

Forest Carbon Partnership Facility (FCPF)

Enhancing Efficiency and Addressing Excessive Delays in Grant Agreement Implementation

March 2017

This FMT Note is intended to provide further information to the Participants Committee at PC23 in March 2017 regarding the proposed response to Recommendations R2 (RF) and R4 (RF) of the second evaluation report of the FCPF dated November 2016, regarding improving disbursements and efficiency in Readiness grant implementation.

1. Background

The second evaluation report of the FCPF dated November 2016 is available on the FCPF website [here](#). This FMT Note responds to Recommendations R2 (RF) and R4 (RF). For ease of reference, the recommendations and the agreed response from the draft action plan are repeated below.

2. Recommendations of the Second Evaluation of the FCPF

“R2. (RF): Improve the disbursements for REDD Readiness at the country level. The FMT should facilitate the provision of technical assistance upon the request of REDD Countries for the procurement of goods and services (consultancy contracts) for REDD Readiness implementation. Procurement calls for contracting technical assistance could be bundled and sequenced to implement several REDD Readiness components (drivers of deforestation, REDD+ Strategy, SESA/ESMF) by the same provider. This could also reduce the resources needed to oversee the work. Prioritize technical assistance to the countries with the largest undisbursed finance.

“R4. (RF): Improve efficiency with greater transparency and accountability. The FMT and Delivery Partners at the country level should work together to ensure that lags between PC allocation and Delivery Partner approval and grant signing are reduced. This is very important for the grant decisions made by the PC for additional financing (USD 5 million). Prioritize FMT and Delivery Partner support to “stranded” REDD Countries where there has been slow disbursement (lags of more than six months) or high undisbursed finance (more than USD 2 million undisbursed after three years). Improve the transparency and accountability of delayed disbursements with actions taken and reasons reported by Delivery Partners to the PC. Appropriate monitoring criteria for disbursement should be set and results placed on the FCPF website. The criteria should also be included in the revised M&E Framework.”

3. Draft Action Plan Response:

As stated in the joint response to recommendations, proactive action on procurement issues such as bundling of procurements, trainings etc. is already being done in several countries. The response did not agree that prioritizing technical assistance to countries with the largest undisbursed grants would resolve the challenge as there are other limiting factors to disbursements in countries. Rigorous portfolio monitoring to address the issues on disbursements case by case is already in place.

This Recommendation will be dealt with in conjunction with R4. RF on improving efficiency of Readiness Grant disbursements at the country level.

An FMT Note (with Delivery Partner inputs) on options to enhance efficiency in grant agreement signing and implementation, as well as options that the PC could exercise where there are excessive delays, will be prepared in time for consideration at PC23.

Please also refer to FMT Note 2017-1 titled “Decisions on Allocations of Available Funding in the Readiness Fund” for some proposals to enhance efficiency in grant agreement signing, as well as some options that the PC could exercise where there are excessive delays. The relevant proposals are repeated below, under the various segments of these two recommendations.

4. Responses to Segments of Recommendations:

a) Provision of Technical Assistance for Procurement

The segment of the recommendation reads as follows: The FMT should facilitate the provision of technical assistance upon the request of REDD Countries for the procurement of goods and services (consultancy contracts) for REDD Readiness implementation. Procurement calls for contracting technical assistance could be bundled and sequenced to implement several REDD Readiness components (drivers of deforestation, REDD+ Strategy, SESA/ESMF) by the same provider. This could also reduce the resources needed to oversee the work.

Response: Proactive action on procurement issues such as bundling of procurements, trainings etc. is already being done in several countries and some success has been achieved in these countries. The Delivery Partner task teams have been assisting REDD Countries with TORs, conducted trainings in World Bank Procurement Policies and bundling of procurement contracts where possible.

b) Improve Efficiency of Readiness Grant disbursements

The segment of the recommendation reads as follows: The FMT and Delivery Partners at the country level should work together to ensure that lags between PC allocation and Delivery Partner approval and grant signing are reduced. This is very important for the grant decisions made by the PC for additional

financing (USD 5 million). Prioritize FMT and Delivery Partner support to “stranded” REDD Countries where there has been slow disbursement (lags of more than six months) or high undisbursed finance (more than USD 2 million undisbursed after three years).

