

## Forest Carbon Partnership Facility (FCPF)

### Available Funding in the Readiness Fund

September, 2017

*This FMT Note is intended to facilitate decisions by the Participants Committee at PC24 in September 2017 regarding allocations of funding in the Readiness Fund, grant signing deadlines and a proposed waitlist system.*

#### 1. Background

Currently available funding in the Readiness Fund of the Forest Carbon Partnership Facility (FCPF) was wholly allocated at PC23 in March 2017. Decisions now need to be taken at PC24 regarding three requests for additional funding and a readiness preparation funding request from Gabon.

The FMT have regularly presented tables on the Sources and Uses of Readiness Funding indicating the limitations of available funding, particularly with regard to the limited number of REDD Countries to whom additional funding could be made available. The last presentation and FMT Note on this subject was at PC23, when decisions to wholly allocate all available funding were taken.

#### 2. Summary of FMT Proposals for approval by PC24

- i) allocate grants totaling \$15.4 million to the four countries requesting additional funds (subject to them meeting all criteria), one through virtual review post-PC24 and three at this PC meeting, all subject to availability of resources (see later for details);
- ii) allocate a grant of up to \$1.95 million to Gabon for readiness preparation, subject to availability of resources (see later for details);
- iii) establish a group waitlist system for allocations, based on the timing of submissions (a first-come, first-served basis), with those at the top of the waitlist being the first to receive any additional funding that becomes available;
- iv) decide whether to limit future submissions of requests for additional funding to the single virtual review already set (October 2017); if further submissions are agreed, decide on a limited number of further submissions unless significant additional funding becomes available;
- v) continue to impose deadlines on signing of grants, after which allocations become null and void and funds previously allocated can be reallocated by the PC. This voiding of allocations would be unless the PC decides otherwise.

#### 3. Summary of other proposed actions

- i) FMT to work with Donor Participants to receive payment of unpaid contributions as soon as possible;
- ii) FMT recognizes the increasing importance of rigorous portfolio monitoring as the fund nears its termination date;
- iii) 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.

#### 4. Current Funding Status of the Readiness Fund

The latest Summary of Long Term Sources and Uses of Readiness Funding is shown in Table 1 below. Information has been updated as of 15 September, 2017. Each element of the table is described below the table.

Table 1 – Summary of Long Term Sources and Uses of Readiness Funding

Summary of Long Term Sources and Uses of Readiness Funding (in \$ million, as of September 15, 2017)		
Description	Totals (\$m)	
<b>Sources of funds</b>		
Committed Funding	371.6	
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)	(6.8)	
Investment income to date	22.6	
<b>Total Available Funding</b>		<b>387.4</b>
<b>Uses of funds</b>		
<b>Grant Allocations</b>		
<b>To REDD Countries</b>		
Signed grants to REDD Countries (commitments)	222.8	
Allocations to REDD Countries (not yet signed)	62.6	
<b>Total Allocation to REDD Countries</b>		<b>285.4</b>
<b>To IP/CSOs</b>		
Initial Allocation to IP/CSO Capacity Building Program	3.0	
Additional Allocation to IP/CSO Capacity Building Program (March 2017)	5.0	
<b>Total Allocation to IP/CSO Capacity Building Program</b>		<b>8.0</b>
<b>Total Grant Allocations</b>		<b>293.4</b>
<b>Administrative, Operations, and Country Support costs over lifetime of fund</b>		
FY09-17 Actual costs	60.8	
FY18-21 Projected costs	28.3	
Reserve for Delivery Partner capacity for dispute resolution	1.0	
<b>Total Administrative, Operations, and Country Support costs over lifetime of fund</b>		<b>90.1</b>
<b>Total Uses of Funds</b>		<b>383.5</b>
<b>Estimated Reserve: Total Available Funding less Total Uses</b>		<b>3.9</b>

## 5. Sources of Funds

### 5.1 Committed Funding

Signed Participation Agreements with Donor Participants of the Readiness Fund amount to \$371.6 million (see Table 2 below).

