



Reducing Emissions from Deforestation and Forest Degradation

Forest Carbon Partnership Facility

**FY09-13 Business Plan
and FY09 Annual Budget**

Participants Committee Meeting
Washington DC, October 21, 2008



Outline of
Today's
Discussion

I. *The Design/Development Phase*

- Activities from Summer 2006 through June 2008
- Review of Costs
- The Trustee's Financing Proposal

II. *The Operational Phase*

- The Budget Process per the FCPF Charter
- Review of Contributions & Cash Flow Projections
- Services to REDD Country Participants
- Secretariat and Trustee Role

III. *FY09-13 Business Plan and FY09 Annual Budget*

- Challenges and Trade-offs
- Overview and Examples of Expected Costs
- FY09-13 Business Plan Scenarios & Options
- FMT Recommendations
- Decisions to be Taken by the PC



Activities
from
Summer 2006
through
June 2008
(1)



I. The Design/Development Phase

A small Secretariat was created for the following.....

Summer 2006: Early concept, start of consultations, UNFCCC Rome workshop

January 2007: CfRN Costa Rica workshop

February 2007: Bonn design workshop

March 2007: UNFCCC Cairns workshop

April 2007: Berlin design workshop

May 2007: SBSTA 26

July-September 2007:

- Paris design workshop, meeting of service providers
- Sydney presentation & discussion
- Indonesia visit
- Carbon Forum, Lima

September 25: World Bank Board approval

November 8-9: Consultations with NGOs and IOs

November 12-13: Washington design workshop

December 11: CoP13 Bali launch & discussions



I. The Design/Development Phase

January-April 2008:

- Comments received on December draft of Information Memorandum
- Consultations & information exchange with Indigenous Peoples in 3 Regions: Asia, Latin America and Africa
- Consultation on valuation of emission reductions

May 2008:

- Finalize FCPF Charter and Information Memorandum based on consultations and discussions
- First Technical Advisory Panel constituted after nominations by stakeholders

June 2008:

- Declare FCPF open for contributions (June 13)
- Sign Participation Agreements with Donor Participants to reach operational threshold and quorum
- Declare FCPF operational (June 25)
- Review of 18 R-PINs received from REDD Countries

July 2008:

- *Steering Committee meeting and selection of first R-PINs*



Activities
from
Summer 2006
through
June 2008
(2)



Review of Costs (1)



I. The Design/Development Phase

- A total of \$2.634 million in costs were incurred by IBRD prior to declaring the FCPF Operational.
- Of this, \$2.35 million represented “design and development” costs (e.g., all consultation workshops and meetings since 2006, the additional workshops with forest-dependent indigenous peoples and other forest-dwellers, and preparation of the Charter).



Review of Costs (2)



