



Forest Carbon Partnership Facility

FY17 Budget Status and FY18 Proposed Carbon Fund Budget

Sixteenth Meeting of the Carbon Fund (CF16)

Paris, France, June 19-22, 2017

Outline of Presentation

I. The Budget Process of the FCPF

- Review of FCPF Budgeting
- Expected Budget Lines of the Carbon Fund
- Shared Costs
- Apportioning Common Costs

II. Financial Status and FY17 Estimated Expenditure

- Financial Status of the Carbon Fund
- FY17 Estimated Expenditure

III. FY18 Budget Proposal

- FY18 Budget Proposal including Shared Costs

IV. Decision for this Meeting

I. The Budget Process of the FCPF

Topics

- Review of FCPF Budgeting
- Expected Budget Lines of the Carbon Fund
- Shared Costs
- Apportioning Common Costs

I. Review of FCPF Budgeting

- Budgets for both the Readiness Fund (RF) and Carbon Fund (CF) based on World Bank fiscal year; FY18 = July 1, 2017 through June 30, 2018.
- Budgets approved annually; FY12 was the first year for budget approval by CF Participants.
- FY18 Budget of RF, including Shared Costs, was approved at PC23 in March 2017

I. Expected Budget Lines of the Carbon Fund

- A. **Carbon Fund Administration:** refers to functions related to the World Bank role as Trustee of the Carbon Fund
- B. **ERPA Costs:** can be attributed to specific ER Programs/ERPAs and charged back to CF Tranches based on their ER Program selection decisions
 - i. Selection and Development of ER Programs
 - ii. Supervision and Implementation Support
 - iii. Carbon asset creation, monitoring, verification and issuance
- C. **Shared Costs:** costs of activities cutting across both the CF and RF, shared between the two funds, forming part of the 'Common Costs' shared pro rata by CF Tranches

I. Expected Budget Lines of the Carbon Fund

A. **Carbon Fund Administration** Functions related to FMT role as Carbon Fund Trustee, including:

- Fund strategy and management, fundraising
- Preparing budgets, business plans and longer term financial projections
- Legal guidance on Methodological Framework, General Conditions and Legal Agreements
- Accounting, resource management, contracting, and contributions management
- Carbon Fund Meeting costs, including costs of organizing and logistics
- Preparation of Annual Report and Semi-annual monitoring

I. Expected Budget Lines of the Carbon Fund

B.(i) ERPA Costs – Selection & Development of ER Programs

- Support to CF Participants in the ER Program selection process, including TAP costs
- Assistance to REDD Country Participants in preparing ER Programs
- Due diligence for World Bank operational policies and procedures (including social and environmental safeguards)
- Drafting of ERPA for the ER Program, based on general terms and pricing/valuation approaches agreed by the PC
- Development phase usually comes to an end upon signature of an ERPA (starting the next phase of supervision and implementation support); or in some cases, if an ERPA is not agreed, when the ER program is dropped from the portfolio

I. Expected Budget Lines of the Carbon Fund

B.(ii) ERPA Costs – Supervision and Implementation Support

- Implementation support to assist REDD Country Participants in keeping ER programs on track
- Supervision activities to help ensure that the ER program complies with applicable World Bank operational policies and procedures as well as specific ERPA provisions

I. Expected Budget Lines of the Carbon Fund

B.(iii) ERPA Costs – Carbon asset creation, monitoring, verification and issuance

- ‘Validation’ of ER program and systems in place for emissions reductions
- Support to REDD Country monitoring of ERs and preparation of monitoring reports
- Support to and costs of independent verifications of ERs
- Making payments and maintaining accounts for ERs delivered to the Tranche(s) and Participants of the Carbon Fund

I. Expected Budget Lines of the Carbon Fund

C. Shared Costs

- Costs of activities that cut across both the CF and the RF
- Approved as part of approval of Readiness Fund budget by the PC
- Shared 65% by the Readiness Fund 35% by the Carbon Fund (per Charter)
- Shared Costs only borne by Carbon Fund from July 1, 2011
- 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)
- 'Shared Costs' have included in practice the activities paid out of:
 - FCPF Secretariat and
 - REDD Methodology Support

I. Shared Costs

FCPF Secretariat Costs include:

- Overall program management and activities related to maintaining partnerships among the many stakeholders of the FCPF
- Organization of Annual Meeting (PA) and PC meetings
- Travel and expenses of REDD Country Participants and some observers in meetings
- FCPF website and general communications, translation services

I. Shared Costs

REDD Methodology Support costs include:

- TAP review of R-PPs and R-Packages
- Early Carbon Fund non-country specific TAPs (e.g., Methodology and Pricing)
- TAP participation in FCPF meetings
- Close liaison with UN-REDD and international REDD+ programs
- Analysis on key REDD+ topics, lessons learned, and knowledge management (e.g., MRV, Reference Levels)
- Decision Support Tools for MRV, RLs & Data Management Systems
- Meth Guidance & Implementation of Carbon Fund Meth Framework

I. Apportioning Common Costs

- Common Costs are the costs that are not specific to one Tranche i.e., they are to be borne jointly by the two Tranches
- They include all costs to date and all FY18 budgeted costs
- How should they be apportioned between the Tranches?
- Agreed at CF4 in Santa Marta, Colombia in June 2012 that Common Costs would be apportioned between the Tranches (and between the Participants) on a pro rata share based on signed commitments at First Closing (shortly before signing first ERPA)

I. Apportioning Common Costs

Tranche Commitments to date and current apportionments

Participant Name	Total (\$000)	%age
Tranche A		
Australia	18,393	2.5%
BP Technology Ventures	5,000	0.7%
The Nature Conservancy	5,000	0.7%
United States of America	18,500	2.5%
Tranche A Committed Funding	46,893	6.4%
Canada	5,015	0.7%
European Commission	6,709	0.9%
France	5,114	0.7%
Germany	178,440	24.3%
Norway	300,462	40.9%
Switzerland	10,796	1.5%
United Kingdom	180,440	24.6%
Tranche B Committed Funding	686,976	93.6%
Total Committed Funding	733,869	100%

Amounts may vary due to exchange rate fluctuations

II. Financial Status and FY17 Estimated Expenditure

Topics

- Financial Status of the Carbon Fund
- FY17 Estimated Expenditure

II. Financial Status – Available Funding

FCPF Carbon Fund

Donor Contributions as of March 31 (in \$ thousands)

Participant Name	Total	Outstanding*	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09
Australia	18,393							5,658	12,735		
BP Technology Ventures	5,000								5,000		
Canada	5,015							5,015			
European Commission	6,709									362	6,347
France	5,114				114				5,000		
Germany	178,440		54,771	13,329	32,108	27,280	6,556	15,443	21,125	3,819	4,009
Norway	300,462	70,800		58,352			161,310				10,000
Switzerland	10,796							10,796			
The Nature Conservancy	5,000										5,000
United Kingdom	180,440	162,500							17,940		
United States of America	18,500		4,500				4,000		10,000		
Committed Funding	733,869	233,300	59,271	71,681	32,222	27,280	171,866	36,912	71,800	4,181	25,356

*Amounts may vary due to exchange rate fluctuations.

**\$733.9
million**

II. Financial Status – Total Expenses to Date

Budget Line/Category of Costs (\$000s)	Pre-FY09	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17 Estimate	FY18 Plan	Total
Development Costs absorbed by WB	2,350											2,350
Shared Costs paid by the Readiness Fund		635	1,728	1,262								3,625
Shared Costs paid by the Carbon Fund		-	-	-	1,069	1,236	1,159	821	797	1,130	1,183	7,395
Carbon Fund Administration			183	366	470	652	626	741	555	614	687	4,894
ERPA Costs - Selection												
Carbon Fund TAP									440	433	674	1,547
ERPA Costs - Development												
Carbon Fund Country Advisory									1,290	1,673	1,820	4,783
ER-PD Development						229	273	1,283	2,350	2,421	4,142	10,698
ERPA Costs - Supervision											313	313
Additional Activity on Private Sector Engagement											600	600
Total			183	366	1,539	2,117	2,058	2,846	5,432	6,271	9,419	30,230

- The World Bank paid **\$2.35 million** for FCPF development costs (from early design meetings in 2006 through June 2008)
- RF has waived and paid **\$3.6 million** to cover what would have been the 35% of Shared Costs for the CF for FY09 to FY11
- Actual expenses forecast to be charged against the Carbon Fund from FY10 to FY18 are **\$30.2 million**, of which **\$7.4 million** are for shared costs

II. FY17 Estimated Expenditure

- With FY17 books not closing until June 30, 2017, estimated expenditures are tentative
- Final FY17 expenditures will be reflected in Annual Report prepared ahead of the Participants Assembly (PA)
- Estimates show spending below the overall FY17 budget at 65% of the \$9.7 million budgeted
- Total underspend is estimated to be around \$3.4 million
- Breakdown of underspend and explanations follows