### 5.2 Discount for Receivables in Foreign Currency

Of this committed funding, there is an outstanding amount due from Donor Participants of \$45.6 million (see Table 2 below). To help avoid an over-commitment of grants against funding due to currency volatility, the World Bank applies an automatic discount on future receivables in currencies other than the holding currency of the fund. The holding currency of the FCPF Readiness Fund is US dollars and the outstanding amounts are both in non-US dollar currencies. World Bank policy in this regard applies a regular discount percentage of 15%. This 15% discount equates to \$6.8 million. The FMT is in discussion with donors regarding payment of their outstanding amounts. When payments are made, provided the currencies have not weakened, funds equivalent to the discount of \$6.8 million should become available for commitment by the fund.

Table 2 – FCPF Readiness Fund Donor Contributions

FCPF Readiness Fund Donor Contributions as of September 15, 2017 (in \$ thousands)											
Participant Name	Total	Outstanding*	FY17	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	5,248	1,195				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	115,656	44,360	2,370			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>371,556</b>	<b>45,555</b>	<b>2,370</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>

### 5.3 Investment Income

Amounts paid into both the FCPF Readiness Fund and the FCPF Carbon Fund, but not yet disbursed (the fund balances) are managed by the World Bank through a pooled investment portfolio (the Pool) to earn

investment income. In accordance with all Participation Agreements with financial contributors, all investment income generated from both the Readiness and Carbon Funds is credited to the Readiness Fund. To date investment income amounts to \$22.6 million and it is anticipated that investment income will continue to accrue to the fund. However, it is World Bank policy not to commit investment income until it is credited to the fund. Amounts are difficult to estimate (and could potentially be negative). To aid understanding of investment income as a source of additional income into the Readiness Fund, the investment income of the last two fiscal years has been \$3.1 million in FY16 and \$7.2 million in FY17.

## **6. Total Available Funding**

Total Available Funding is the total of committed funding, less the discount for receivables in a foreign currency, plus investment income. Currently the Total Available Funding in the Readiness Fund is \$387.4 million.

## **7. Uses of Funds**

### **7.1 Grant Allocations**

#### **7.1.1 Signed Grants**

Signed grants to REDD Countries amount to \$222.8 million. These are legally binding commitments to countries but with fixed grant closing dates. All grant closing dates are prior to the current end of the term of the Readiness Fund on 31 December 2020. A few have closing dates in 2017 but most are in 2018 and 2019. A list of signed grants is shown in Annex 1.

#### **7.1.2 Allocations to REDD Countries not yet signed**

Allocations to REDD Countries not yet signed in the form of grant agreements amount to \$62.6 million. Of these, \$26 million (out of the \$50 million total shown in the table) are due to be signed by 30 September 2017 (see Table 4) and \$36.6 million are due to be signed by the deadline of 31 March 2018 (see Table 5). All of these allocations have been made in good faith but at the same time allocations should not remain open-ended if a grant is not signed within a reasonable time period and there are others requesting funding from the limited resources. Deadlines for signing of all grant allocations were imposed at PC23. See later in the note for details.

#### **7.1.3 Allocations to Indigenous Peoples and Civil Society Organizations (IP/CSO) Capacity Building Program**

A further allocation of \$5 million was made to the IP/CSO Capacity Building Program at PC23 in March 2017, subject to availability of funding in the Readiness Fund. It is now clear that there are sufficient funds available to confirm this allocation. This is shown separately as an allocation in the Sources and Uses Table (Table 1).

Thus, three separate allocations have been made to the IP/CSO Capacity Building Program over the lifetime of the Readiness Fund. Initially, \$1 million was allocated over the period FY09 to FY13 (at \$200k per annum for 5 years). Then FMT Note 2012-5 was the basis for a further allocation of \$5.5 million to the IP/CSO Capacity Building Program in 2012. Then the additional allocation of \$5 million was made in March 2017. Hence, total allocations of \$11.5 million. Details of how these grants have been and will be accounted for were provided in FMT Note 2017-1 from March 2017.

## **7.2 Administrative, Operations, and Country Support costs over the lifetime of fund**

These costs include all non-grant expenditures of the Readiness Fund over the lifetime of the fund from it becoming operational in 2008 through to 31 December 2020, a total of 12 years of operation. These costs are broken down into actual costs to the end of FY17, totaling \$60.8 million, projected costs through the remainder of the lifetime of the fund of \$28.3 million, and the \$1 million reserve for dispute resolution.