Response:

Proposed Deadlines for the Signing of Grants

The proposed deadlines for signing of grants included in FMT Note 2017-1 titled “Decisions on Allocations of Available Funding in the Readiness Fund” are a key proposal designed to ensure that lags between PC allocation and Delivery Partner approval and grant signing are reduced. The FMT Note states the following:

In order to ensure allocations are utilized in a timely manner and to move towards full disbursement of all funds by 31 December 2020, the FMT proposes the following deadlines for signing of grants under the Readiness Fund:

- i) for allocations made to REDD Countries prior to 30 September 2016 – deadline for signing grant agreements: 30 September 2017 (applies to 12 of the 13 countries in Table 3 above),
- ii) for allocations made to REDD Countries after 30 September 2016, including the latest three virtual requests and the four requests being considered at this PC meeting (PC23) – deadline for signing grant agreements: 31 December 2017 (applies to 7 countries in Tables 4 and 5, plus Lao PDR),
- iii) for all allocations to IP and CSO Capacity Building Program – deadline for signing grant agreements with regional Recipient Organizations: 30 June 2018.

If grants are not signed by the proposed deadlines, allocations made by the PC would become null and void, unless the PC decides otherwise, and funds previously allocated could be reallocated by the PC. Examples of possible reasons why the PC might decide otherwise are i) the delay in signing the grant agreement is clearly not due to delays by the REDD Country or the Recipient Organization, ii) delays over final agreement of Delivery Partners (e.g. Kenya and CAR), iii) force majeure, unforeseen events or other extenuating circumstances beyond the control of the REDD Country or Delivery Partners.

With the current funding situation and the proposed allocations in FMT Note 2017-1 on Allocations of Funding, the FMT anticipates that funds currently available under the Readiness Fund would likely be almost wholly disbursed by 31 December 2020.

Proposals regarding Portfolio Monitoring

The same FMT Note also makes proposals regarding portfolio monitoring as follows:

- i) the FMT recognizes the increasing importance of rigorous portfolio monitoring as the fund nears its termination date;

- ii) as part of its portfolio monitoring, the FMT will take an active role in decisions on whether to extend grant closing dates, and will take into account alternative options for disbursing funds by the end of the term of the fund.

Additional Information regarding Portfolio Monitoring

The FMT already carries out rigorous, regular portfolio monitoring exercises both internally and jointly with Delivery Partners. The objective is to proactively identify bottlenecks that specific countries are facing and identify action on how to address them. The FMT compiles Exception Reports based on normal World Bank exception reporting (e.g., low disbursements, excessive periods between decisions and signing of grants). Any exceptions are then communicated to the World Bank Program Managers and other Delivery Partner focal points. Each fiscal year the FMT agrees targets with the Environment Global Practice in the World Bank across all active FCPF regions and for all individual FCPF countries, including for grant disbursements. These targets are reviewed quarterly with Program Managers and actions to address any issues are agreed and minuted. Disbursement targets under Readiness Fund grants are set for each fiscal year and monitored as part of this portfolio monitoring.

As the fund nears its termination date of 31 December 2020, even more rigorous monitoring will be necessary to ensure almost all monies are disbursed by the end of the term. As part of this portfolio monitoring, the FMT will take an active role in decisions on whether to extend grant closing dates. These decisions will take into account a number of factors, including:

- i) Grant closing date relative to end of term of fund
- ii) Grant starting date and time expired to date
- iii) Disbursements to date and changing rate of disbursements
- iv) Signed commitments to date
- v) Planned future disbursements.

Any decisions regarding extension of grant closing dates will also take into account alternative options for disbursing funds by the end of the term. An example of an alternative option could be a REDD Country that has not yet accessed the additional funding but has a very specific funding need that could clearly be disbursed quickly.

