b>Proposed Commitments</b>		
Additional grant commitments for those that demonstrate significant progress on readiness (\$5 million grant plus 0.3 million for support costs per country for 10 additional countries (total of 21 countries))	5.3	53.0
<b>Total potential additional uses</b>		<b>53.0</b>
<b>Total Surplus</b>		<b>3.0</b>

1. Risk adjusted with a 15% discount applied to outstanding contributions that are in a currency other than US dollars, the holding currency of the fund

2. Bolivia, Gabon

<sup>2</sup> This figure differs from that in Table 1 because the donor contribution portion is risk adjusted per World Bank policy (15% discount is applied to outstanding contributions that are in a currency other than US Dollars, the holding currency of the fund) and the investment income is included.

## 9. FY17 Budget Proposal

**Table 8 FY17 Proposed Budget by Activity**

<b>Overall Budget (\$000s)</b>	<b>FY16 Budget</b>	<b>FY16 Estimates</b>	<b>FY17 Proposal</b>
<b>Readiness Trust Fund Administration</b>	331	244	165
<b>FCPF Secretariat</b>	1,719	1,449	1,893
<b>REDD Methodology Support</b>	975	647	1,386
<b>Country Advisory Services</b>	1,445	1,347	1,508
<b>Sub-total</b>	<b>4,470</b>	<b>3,688</b>	<b>4,951</b>
<b>Country Implementation Support</b>	3,215	3,918	3,645
<b>Sub-total</b>	<b>7,685</b>	<b>7,605</b>	<b>8,596</b>
<b>IP and CSO Program (Program Admin, Other (travel, etc))</b>	483	248	285
<b>Total Readiness Fund (including Carbon Fund Shared Costs)</b>	<b>8,168</b>	<b>7,853</b>	<b>8,881</b>

The overall budget request for FY17 of \$8.9 million is approximately \$0.7 million more than the equivalent in FY16 of \$8.2 million. This increase is mainly due to increased staff numbers in the FMT. The continued focus on REDD country support is reflected in the budget. The bulk of the request is for the areas that provide direct support to the REDD Countries, Country Advisory Services and Country Implementation Support.

As seen in Table 8, the Readiness Trust Fund Administration budget at \$165k is much lower than the FY16 budget and estimated expenditure. This is due to some centralization of many administrative functions across the bank as the result of restructuring. Expenses such as resource management, Legal support, and accounting are now covered centrally.

Conversely, the Secretariat function is budgeted to increase to nearly \$1.9 million. This is due to staff increases in the Communications and Knowledge Management team with a broader scope. Within that, translation costs should also stay low with few anticipated large documents requiring translation.

REDD Methodology, as another of the activities closest to countries, will have a budget higher than the FY16 request at almost \$1.4 million. The additional activities, including a new proposal on Gender Inclusion in Forests and Landscapes, make up a healthy portion of this budget (\$688k) and will be elaborated on in the next section of this note.

Country Advisory Services, the FMT work closest to the REDD countries, with a budget of \$1.5 million, is a slightly larger budget request for FY17 due to a continued focus on country support and increasing numbers of active REDD Countries. The team continues with the strategic decision for most of them to spend about 80% of their time supporting the core work of the FCPF – working with REDD Countries to advance their readiness agendas. The 45 active REDD Countries in the portfolio demand this focus.

Under Country Implementation Support, budgeted at \$3.6 million for FY17, the work of the Delivery Partners (World Bank, UNDP and IDB) in providing direct implementation support, including technical assistance, to REDD Countries will be the largest single share of the FY17 budget request.

There is a small budget of \$285k to cover program administration costs for the IP and CSO Capacity Building Program and to support bringing key IP/CSO stakeholders to relevant meetings.

## 10. Additional Activities

A total of \$688k is requested for Additional Activities. Except for the case of the proposed work on Gender, this is effectively a request for budget carry over from FY16 for activities planned but not completed in FY16.