I. The Design/Development Phase

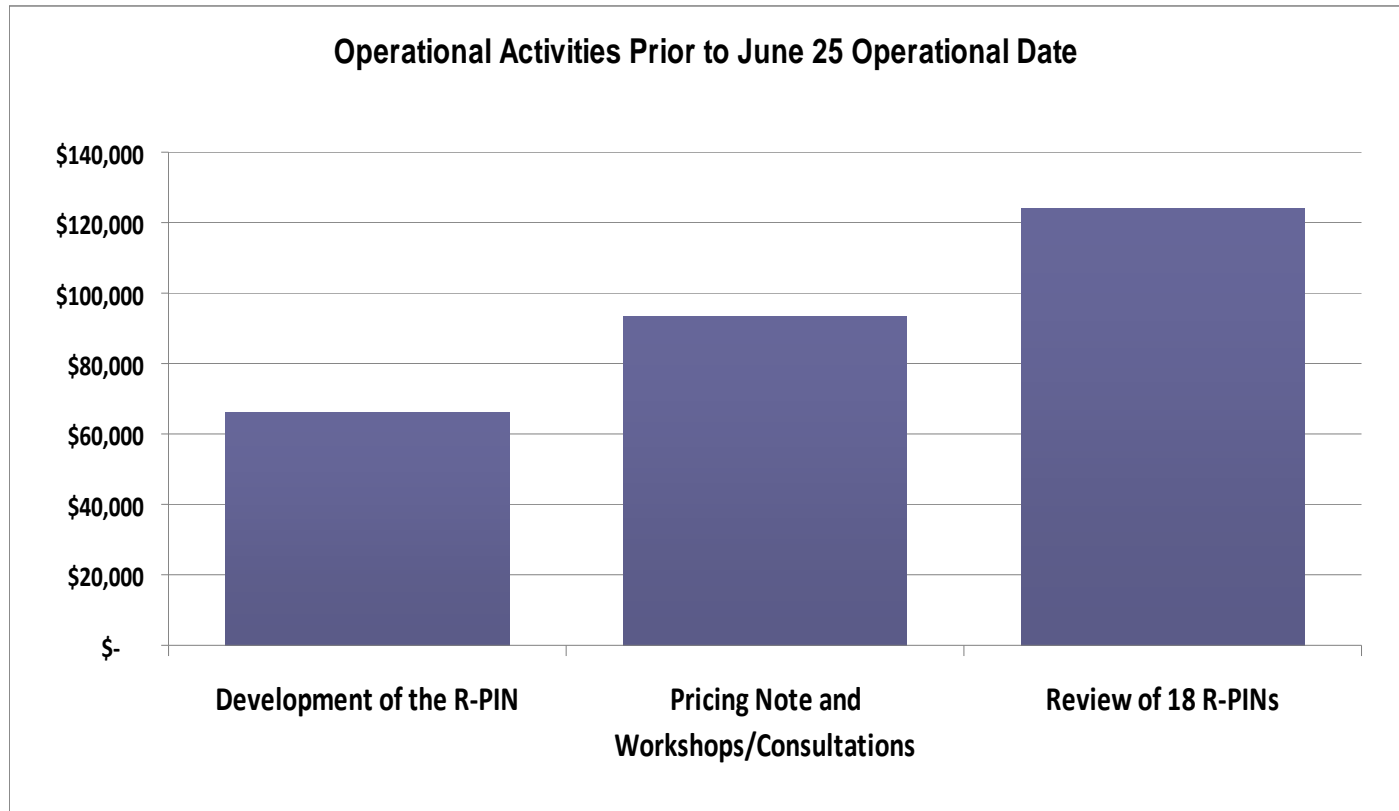
- In addition – several critical operational activities were advanced before the Operational Date (June 25 2008).
- These ‘Pre-Operational’ activities included:
 - **Preparation of the R-PIN template**
 - **Consultations on valuation of emission reductions**
 - **First TAP reviews, etc.**to ensure that the FCPF moved fast once the design phase ended
- Pre-Operational costs comprised \$284k of the total US\$2.634 million



Pre-Operational Costs



I. The Design/Development Phase





The
Trustee's
Financing
Proposal
(1)



I. The Design/Development Phase

- Normal practice of World Bank carbon funds is that all such developmental and pre-Operational costs are recovered from Participant contributions.
- BUT, we received feedback from some stakeholders during consultations on the Information Memorandum encouraging the Bank to assume a portion of the development costs of this new Facility.



The
Trustee's
Financing
Proposal
(2)



I. The Design/Development Phase

It is therefore proposed that:

- The World Bank will pay from its own resources ***all design/development costs*** – **a total of \$2.35 million.**
- The specific ***Pre-Operational costs*** of \$284K will be charged to the Readiness Fund in FY09.



II. The Operational Phase

- The Budget Process per the FCPF Charter
- Review of Contributions & Cash Flow Projections
- Services to REDD Country Participants
- The Secretariat and Trustee Role



The Budget Process Per the FCPF Charter



II. The Operational Phase

- FCPF budgets – for both the Readiness Fund (RF) and Carbon Fund (CF) – are based on the World Bank fiscal year, with FY09 = July 1, 2008 through June 30, 2009.
- Budgets are to be approved annually.
- The PC approves the RF budget, which includes ‘Shared Costs’ of running the FCPF.
- When the CF is operational, the Carbon Fund Participants Committee will approve annual budgets for operation of that Fund.
- Shared Costs are the costs for activities that cut across both the RF and the CF (e.g., the costs of the FCPF Secretariat); 65% of Shared Costs are borne by the RF and 35% by the CF, unless the PC decides otherwise.