II. FY17 Estimated Expenditure

Carbon Fund Costs (\$000s)	FY17 Budget	FY17 Estimate	Underspend	Spend Rate
Carbon Fund Admin	717	614	103	86%
ERPA Costs – Selection & Development of ER Programs				
Carbon Fund TAP	646	433	212	67%
Carbon Fund Country Advisory Support	2,128	1,673	455	79%
Program Development - enhanced ER-PIN/PDs	5,077	2,421	2,656	48%
Sub-total	8,568	5,141	3,427	60%
Shared Costs	1,148	1,130	18	98%
Total Carbon Fund Costs	9,716	6,271	3,445	65%

- Slight underspend on Admin anticipated at 86% of budget
- TAP costs are estimated at 67% of budget due to a few ER-PDs that did not reach review stage as anticipated
- Country Advisory Support was well utilized at 79% of budget
- \$2.6 million underspend for ER Program Development. \$5.0 million budget was based on countries in pipeline, plus others expected to enter pipeline (to date 18 countries have access to Development funds)
- FY17 ER-PD spend is estimated at \$2.4 million (48% of budget) due to a lower than anticipated spend rate on ER-PD development activities

III. FY18 Budget Proposal

Topics

- Financial Status of the Fund
- FY18 Budget Proposal including Shared Costs
- Proposed Additional Activity
- Decision for this meeting

III. FY18 Budget Proposal

The overall financial status of the fund is healthy.

Carbon Fund Sources and Uses Summary (\$m)	
	Current Situation
Sources (\$m)	733.9
Number of Lols (#)	19
Number of ER Programs (#)	13
Uses	
Costs over Fund Lifetime	
Fixed Costs (FY10 to FY26)	22.7
ER Program Costs	30.7
Total Costs	53.40
Available for Purchase of ERs	680.5
Average ER Program	52.3

Of the total contributions of \$733.9 million, about \$680.5 million are available for the purchase of ERs.

Estimated costs of the Fund over its lifetime are \$53.4 million, or about 7%.

If 13 programs are developed, the average ER Program could be about \$52.3 million.

III. FY18 Budget Proposal

Carbon Fund Costs (\$000s)	FY17 Budget	FY17 Estimate	FY18 Proposed Budget
Carbon Fund Admin	717	614	687
ERPA Costs – Selection & Development of ER Programs			
Carbon Fund TAP	646	433	674
Carbon Fund Country Advisory Support	2,128	1,673	1,820
Program Development - enhanced ER-PIN/PDs	5,077	2,421	4,142
ERPA Costs – Supervision and Implementation Support			
Supervision			313
Additional Activity on Private Sector Engagement			
			600
Sub-total	8,568	5,141	8,236
Shared Costs	1,148	1,130	1,183
Total Carbon Fund Costs	9,716	6,271	9,419

FY18 proposed budget reflects goal of assisting in the development of several ER-PDs by end 2018.

- FY18 Shared Costs were approval by PC in March 2017
- **Proposed budget for CF for FY18 of approximately \$8.2 million (excluding Shared Costs) to be approved by the CF Participants at this meeting (CF16)**

III. FY18 Budget Proposal

- **Carbon Fund Admin:** Budget of \$687k reflects a small increase compared with the forecast expenditures for the current FY of \$614k
- **Carbon Fund TAP:** Assuming between 4-6 ER-PD reviews by the TAP as well as a TAP Calibration Workshop.
- **Carbon Fund Country Advisory Support:** Targeted FMT support to countries in preparing their ER-PDs and move towards ERPA signature
- **Program Development – Enhanced ER-PINs/PDs:** Approximate budget of \$4.1m based on 19 countries in pipeline (currently approved \$12.35 million overall)
- **Supervision** budget of \$313k is provided for FY18 for 2-3 countries that are anticipated to sign ERPAs in FY18 (Chile, Costa Rica, and DRC)

III. FY18 Budget Proposal

Proposed Additional Activity – Promote Private Sector Engagement in FCPF (\$600k) –see separate note and agenda item

- Travel support to Private Sector Observer (2 Carbon Fund meetings and PC meetings)
- Hire experts to explore concrete opportunities for regional or country specific workshops, public-private dialogues on relevant design issues, and other venues for linking the membership and activities of, as examples, TFA, the Commodities/Jurisdiction Approach, IDH*, UNDP Green Commodities Program with the REDD+ programs currently under development.

IV. Decision for this Meeting

- Is approval provided for the proposed FY18 Carbon Fund budget of \$8.2 million, including the proposed Additional Activity on Private Sector Engagement?
- Note the CF portion of the Shared Costs (\$1.2 million) as approved by the PC