



Forest Carbon Partnership Facility

2a: Readiness Fund: Decisions on Allocations of Available Funding

Twenty-third Meeting of the Participants Committee (PC23)

Washington DC, USA

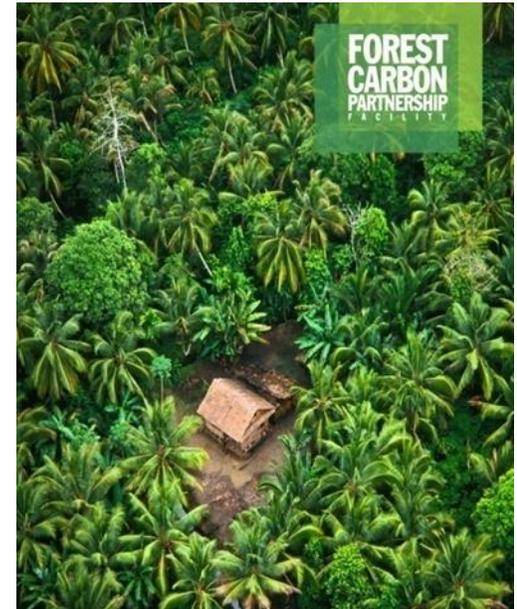
March 27-29, 2017

Introduction

- **Purpose:**
 - To alert the PC to the limited funding available in the Readiness Fund
 - To propose solutions to deal with that limited funding
 - To get consensus on decisions of the PC, including allocations of funding
- **Main messages:**
 - Available funding is almost wholly allocated
 - Not possible with current funding to provide additional financing to all REDD Countries
 - Given limited funding how much should be allocated to the IP and CSO capacity building program?
 - Should we impose deadlines for signing grants?

What's in the presentation?

- **Funding status of Readiness Fund, Long Term Sources and Uses**
- **Allocations to REDD Countries not yet signed**
- **Current Requests for Additional Funding**
- **Criteria for additional funding requests**
- **Possible solutions to limited funding**
- **Other considerations**
- **FMT Proposals**
- **Next steps**



FCPF Readiness Fund

Donor Contributions (\$ 000s)

Participant Name	Total	Outstanding*
Australia	23,892	
Canada	41,360	
Denmark	5,800	
European Commission	5,104	1,052
Finland	23,196	
France	10,340	
Germany	76,766	
Italy	5,000	
Japan	14,000	
Netherlands	20,270	
Norway	113,032	41,736
Spain	7,048	
Switzerland	8,214	
United Kingdom	5,766	
United States of America	9,000	
Committed Funding	368,789	42,788

*Amounts may vary due to exchange rate fluctuations.

Long Term Sources and Uses: Sources

Summary of Long Term Sources and Uses of Readiness Funding (in \$ million, as of March 14, 2017)

Description	Totals (\$m)	
Sources of funds		
Committed Funding	368.8	
Less 15% discount applied to outstanding contributions that are in a currency other than US dollars, the holding currency of the fund (World Bank policy)	(6.4)	
Investment income to date	17.5	
Total Available Funding	379.9	

Long Term Sources and Uses: Uses

Summary of Long Term Sources and Uses of Readiness Funding (in \$ million, as of March 14, 2017)		
Description	Totals (\$m)	
Uses of funds		
Grant Allocations		
Signed grants to REDD Countries (commitments)	199.0	
Allocations to REDD Countries (not yet signed)	54.5	
Allocations to IP/CSO Capacity Building Program	3.0	
Total Grant Allocations		256.5
Administrative, Operations, and Country Support costs over lifetime of fund		
FY09-16 Actual costs	53.7	
FY17-21 Projected costs	33.2	
Reserve for Delivery Partner capacity for dispute resolution	2.0	
Total Administrative, Operations, and Country Support costs over lifetime of fund		88.9
Total Uses of Funds		345.4
Estimated Reserve: Total Available Funding less Total Uses		34.5