Review of
Contributions
and Cash
Flow
Projections
(1)



II. The Operational Phase

Expected Availability of Pledged Contributions to the Readiness Fund (\$m)						
	FY09	FY10	FY11	FY12	FY13	Total
Australia	9.1					9.1
Finland	5.0					5.0
AFD (France)	5.0					5.0
Germany (tbc)		6.9	6.9	6.9		20.7
Japan	5.0	5.0				10.0
Netherlands	7.0	4.4	4.42	4.42		20.3
Norway	5.0					5.0
Spain	6.9					6.9
Switzerland	6.7					6.7
UK	2.3	3.9				6.2
USA	5.0					5.0
FY Totals	57.0	20.2	11.3	11.3	0.0	
			Grand Total			100



II. The Operational Phase

Review of
Contributions
and Cash
Flow
Projections
(2)

Expected Availability of Confirmed Contributions to the Readiness Fund (\$m)						
	FY09	FY10	FY11	FY12	FY13	Totals
Australia	9.1					9.1
Finland	5.0					5.0
AFD (France)	5.0					5.0
Japan	5.0	5.0				10.0
Netherlands	7.0	4.4	4.4	4.4		20.3
Norway	5.0					5.0
Spain	6.9					6.9
Switzerland	6.7					6.7
UK	2.3	3.9				6.2
USA	5.0					5.0
FY Totals	57.0	13.3	4.4	4.4	0.0	
			Grand Total		79.2	



II. The Operational Phase



Services to
REDD
Country
Participants
(1)

Country Implementation Support

- Direct grants to REDD Country Participants
- Grant supervision
- Implementation support from World Bank country teams



II. The Operational Phase

Country Advisory Services

- Review and feedback on R-PINs and R-Plans
- Guidance on social and environmental safeguards
- Preparation of generic terms of reference
- Sharing cross-country experiences and
- Emerging global guidance on REDD with individual REDD Country Participants



Services to
REDD
Country
Participants
(2)



II. The Operational Phase

REDD Methodology Support

- Work of independent Technical Advisory Panels (TAPs) in support of FCPF Participants, advancing global topics such as
 - valuation of emission reductions
 - reference scenarios
- Ensuring adequate FCPF liaison with international teams developing REDD methodologies



Services to
REDD
Country
Participants
(3)



Secretariat
and Trustee
Role
(1)



II. The Operational Phase

The FCPF Secretariat

- Overall program management and expenses related to maintaining partnerships among the many stakeholders of the FCPF
- REDD Country Participation in Annual and PC Meetings
- Participation of the Indigenous Peoples' Observer



Secretariat
and Trustee
Role
(2)



II. The Operational Phase

Readiness Fund Administration

- Functions related to the World Bank's role as trustee, including
 - preparing business plans and Annual Reports
 - accounting
 - auditing
 - meeting fiduciary responsibilities



Secretariat
and Trustee
Role
(3)



II. The Operational Phase

Carbon Fund Administration

- Similar functions for the FCPF Carbon Fund
- Will be presented for approval of the Carbon Fund Participants at the next meeting



III. *FY09-13 Business Plan and FY09 Annual Budget*

- Challenges and Trade-offs
- Overview and Examples of Expected Costs
- FY09-13 Business Plan Scenarios and Options
- FMT Recommendations
- Decisions to be taken by the PC



Challenges and Trade- Offs



III. *FY09-13 Business Plan and FY09 Annual Budget*

Within the Context of FCPF Objectives...

- Maximizing the learning potential of this unique partnership
- Moving quickly to develop lessons from REDD prior to 2012

What are the Main Challenges and Trade-offs for Consideration by the PC?

- How to handle demand from 35, even 40 countries, when the Readiness Mechanism was planned for 20 countries?
- Financing Readiness activities at an adequate level
- Balancing the need for immediate funding to support REDD Country Participants with current cash-flow projections and pledged amounts



Overview of
Long-Term
Plans for the
Readiness
TF
(1)



III. *FY09-13 Business Plan and FY09 Annual Budget*

- Closing date of December 31, 2020 requires us to plan some costs for the long term. But many services to REDD Country Participants (for the initial target of \$100 m.) fit within a 5-year time frame and business plan.
- Services to REDD Country Participants are expected to comprise **more than 85%** of total total contributions.
- **Less than 10%** of expected contributions of the Readiness Fund will pay for FCPF Secretariat (servicing both the Readiness and Carbon Funds). *This includes a significant budget to cover the meeting attendance and travel for REDD Participants and the IP Observer.*
- Trust Fund administration of the Readiness Fund will comprise **about 4%** of expected contributions.



