



Forest Carbon Partnership Facility

FY18 Budget Status and FY19 Proposed Carbon Fund Budget

Eighteenth Meeting of the Carbon Fund (CF18)

Paris, France, June 20-22, 2018

Outline of Budget Discussion

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 FY18 Estimated Expenditure

- Financial Status of the Carbon Fund
- FY18 Estimated Expenditure

III. FY19 Budget Proposal

- FY19 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; FY19 = July 1, 2018 through June 30, 2019.
- Budgets approved annually; FY12 was the first year for budget approval by CF Participants.
- FY19 Budget of RF, including Shared Costs, was approved at PC25 in March 2018

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
- FMT staff time spend on Carbon Fund Activities, programs and stakeholders

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 the General Conditions 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

The FCPF Secretariat

- 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

- 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
- Guidance & Implementation of Carbon Fund Methodological 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 FY19 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	%age
Tranche A		
Australia	18,393	2.0%
BP Technology Ventures	5,000	0.5%
The Nature Conservancy	5,000	0.5%
United States of America	18,500	2.0%
Tranche A Committed Funding	46,893	5.1%
Tranche B		
Canada	5,015	0.6%
European Commission	6,709	0.7%
France	5,114	0.6%
Germany	331,321	36.4%
Norway	304,111	33.4%
Switzerland	10,796	1.2%
United Kingdom	200,660	22.0%
Tranche B Committed Funding	863,726	94.9%
Total Committed Funding	910,619	100%

Amounts may vary due to exchange rate fluctuations

II. Financial Status and FY18 Estimated Expenditure

Topics

- Financial Status of the Carbon Fund
- FY18 Estimated Expenditure

II. Financial Status – Available Funding

FCPF Carbon Fund Donor Contributions as of April 30, 2018 (in \$ thousands)

Participant Name	Total	Outstanding*	FY18	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	331,321	123,265	29,616	54,771	13,329	32,108	27,280	6,556	15,443	21,125	3,819	4,009
Norway	304,111	61,955	12,494		58,352			161,310				10,000
Switzerland	10,796								10,796			
The Nature Conservancy	5,000											5,000
United Kingdom	200,660	182,720								17,940		
United States of America	18,500			4,500				4,000		10,000		
Committed Funding	910,619	367,940	42,110	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

**\$910.6
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	FY18 Estimate	FY19 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	1,172	1,183	1,023	8,460
Carbon Fund Administration			183	366	470	652	626	741	555	657	597	855	5,702
Additional Activity on Private Sector Engagement											100	500	600
Additional Activity on Registries												300	300
ERPA Costs - Selection													
Carbon Fund TAP									440	514	550	554	2,058
ERPA Costs - Development													
Carbon Fund Country Advisory									1,290	1,691	1,792	2,253	7,026
ER-PD Development						229	273	1,283	2,350	2,585	2,454	2,235	11,409
ERPA Costs - Supervision											-	640	640
Total			183	366	1,539	2,117	2,058	2,846	5,432	6,619	6,676	8,360	36,195

- 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 FY19 are **\$36.2 million**, of which **\$8.5 million** are for shared costs

II. FY18 Estimated Expenditure

- With FY18 books not closing until June 30, 2018, estimated expenditures are tentative
- Final FY18 expenditures will be reflected in Annual Report prepared ahead of the Participants Assembly (PA)
- Estimates show spending below the overall FY18 budget at \$6.7 million (or 71%) of the \$9.4 million budgeted
- Total underspend is estimated to be around \$2.7 million
- Breakdown of the underspend, and explanations, follows

II. FY18 Estimated Expenditure

Carbon Fund Costs (\$000s)	FY18 Budget	FY18 Estimate	Underspend	Spend Rate
Carbon Fund Admin	687	597	90	87%
ERPA Costs – Selection & Development of ER Programs				
Carbon Fund TAP	674	550	124	82%
Carbon Fund Country Advisory Support	1,820	1,792	28	98%
Program Development - enhanced ER-PIN/PDs	4,142	2,454	1,688	59%
ERPA Costs - Supervision	313	-	313	0%
Additional Activity on Private Sector Engagement	600	100	500	17%
Sub-total	8,236	5,493	2,743	67%
Shared Costs	1,183	1,183	-	100%
Total Carbon Fund Costs	9,419	6,676	2,743	71%

- Slight underspend on Admin anticipated at 87% of budget
- TAP costs are estimated at 82% of budget due to fewer ER-PDs reaching review stage than budgeted
- Country Advisory Support is expected to be well utilized at 98% of budget
- ER-PD Development \$4.1 m budget based on countries in pipeline, plus others expected to enter, to date all 19 have access to funds and are spending with the exception of those that have already exhausted their allocation
- FY18 ER-PD spend is estimated at \$2.5 m (59% of budget)