Allocations to REDD Countries not yet signed

Country	Amount Allocated (\$m)	Date Allocated
Cambodia	5.0	9/28/2016
CAR	3.8	5/31/2013
Chile	5.0	11/6/2015
Cote d'Ivoire	5.0	9/22/2016
Guatemala	5.0	5/5/2016
Kenya	3.6	10/3/2010
Lao PDR	4.575	1/20/2017
Madagascar	5.0	9/28/2016
Mexico	5.0	4/19/2015
Nicaragua	5.0	9/28/2016
Paraguay	3.8	4/30/2015
Uganda	3.75	5/5/2016
Total	54.5	

Current Requests for Additional Funding

- 3 virtual requests for additional funding

Proposed Allocations of Funding	
Virtual Requests	
Country	Request (\$m)
Bhutan	4.8
PNG	5
Peru	5
Total	14.8

- 4 requests for additional funding to be considered at this meeting

Proposed Allocations of Funding	
For Consideration at PC	
Country	Request (\$m)
Cameroon	5
Colombia	4.9
Honduras	2.3
Sudan	5
Total	17.2

Total requests for additional funding \$32 million

Criteria for additional funding requests

- **Significant progress:** the PC recognizes significant achievement of progress, as determined based on the Delivery Partner's mid-term grant monitoring report.
- At least **50%** of the Readiness Preparation Grant (up to \$3.8 million) has already been **committed** at the time of the request for additional funding
- Additional funding to be used to support activities consistent with the endorsed R-PP, to be agreed with the relevant Delivery Partner, taking into account countries' needs
- Proposal submitted in accordance with process
- **Availability of resources in the Readiness Fund**
- **When an allocation becomes a commitment**

Possible solutions to limited funding

- Possibility of additional funding from existing or new donors
- Request payment of outstanding contributions from donors
- Reduce allocations of additional funding to some or all of 7 countries
- Limit allocation to IP & CSO Capacity building Program, or allocate now but commit only when sufficient resources are available
- Impose time limit for signing of grants (say 9 or 12 months), after which allocation is withdrawn and funds reallocated

Other considerations (1)

- Term of fund currently to 31 December 2020
- All current allocations (including at this PC) likely to be almost wholly disbursed by 31 December 2020
- Most of the current allocation to IP and CSO Capacity Building Program likely to be disbursed by December 2017 (although some will take longer)
- Requests for total additional allocation to capacity building program of \$5 million to \$10 million
- With these 7 additional funding requests only 25 of the 47 REDD countries in the Partnership will receive additional funding (approach to Readiness) including 17 of the 19 Carbon Fund pipeline countries (those not included to date are Dominican Republic and Fiji)

Other considerations (2)

- 3 countries not yet allocated the initial \$3.8 million grant (Bolivia, Gabon, Tanzania) (Gabon to present at this meeting)
- up to 8 requests for additional funding by the fall of 2017, which would increase the number of requests from 25 to 33
- Future investment income – not possible to commit until credited to the fund
- Reduce dispute resolution reserve?
- If there are significant additional contributions to the fund, consider extending term of the fund

FMT Proposals for approval by PC

- Allocate funding as requested to all 7 countries (subject to meeting all criteria)
- Reduce \$2 million dispute resolution reserve to \$1 million
- Allocate \$5 million to IP and CSO capacity building program, but only commit when funds are available (subject to availability of resources) (FMT is confident that sufficient resources will become available)
- Impose deadlines for signing of grants
 - September 2017 for all allocations up to 30 September 2016
 - March 2018 for all allocations from 1 October 2016
 - June 2018 for IP & CSO capacity building program grants to regional intermediaries

Summary of other proposed actions

- FMT to work with Donor Participants to **receive payment of unpaid contributions asap**
- FMT recognizes the increasing importance of **rigorous portfolio monitoring** as the fund nears its termination date
- as part of its portfolio monitoring, **FMT will take an active role in decisions on whether to extend grant closing dates**, in conjunction with Delivery Partners, and will take into account alternative options for disbursing funds by the end of the term of the fund

Next steps

- Resolution required
- Questions, comments, feedback, alternative suggestions
- Lawyers will draft resolution based on proposals and feedback
- Do we need a contact group to work on draft resolution or can we agree on proposals in plenary now?
- Present final resolution to plenary for approval