Overview of
Long-Term
Plans for the
Readiness
TF
(2)



III. *FY09-13 Business Plan and FY09 Annual Budget*

- 'Shared Costs' across both the Readiness Fund and Carbon Fund include
 - FCPF Secretariat and
 - REDD Methodology Support
- Consistent with the Charter, the Carbon Fund would assume 35% of these costs over time
- Cost sharing is reflected in the current business plan and FY09 budget
- However, appropriate phasing of the Shared Costs borne by Carbon Fund Participants will be proposed for discussion in the next PC Meeting



III. *FY09-13 Business Plan and FY09 Annual Budget*

Estimated Expenses by Activity in the FY09-13 Business Plan

Expenses by Activity - 5 Year Analysis ('\$000)	FY09	FY10	FY11	FY12	FY13
Country Implementation Support (20)	1194	1465	1523	1035	0
Country Advisory Services	873	717	751	763	799
REDD Methodology Support	822	910	952	810	847
FCPF Secretariat	868	897	925	967	997
Readiness Trust Fund Administration	306	319	334	349	366
Total Operating Costs - 5 Year Analysis ('\$000)	4064	4309	4484	3924	3009



III. *FY09-13 Business Plan and FY09 Annual Budget*

Expected Cost of Technical Advisory Panels

- FY09-13 Business Plan includes five TAPs per year in FY09-11; three per year in FY12-13
- Initially three TAPs per year to support R-PIN, R-Plan and Readiness Package review
- 2 additional TAPs per year for ad hoc topics/issues (e.g., ER valuation; reference scenarios); the budget assumes at least one of these TAPs meets via videoconference or other means (saving travel costs)

Examples of
Expected
Costs:
REDD
Methodology
Support

FY09	FY10	FY11	FY12	FY13	Total
465,000	484,530	505,466	279,000	291,160	2,025,156



III. *FY09-13 Business Plan and FY09 Annual Budget*

Annual Cost of Participants Assembly and Participants Committee Meetings

Examples of Expected Costs: FCPF Secretariat

Type of Expense	PA/PC Mtg.	PC Mtg.
Conference Services	\$14,629.00	\$6,063.00
Interpretation		
Photocopies		
Conference Facilities (IT, Sound Tech, Maintenance)		
Facilities Fee		
Catering	\$26,540.00	\$10,275.00
Administrative & Temporary Support	\$45,000.00	\$32,000.00
Airfare (REDD & IP Reps)	\$58,800.00	\$30,800.00
Perdiem (REDD & IP Reps)	\$8,400.00	\$2,640.00
Hotel (REDD & IP Reps)	\$21,000.00	\$6,600.00
	\$174,369.00	\$88,378.00

Annual Costs per the Budget: 1 PA/PC & 2 PC Meetings = \$351,125.00



Examples of
Expected
Costs:
FCPF
Secretariat



III. FY09-13 Business Plan and FY09 Annual Budget

Ensuring the representation of Forest Dependent Indigenous Persons, and other Forest Dwellers

- Travel costs to PA and PC Meetings for IP Observer are included in the Secretariat budget
- A staff assistant position, reporting to the Chair of the UN Permanent Forum on Indigenous Issues (UNPFII) and focused on FCPF and REDD, is also included in the Secretariat budget (\$75,000 per year)
- FMT views both items as essential to the effective operation of the FCPF – with the first item already included in the Charter.



