

Forest Carbon Partnership Facility (FCPF)

Readiness Fund

FY19 Proposed Budget for the FCPF Readiness Fund

March 2018

This note is designed to present the proposed budget for FY19 of the Readiness Fund for approval by the Participants Committee.

1. The Budget Cycle and Expenditure Categories

The timing for FCPF budgets – for both the Readiness Fund (RF) and Carbon Fund (CF) – is based on the World Bank fiscal year (July 1-June 30), with FY19 starting July 1, 2018. Per the Charter, budgets are approved annually. The FY18 Readiness Fund and Carbon Fund budgets were approved in March and June 2017, respectively. **The FY19 budget of the Readiness Fund is submitted and proposed for approval in this meeting of the PC, PC25.**

The FCPF budget is built around five core activity types. Those are: Country Implementation Support; Country Advisory Services; REDD Methodology Support; the FCPF Secretariat; and Fund Administration. These activities fall into two groupings: Services to REDD Countries, and Secretariat and Trustee Function.

a. **Services to REDD Countries: Country Implementation Support, Country Advisory Services, and REDD Methodology Support**

The work of the implementing agency or delivery partner falls under **Country Implementation Support**. This covers the direct implementation support, including technical assistance, from Delivery Partners (World Bank, UNDP and IDB). This includes the key role of grant supervision and country level review, related to environmental and social due diligence, procurement and financial management policies and procedures of the Delivery Partners and the Common Approach to Environmental and Social Safeguards. With more countries having signed Readiness Preparation Grants and UNDP and the Inter-American Development Bank being active as Delivery Partners, this category of expenditures comprises a substantial portion of the total budget.

Also within Services to REDD Countries, **Country Advisory Services** consist of coordination of, and feedback on Mid Term Reviews and R-Packages. Some of the work of providing guidance on FCPF social and environmental due diligence (SESA guidelines, etc.) also falls under this category. Sharing cross-country experiences, developing and sharing guidance (e.g., social inclusion) with individual REDD Country Participants is another key component. Staff within the FMT with responsibility for specific country programs (previously termed ‘country focal points’) were transferred from the FMT to the Environment Global Practice within the World Bank in April 2017. For consistency their time spent providing support to these country programs will continue to be charged to this expense category.

Finally, **REDD Methodology Support** rounds out the support to REDD Countries with activities such as the development of program cost assessment tools, other technical training and support tools such as the REDD+ Decision Support Tool, the implementation of the Methodological Framework, and Technical Advisory Panel (TAP) reviews of R-Packages. Other key responsibilities include the

liaison with UN-REDD and international REDD+ programs (FIP, GCF), as well as analysis on key REDD+ topics and lessons learned (e.g., MRV, Reference Levels, Registries, and Gender).

b. Secretariat and Trustee Function

The Secretariat and Trustee Function consists of two key areas: The **FCPF Secretariat** and the **Readiness Fund Administration**.

The overall program management and activities related to maintaining partnerships among the many stakeholders of the FCPF, the organization of the Annual Meeting and 2 PC meetings per year falls under **FCPF Secretariat** costs. Due to evolving needs of the fund, a larger knowledge management (KM) and sharing program is also housed within the Secretariat, closely coordinated by the KM and Communications team. In addition, FCPF Secretariat costs also cover travel and expenses of REDD Country Participants and Observers in meetings, website management, communications, knowledge management activities and translation services.

The **Readiness Fund Administration** work consists of functions related to the World Bank role as Trustee of the Readiness Fund, including the preparation of budgets, business plans and financial projections. This includes development of long term sources and uses of funds as well as the preparation of the FCPF Annual Report. A stronger and more systematic portfolio management component is also included this category. The aim is to better identify and respond to barriers to country progress at the portfolio level. Other key tasks such as managing the operating budget throughout the fiscal year, contracting, reporting to partners and stakeholders and contributions management comprise fund administration. Finally, the tracking and reporting of the Facility-wide M&E framework is also undertaken within the fund administration role.

2. Shared Costs

At the set-up of the FCPF an arrangement on 'Shared Costs', that is costs of activities that cut across both the Readiness Fund and Carbon Fund, was agreed. The agreed split is that those costs are covered 65% by the Readiness Fund 35% by the Carbon Fund (per the FCPF Charter). Since the Carbon Fund was only in the early stages of development, it was agreed that the Shared Costs were only to be borne by the Carbon Fund from July 1, 2011. 'Shared Costs' have included in practice the activities paid out of the FCPF Secretariat and REDD Methodology Support functions.