## **7.3 Reserve for Delivery Partner capacity for dispute resolution**

The PC decided through Resolution PC/Electronic/2012/1 to allocate up to \$2 million for reinforcing Delivery Partner capacity for dispute resolution, inter alia. This reserve was intended so that Delivery Partners could quickly access additional support for facilitation, mediation and dispute resolution to address complaints early, thereby reducing unnecessary escalation. No Delivery Partners have ever requested to utilize this reserve. Given the limited funding available in the Readiness Fund and the complete allocation of existing funding, the PC agreed at PC23 in March 2017 to reduce this reserve by \$1million (to \$1 million), thereby freeing up more available funding.

## **8. Estimated Reserve**

A comparison of the total planned long term uses of funds of \$383.5 million with the total available funding of \$387.4 million indicates an estimated reserve of \$3.9 million. This is the amount that is available for future allocations.

## **9. Proposed Allocations to REDD Countries and Proposed Waitlisting System**

There is currently one virtual request for additional funding outstanding. This request is for \$5 million from Pakistan and was received by the FMT in time to meet the July 2017 deadline for submission of MTRs for virtual review. Due to the limited funding available in the fund and uncertainty over any system for allocating funds that become available, this MTR and request for additional funding has not yet been submitted to the PC for review. When a system has been agreed for allocating additional funding (such as the group waitlist system proposed in this FMT Note), the MTR and request for additional funding for Pakistan will be submitted to the PC for review. If approved, this allocation should be the first allocation on the waitlist.

At this upcoming PC24, there is an R-PP from Gabon with a request for readiness preparation funding of \$1.95 million and three requests for additional funding totaling \$15.4 million to be considered. Total

requests for funding from these four countries at this PC is \$17.3 million. Should funding be allocated for all these requests, the two proposed waitlist groups of possible funding are shown in the table below.

Table 3 – Possible Allocations and Proposed Waitlisting

Possible Allocations	Request (\$m)	Total
<b>Waitlist Group 1</b>		
Virtual - July 2017		
Pakistan	5.00	
<b>Waitlist Group 1 Total Value</b>		5.00
<b>Waitlist Group 2</b>		
(in no order of priority)		
PC24 - September 2017		
R-PP		
Gabon	1.95	
MTRs		
El Salvador	2.50	
Nigeria	4.94	
Togo	2.93	
<b>Waitlist Group 2 Total Value</b>		12.32
<b>Total Possible Allocations (15 Sept 2017)</b>		17.32

The FMT proposes that the waitlist system is initially set up in groups, depending on the timing of submissions (so on a first-come, first-served basis), but with no differentiation between countries that submit to meet the same deadline. When sufficient funding is available to fund the whole Waitlist Group, the FMT will send a Notice to all countries in the Waitlist Group and they can proceed to signing a grant.

If only part of the Waitlist Group Total Value becomes available within a reasonable period, provided this forms a significant portion of the Waitlist Group Total Value, the FMT could send a Notice allowing pro-rata grant values to be signed. To avoid delays in issuing Notices, it is proposed that any Notices are sent at the discretion of the FMT.

## 10. Deadlines for the Signing of Grants

In order to ensure allocations are utilized in a timely manner and to move towards full disbursement of all funds by 31 December 2020, a number of grant signing deadlines were agreed at PC23 and were included in Resolution PC/23/2017/6.

- i) The first deadline was for allocations made to REDD Countries prior to 30 September 2016 – the deadline for signing grant agreements was agreed as 30 September 2017. This deadline

applies to the 11 countries shown in the following table (Table 4). Alongside each country is a comment on the status. The FMT intends to provide an update report on the status of the six country grants not currently signed to the PC by 30 November 2017, with recommendations for those not signed at that time.