**Table 9 FY17 Proposed Additional Activities (\$000s)**

<b>Additional Activities</b>	<b>FY17 Proposed Budget</b>
<b>Technical Learning and Decision Support (formerly Decision Support Tools for MRV, RL)</b>	277
<b>Gender Inclusion in Forests and Landscapes</b>	411
<b>TOTAL</b>	<b>688</b>

### a. Technical Learning and Decision Support

A budget of \$277k is requested for the dissemination and application of the decision support tool and technical tutorials for reference level and forest monitoring system design. The development of these materials were initiated in FY14 and completed in FY15. In FY16 two regional workshops were organized to ‘train trainers’ in the region, i.e., with experts and entities who will apply and use the materials in advisory services and technical assistance provided to REDD countries.

The workshops are jointly organized in close collaboration with the different training and capacity building initiatives including the Global Forest Observation Initiative, Silvacarbon, FAO, Wageningen University, GOFC-GOLD, and Boston University. The workshops provided an integrated and comprehensive set of materials and tools that have been developed by these partners.

Partner initiatives also co-finance logistics and participants. The budget requested for FY17 allows the continuation of this activity and supports 2 additional workshops (i.e. a total of 4 workshops, one in each major region are planned). The budget also supports the development of respective e-learning materials, smaller data and software updates, and web publication.

## **b. Gender Inclusion in Forests and Landscapes**

A budget of \$411k is requested to undertake targeted activities to foster gender integration in FCPF countries. Both country level and FCPF level activities are envisioned to strengthen reporting on the gender components of development as it relates to work on forests and landscapes to move toward a more gender positive environment.

Country level activities will be undertaken in selected REDD countries that have demonstrated interest and progress in gender integration in REDD strategies, and in countries seeking support in developing gender roadmaps in their FCPF programs. The objective is to ensure gender consideration in future REDD Strategy implementation and emission reduction interventions, by demonstrating results and positive impacts on gender, especially women.

Some examples of planned activities are:

1. Conducting gender analyses for REDD+ at national or sub-national level and linking them to existing national policies, especially from a socio-economic standpoint
2. Capacity building for women's organizations and government relevant institutions/agencies directly involved in REDD and components such as: land tenure; equitable benefit-sharing; participatory decision making, etc.;
3. Developing gender action plans targeted at ensuring women benefit directly from all interventions in forest and landscapes programs;
4. Reviewing women's participation in decision making platforms at sub-national and national REDD+ processes, and
5. Ensuring indicators and targets in the monitoring framework for a national REDD+ strategy are measured through sex-disaggregated data.

With the goals of:

1. Providing information on the different social, economic, and political conditions that women face in REDD+ countries, and identify opportunities and real benefits, in order to improve REDD+ interventions.
2. Making REDD+ interventions more gender responsive by changing policy-making practices

At the FCPF level, a review and revision of guidance and reporting tools to include gender specific indicators will be undertaken to enable countries to report in a more consistent and robust manner on gender. This will happen through the following activities:

1. Tracking and monitoring of gender inclusion by FCPF countries based on reports submitted.
2. Assessing the status of countries and progress on gender inclusion/ integration in their respective programs based on the reports from REDD+ countries.

The main outcomes will include;

1. Gender-responsive REDD+ Strategies, with tangible benefits to women, and concrete action plans/roadmaps for addressing gender gaps and maximizing benefits and women's empowerment in the forest and landscapes sector.
2. Clear tools, mechanisms and indicators for reporting on gender outcomes/impacts by the REDD Countries.

These activities will be undertaken through support of consultants, and relevant institutions, and will be highly collaborative. The FMT will maintain a coordination and supervision role, while the World Bank Gender team will support in various ways that will be defined before implementation.

### 11. Shared Costs of the Proposed FY17 Budget

Table 9 Proposed Shared Costs FY17

Overall Budget shared between funds (\$000s)	FY16 Budget	FY16 Estimates	FY17 Proposal
<b>Readiness Fund</b>	7,225	7,119	7,733
<b>Carbon Fund</b>	943	734	1,148
<b>Total</b>	<b>8,168</b>	<b>7,853</b>	<b>8,881</b>

### 12. Decision at PC21

The Participants Committee is asked to approve the proposed budget for FY17 of \$8.9 million (including the \$688k for additional activities).