Potential for Reallocations Prior to Grant Closing Dates

If there are excessive delays after grant agreements are signed, there are limited options available to the FMT and Delivery Partners prior to the grant closing date. Signed grants are legally binding so any cancellation or revision would need to be within the bounds of the legal contract. World Bank Standard Conditions for Grants contain remedies for fraud and corruption, and misprocurement. These remedies include suspension, cancellation or refund of the grant. There are also similar remedies for performance failure, as defined in the Standard Conditions. Performance failure does not normally include slow implementation per se. However, most grant agreements require a mid-term progress report no later than 18 months after grant effectiveness date (usually the date of countersignature). This could be a “performance failure” under the grant agreement and therefore a ground for suspension/cancellation for

those countries that do not submit their mid-term report on time. However, the FMT have not strictly enforced this requirement with the aim of avoiding a box-ticking exercise after 18 months but having a meaningful mid-term progress report when appropriate. This is a possible tool to ensure more effective implementation but it is a tool the FMT would only wish to use in exceptional circumstances (e.g., if delay is excessive and without good reason) and with full agreement from the relevant Delivery Partner.

The FMT therefore recommends that, in general, slow implementation is managed through the regular portfolio review and implementation support from the Delivery Partners, rather than through any cancellation of grants and reallocations of funds.

The portfolio monitoring and exception reporting described above will identify the “stranded” REDD Countries referred to in the recommendation (i.e., countries where there has been slow disbursement (lags of more than six months) or high undisbursed finance (more than USD 2 million undisbursed after three years)). However, the recommendation to prioritize FMT and Delivery Partner support to these “stranded” REDD Countries will not necessarily resolve the challenge as there are other limiting factors to disbursements in countries. The FMT and Delivery Partners may recognize that any amount of support and technical assistance may not improve speed of implementation in a particular country because of other challenges, yet a small amount of targeted support in another country may result in removing a major blockage.

Given the similar general aims of the Delivery Partners and the Donor Participants in terms of achieving expeditious implementation across a broad range of countries and disbursing funds efficiently and effectively, the Delivery Partners will continue to target and prioritize their support where they think the most benefits can be gained.

c) **Transparency and Accountability**

The segment of the recommendation reads as follows: Improve the transparency and accountability of delayed disbursements with actions taken and reasons reported by Delivery Partners to the PC.

Response: The Readiness Fund dashboard provides information on dates that REDD countries meet certain targets. Annual reports provide disbursement figures for each REDD Country grant. The FMT also carries out the rigorous portfolio monitoring described above and for the first time in September 2016 named individual REDD Countries in the exceptions in the FMT Update report to the Participants Committee/Participants Assembly (PC/PA). This naming of individual REDD Country exceptions will continue as part of the twice yearly Update report to the PC/PA. This increased transparency has led to some improvements in meeting targets and in implementation. In addition, the FMT plans to indicate which REDD Countries have moved out of the exception reports since the previous update to the PC/PA. Where REDD Countries remain in the exception reporting, the reason(s) for the delay will be provided by the FMT as part of the Update report. Increases in accountability naturally come with increased transparency.

d) **Monitoring Criteria for Disbursement**

The segment of the recommendation reads as follows: Appropriate monitoring criteria for disbursement should be set and results placed on the FCPF website. The criteria should also be included in the revised M&E Framework.

Response: One of the recommendations of the Evaluation is to revise the Monitoring and Evaluation (M&E) Framework of the FCPF (R8 (RF&CF)). The revised M&E Framework will include appropriate monitoring criteria for disbursement in accordance with this recommendation. Improved and updated targets, including for disbursement, will automatically increase accountability of the FMT, Delivery Partners and REDD Countries. Any disbursement targets will be reported on through the Update report to the PC/PA, the Annual Report and the Readiness Fund dashboard.

5. Expected Action from the PC

The FMT looks forward to feedback from Participants at PC23 on the above proposed actions and any suggestions on additional ways to improve disbursements and efficiency in Readiness grant implementation.