II. FY18 Estimated Expenditure

Carbon Fund Costs (\$000s)	FY18 Budget	FY18 Estimate	Underspend	Spend Rate
Carbon Fund Admin	687	597	90	87%
ERPA Costs – Selection & Development of ER Programs				
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Sub-total	8,236	5,493	2,743	67%
Shared Costs	1,183	1,183	-	100%
Total Carbon Fund Costs	9,419	6,676	2,743	71%

- ERPA Costs Supervision – \$313k was planned to provide support funds to countries upon signature of an ERPA. As of yet, this budget has not been accessed.
- Additional Activity on Private Sector - While some of the activities got underway in FY18 resulting in a spend of \$100k, the need to consult broadly before targeting efforts pushes most of this work into FY19. This is partially due to the new Private Sector Specialist leading this work joining later than was anticipated.
- The Shared Costs portion of the budget is anticipated to be fully exhausted.

III. FY19 Budget Proposal

Topics

- Financial Status of the Fund
- FY19 Budget Proposal including Shared Costs
- Proposed Additional Activities
- Decision for this meeting

III. FY19 Budget Proposal

The overall financial status of the fund is healthy.

Carbon Fund Sources and Uses Summary (\$m)	
	Current Situation
Sources (\$m)	910.6
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	857.2
Average ER Program	65.9

Of the total contributions of \$910.6 million, about \$857.2 million are available for the purchase of ERs.

Estimated costs of the Fund over its lifetime are \$53.4 million, or about 6%.

If 13 programs are developed, the average ER Program could be about \$66 million.

III. FY19 Budget Proposal

Carbon Fund Costs (\$000s)	FY18 Budget	FY18 Estimate	FY19 Proposed Budget
Carbon Fund Admin	687	597	855
ERPA Costs – Selection & Development of ER Programs			
Carbon Fund TAP	674	550	554
Carbon Fund Country Advisory Support	1,820	1,792	2,253
Program Development - enhanced ER-PIN/PDs	4,142	2,454	2,235
ERPA Costs - Supervision	313	-	640
Additional Activity on Private Sector Engagement	600	100	500
Additional Activity on Registries			300
Sub-total	8,236	5,493	7,337
Shared Costs	1,183	1,183	1,023
Total Carbon Fund Costs	9,419	6,676	8,360

FY19 proposed budget reflects goal of assisting in the development of all 19 ER-PDs by the end of 2019.

- FY19 Shared Costs were approved by PC in March 2018
- **Proposed budget for CF for FY19 of approximately \$7.3 million (excluding Shared Costs) to be approved by the CF Participants at this meeting (CF18)**

III. FY19 Budget Proposal

- **Carbon Fund Admin:** Budget of \$855k reflects a small increase compared with the current FY budget of \$687k to cover a full complement of staff to support the increasing work
- **Carbon Fund TAP:** Assuming up to 6 ER-PD reviews by the TAP
- **Carbon Fund Country Advisory Support:** Targeted FMT support to countries in preparing their ER-PDs and move toward ERPA signature
- **Program Development – Enhanced ER-PINs/PDs:** Approximate budget of \$2.2m based on 19 countries in pipeline
- **Supervision** budget of \$640k is provided for FY19 for 5-6 countries that are anticipated to sign ERPAs in FY19

III. FY19 Budget Proposal

Proposed Additional Activity – Promote Private Sector Engagement in FCPF* - \$500k (continuation from FY18)

CFPs approved an FY18 budget allocation of \$600k to satisfy a desire for increased Private Sector Engagement in the FCPF. It included:

- Providing increased support for the Private Sector Observer to attend Carbon Fund meetings and conduct to workshops
- Hiring 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 US State Department's commodity Initiative, IDH**, UNDP Green Commodities Program with the REDD+ programs currently under development.
- A Private Sector Specialist joined the team midyear.

The FMT proposes to carry over the remaining \$500k for work in FY19.

* See FMT Note CFM – 2017-2 for details

**IDH = Sustainable Trade Initiative

III. FY19 Budget Proposal

Proposed Additional Activity on Registries – \$300k

- Consultancies currently ongoing to help the FMT to elaborate a technical and financial proposal to develop and implement a centralized transaction registry.
- The FMT's intention is to develop a centralized transaction registry in an appropriate timeframe to ensure registration of the first ER transactions.
- This budget of \$300k is a very approximate estimate to ensure funds are available to enable development of the registry as soon as that decision is taken, without the need to refer back to the CFPs.
- The FMT will update the Carbon Fund meeting on progress and estimated costs at the next meetings.

IV. Decision for this Meeting

- Is approval provided for the proposed FY19 Carbon Fund budget of \$7.3 million, including the proposed Additional Activities on Private Sector Engagement and Registries
- Note the CF portion of the Shared Costs (\$1.0 million) as approved by the PC