The budget for these two cost categories, and hence for Shared Costs, is approved by the Participants Committee (PC). To ensure that costs are contained, an 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) was also established.

3. Fund Contributions

The current capitalization of the Readiness Fund is \$399.7 million as shown below.

Table 1 FCPF Readiness Fund Donor Contributions as of February 28, 2018 (US\$ thousands)

FCPF Readiness Fund Donor Contributions as of February 28, 2018 (in \$ thousands)												
Participant Name	Total	Outstanding*	FY18	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	5,273	1,221					1,364		2,688			
Finland	23,196					3,230		5,261	5,749			8,956
France	10,340								5,136		592	4,612
Germany	106,382		29,616			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	114,194	12,779	30,119	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
Committed Funding	399,736	14,000	59,735	2,370		27,014	54,004	30,009	31,538	94,880	32,290	53,895

*Amounts may vary due to exchange rate fluctuations.

4. Approved FY18 Budget

The FMT constructed a budget based on its forecasted work program and estimated country support needs. After reviewing the FY18 proposed budget, the PC approved the following operating budget.

Table 2 FCPF Readiness Fund Overall FY18 Annual Budget (Operating Costs)

Overall Budget (\$000s)	FY18 Budget
Readiness Trust Fund Administration	224
FCPF Secretariat	2,263
REDD Methodology Support	1,117
Country Advisory Services	1,692
Sub-total	5,297
Country Implementation Support	5,135
Sub-total	10,432
IP and CSO Program (Program Admin, Other (travel, etc))	300
Total Readiness Fund (including Carbon Fund Shared Costs)	10,732

Table 3 Share of the FY18 Budgeted Costs between Readiness Fund and the Carbon Fund

Overall Budget shared between funds (\$000s)	FY18 Budget
Readiness Fund	9,549
Carbon Fund	1,183
Total	10,732

5. Estimated Spend for FY18

This FMT Note on the budget has traditionally included an estimated spend for the current fiscal year. However, at the time of preparation of this note there was still about one-third of the fiscal year remaining and it is difficult to provide even tentative figures for expenditure forecasts this early in the year. The FMT closely monitors spending throughout the fiscal year and there is no reason to adjust the current budget for FY18. Final FY18 expenditures will be reflected in the Annual Report to be prepared by the time of the Participants Assembly (PA).

6. Long Term Sources and Uses

As shown in Table 4, \$317 million of the total \$399.7 million in committed funding is allocated for Grants to REDD Countries and to the existing IP and CSO Capacity Building Program. \$90.8 million is allocated to cover Administrative, Operations and Country Support activities over the lifetime of the fund from inception in 2008 until closing in 2020/21. This leaves \$14.6 million in reserve. The proposed budget for FY19 is included in the FY18-21 Projected costs for Administrative, Operations and Country Support activities.

Table 4 Summary of Long Term Sources and Uses of Readiness Funding

Summary of Long Term Sources and Uses of Readiness Funding (in \$ million, as of February 28, 2018)	
Description	Totals (\$m)
Sources of funds	
Committed Funding	399.7
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)	(2.1)
Investment income to date	24.7
Total Available Funding	422.4
Uses of funds	
Grant Allocations	
To REDD Countries	
Signed grants to REDD Countries (commitments)	240.4
Allocations to REDD Countries (not yet signed)	68.6
Total Allocation to REDD Countries	309.0
To IP/CSOs	
Initial Allocation to IP/CSO Capacity Building Program (commitments)	3.0
Additional Allocation to IP/CSO Capacity Building Program (March 2017)	5.0
Total Allocation to IP/CSO Capacity Building Program	8.0
Total Grant Allocations	317.0
Administrative, Operations, and Country Support costs over lifetime of fund	
FY09-17 Actual costs	60.8
FY18-21 Projected costs	29.0
Reserve for Delivery Partner capacity for dispute resolution	1.0
Total Administrative, Operations, and Country Support costs over lifetime of fund	90.8
Total Uses of Funds	407.8
Estimated Reserve: Total Available Funding less Total Uses	14.6

7. FY19 Budget Proposal

Table 5 FY19 Proposed Budget by Activity

Overall Budget (\$000s)	FY18 Budget	FY19 Proposal
Readiness Trust Fund Administration	224	348
FCPF Secretariat	2,263	2,184
REDD Methodology Support	1,117	739
Country Advisory Services	1,692	1,434
Sub-total	5,297	4,706
Country Implementation Support	5,135	3,195
Sub-total	10,432	7,900
IP and CSO Program (Program Admin, Other (travel, etc))	300	300
Total Readiness Fund (including Carbon Fund Shared Costs)	10,732	8,200