Table 4 – Grants due to be signed by 30 September 2017

Country	Amount Allocated (\$m)	Date Allocated	Delivery Partner	Comments
Cambodia	5.0	9/28/2016	UNDP	expected to be signed by September 30 deadline
CAR	3.8	5/31/2013	WB	signed
Chile	5.0	11/6/2015	WB	signed
Cote d'Ivoire	5.0	9/22/2016	WB	signed
Guatemala	5.0	5/5/2016	IDB	to be executed by IDB so effectively signed
Kenya	3.6	10/3/2010	UNDP	Resolution changing Delivery Partner to UNDP to be considered at this meeting. Propose new deadline of 31 March 2018.
Madagascar	5.0	9/28/2016	WB	signed
Mexico	5.0	4/19/2015	WB	signed
Nicaragua	5.0	9/28/2016	WB	should be signed in October 2017
Paraguay	3.8	4/30/2015	UNDP	about to be signed, expected by September 30 deadline
Uganda	3.75	5/5/2016	WB	signed by World Bank, to be signed by country soon
<b>Total</b>	<b>50.0</b>			

- ii) for allocations made to REDD Countries after 30 September 2016 up to the end of PC23 – the deadline for signing grant agreements was agreed as 31 March 2018. This deadline applies to the following 8 countries (Table 5).

Table 5 - Grants due to be signed by 31 March 2018

Country	Amount Allocated (\$m)	Delivery Partner
Bhutan	4.8	WB
Cameroon	5.0	WB
Columbia	4.9	WB
Honduras	2.3	UNDP
Lao PDR	4.6	WB
PNG	5.0	UNDP
Peru	5.0	IDB
Sudan	5.0	WB
<b>Total</b>	<b>36.6</b>	



- iii) for all allocations to the IP and CSO Capacity Building Program – the deadline for signing grant agreements with regional Recipient Organizations was agreed as 30 June 2018.
- iv) Future grant signing deadlines (ie post PC23) were agreed at PC23 as 12 months from the date of the resolution allocating the grant funding. However, any allocations made at this meeting will clearly need to be made subject to availability of resources and the process will not be able to move forward until resources are available. The FMT therefore proposes that the 12-month deadline does not apply from the date of the allocation but from date of the Notice informing the country that funds are available.

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) elections, coups or other changes in administrations, iv) force majeure, unforeseen events or other extenuating circumstances beyond the control of the REDD Country or Delivery Partners.

### **11. Possible Future Submissions for Additional Funding**

A virtual review deadline for MTRs (and thus requests for additional funding) of 20 October 2017 (for English versions) and of 6 October 2017 (for Spanish and French versions) has already been announced on the FCPF website. The FMT proposes that submissions meeting that deadline are accepted and, if approved, are added as a group to the group waitlist system. Further submissions after that time will need to take account of the value of the submissions for these October 2017 deadlines. The FMT therefore proposes to review the funding situation after any submissions received in October have been approved. If any inter-meeting decisions are necessary, the FMT can request a decision through a telephone or electronic meeting under clause 11.3 (b) of the Charter.

## Annex 1 – Signed Grants with REDD Countries (September 2017)

AFR	Signed Grant
Burkina Faso	3,800
Cameroon	3,793
CAR	3,800
Cote D'Ivoire	8,800
DRC	8,791
Ethiopia	3,800
Ghana	8,586
Kenya (moved to UNDP)	169
Liberia	8,782
Madagascar	8,800
Mozambique	8,800
Nigeria	3,800
Republic of Congo	8,033
Sudan	3,800
Togo	3,800
Uganda	3,800
<b>AFRICA sub-total</b>	<b>91,154</b>
EAP	Signed Grant
Fiji	3,800
Indonesia	8,594
Lao PDR	3,772
Thailand	3,800
Vanuatu	3,728
Vietnam	8,800
<b>EAST ASIA &amp; PACIFIC sub-total</b>	<b>32,494</b>
LCR	Signed Grant
Argentina	3,800
Belize	3,800
Chile	8,800
Colombia	3,800
Costa Rica	8,758
Dominican Republic	3,800
El Salvador	3,800
Mexico	8,800
Nicaragua	3,800
Uruguay	3,800
<b>LAT AMER &amp; CAR sub-total</b>	<b>52,958</b>
SAR	Signed Grant
Bhutan	3,800
Nepal	8,233
Pakistan	3,800
<b>SOUTH ASIA sub-total</b>	<b>15,833</b>
<b>Totals</b>	<b>192,438</b>
Other Delivery Partners	Signed Grant
Cambodia	3,800
Guatemala	3,800
Guyana	3,800
Honduras	3,800
Kenya	
PNG	3,800
Paraguay	
Panama	3,800
Peru	3,800
Suriname	3,800
<b>IDB and UNDP Grant Disbursements</b>	<b>30,400</b>
<b>Totals</b>	<b>222,838</b>