The overall budget request for FY19 of \$8.2 million is approximately \$2.5 million less than the equivalent in FY18 of \$10.7 million. This decrease is mainly due to the decrease in Country Implementation Support by about \$2 million. This decrease reflects the fact that most of the up-front implementation support resources have already been transferred to the delivery partners other than the World Bank (UNDP and IDB). In FY19 the 46 countries implementing Readiness grants (both the initial \$3.8 million and additional funding grants) plan to avail of related support in the amounts of \$2.9 million for WB and \$300k for UNDP as Delivery Partners. The continued focus on REDD country support is reflected in the budget with the bulk of the proposed budget (56%) for the areas that provide direct support to the REDD Countries - Country Advisory Services and Country Implementation Support.

As seen in Table 5, the **Readiness Trust Fund Administration** budget at \$348k is slightly higher than the FY18 budget. This is due to increased human resources being dedicated to stronger portfolio management component to improve the ability to identify and to respond to barriers to country progress towards Readiness, with the aim of ensuring full disbursement of all grants by 31 December 2020, the closing date of the Readiness Fund.

The **Secretariat** function budget will remain steady at about \$2.2 million, maintaining the increased Knowledge, Learning and Communications component, which responds to an extended scope of activities as per the Communications and Knowledge Strategy 2017-2020 (see FMT Note 2017-3). Among other activities planned for FY19 are: i) budget for South-South Knowledge Exchanges (SSKE), including subregional SSKEs on ER Program development, on-demand study tours based on country needs, and a Global Knowledge Exchange Forum (\$150k) on land tenure assessments, benefit sharing arrangements, grievance redress mechanisms, social and environmental risk management, transfer of ER titles as well as cross-cutting issues such as stakeholder engagement, gender and poverty reduction, ii) budget for a revamp of the FCPF website to enhance the overall user experience, expand media integration, simplify navigation and improve back-end information management, and iii) increase the production of visual and multi-media content for social media and other communication channels.

REDD Methodology, as another of the activities closest to countries, will have a lower budget allocation than the FY18 request at approximately \$740k. The budget here includes continued funding for the work

on Gender Inclusion in Forests and Landscapes (\$409k), There is an overall decrease however due to other cross-cutting activities that will be completed in FY18. More time and attention on cross-cutting items will be found in the Carbon Fund budget as the REDD Methodology focus shifts toward that work.

Country Advisory Services, which primarily covers the time spent by Methodology Specialists and 'country focal points' on country programs, shows, the continued support provided to the 46 active REDD Countries. With a budget of \$1.4 million, this is a slight decrease from the FY18 budget of \$1.7 million, as a number of countries shift focus from the readiness phase to the results-based phase (the Carbon Fund).

Under **Country Implementation Support**, budgeted at \$3.2 million for FY19, the work of the Delivery Partners (World Bank, UNDP and IDB) in providing direct implementation support, including technical assistance, to REDD Countries, is the sole component of the budget proposal. The decrease from the FY18 budget reflects the fact that most of the up-front implementation support resources have already been transferred to the delivery partners other than the World Bank (UNDP and IDB). The budget for FY18 of \$5.1 million included \$2.2 million to be transferred to UNDP and IDB. The equivalent budgeted transfer to UNDP and IDB for FY19 is only \$300k to cover a transfer to UNDP expected to be made for support to Suriname to implement an additional funding grant anticipated to be signed in FY19. It is important to note that the budget for Country Implementation Support is solely made up of the previously agreed allocations per country for Delivery Partner support i.e., \$650k for initial preparation grants and \$300k for additional funding grants.

Finally, there is a small budget of \$300k to cover program administration costs for the IP and CSO Capacity Building Program and to support bringing key IP/CSO stakeholders to relevant meetings.

8. Shared Costs of the Proposed FY19 Budget

Table 9 Proposed Shared Costs FY19

Overall Budget shared between funds (\$000s)	FY18 Budget	FY19 Proposal
Readiness Fund	9,549	7,177
Carbon Fund	1,183	1,023
Total	10,732	8,200

9. Decision at PC25

The Participants Committee is asked to approve the proposed budget for FY19 of \$8.2 million.