FY09-13
Business
Plan
Scenarios
(1)



III. *FY09-13 Business Plan and FY09 Annual Budget*

Beyond the budgets and costs already noted, the FMT proposes 2 important additional activities:

1. IP Capacity Building Program: \$200k per year, or \$1 million for FY09-13
 - A focused 'small grants' program to build effective links with IP communities on REDD and the FCPF
 - Managed within the WB (likely Social Dev't dpt) to follow clear ToRs from the FCPF and UNPFII
 - Emphasis on information technology, media and materials for communications w/ forest-dependent IPs and other forest dwellers => can aid national consultations and efforts substantially
 - Funds distributed via regional IP organizations
2. Contingencies: \$200K per year, or \$1 million for FY09-13 – enabling response to unforeseen opportunities



III. *FY09-13 Business Plan and FY09 Annual Budget*

FY09-13
Business
Plan
Scenarios
(2)

Scenario I

Recommendation of the FMT – includes the basic FY09-13 budget, along with both proposed sets of activities – Capacity Building Program for Forest-dependent Indigenous Peoples and other Forest Dwellers and contingencies

Scenario II

Includes only contingencies

Scenario III

A basic budget, does not include either proposal



FY09-13
Business Plan
Scenarios
(3)



III. *FY09-13 Business Plan and FY09 Annual Budget*

Assuming “Proposal 1” of the Budget Note (i.e., accepting 20 REDD Countries)...

...what do Scenarios I, II and III imply for the level of Services to REDD Participant Countries?

20 REDD Participants, \$100 m. RF	Grant	Implement. Spt.	Advisory Services & REDD Method. Spt.	Total Services per REDD Country
Scenario I (w/ Contingency & IP Program)	3,644	270	412	4,326
Scenario II (w/ Contingency)	3,694	270	412	4,376
Scenario III (no Contingency; no IP Program)	3,744	270	412	4,426



FY09-13
Business Plan
Scenarios
(4)



III. *FY09-13 Business Plan and FY09 Annual Budget*

Based on \$100 million of pledges

Selection of 20 REDD Participant Countries into the FCPF

Grant Size ('\$000)	3,644
Implementation Support Received by Country ('\$000)	270
Avg. Advisory Services & REDD Method. Spt. Per Country ('\$000)	412
Total FCPF Operational Support Per Country	4,326
Total received by ALL Countries	86,526
Total received by ALL Countries %	87%
Total Contributions	100,000



FY09-13
Business Plan
Scenarios
(5)



III. *FY09-13 Business Plan and FY09 Annual Budget*

Based on \$79 million of firm commitments

Selection of 20 REDD Participant Countries into the FCPF

Grant Size ('\$000)	2,603
Implementation Support Received by Country ('\$000)	270
Avg. Advisory Services & REDD Method. Spt. Per Country ('\$000)	412
Total FCPF Operational Support Per Country	3,286
Total received by ALL Countries	65,719
Total received by ALL Countries %	83%
Total Contributions	79,100



III. *FY09-13 Business Plan and FY09 Annual Budget*

Regarding Proposal 3(a) of the Budget Note – on phasing of grants – what would the phased grant size look like on average?

- Based on confirmed resources of \$79 million, **ALL** REDD Country Participants could receive in a phased way:
 - US\$200,000 Preparation Grant
 - a second phase of up to US\$2 million, and
 - a possible third phase of up to \$3.6 million (on average)

OR With Proposal 3(b) of the Budget Note – on first-come first-served basis,

- all 20 REDD Country Participants receive US\$200,000
- 13 REDD Country Participants could receive, on average, Readiness grant commitments of up to \$3.6 m this FY
- The remaining REDD Country Participants would receive Readiness grants as/when funding becomes available

FY09-13
Business
Plan
Scenarios
(6)





FMT
Recommend
-ations

III. *FY09-13 Business Plan and FY09 Annual Budget*



- Selection of about 20 REDD Country Participants (including 14 from July) – in either this meeting, or additional selection in February 2009
- The partnership would benefit from accepting countries beyond the 20 as resources become available. Expansion to as many as 30 REDD Country Participants and \$150 million depends on donor funds
- Consider allocating small resources within the current envelope to enable countries with strong R-PINs to remain engaged as ‘Pending Participants’ (i.e., attending meetings)
- With a clear ranking of strong R-PINs by the PC, and guidance about a possible third round of selection in February, the FMT would seek flexibility to invite ‘Pending Participants’ to sign Participation Agreements commensurate with any new resources



**Decisions
to be Taken
by the PC**

III. *FY09-13 Business Plan and FY09 Annual Budget*



- Is there consensus for the FMT Recommendation of Scenario I (with contingencies and IP Capacity Building Program)? Is the PC prepared to approve the FY09 budget based on this Scenario?
- Is there PC consensus for the FMT's recommended phasing of grants (*Proposal 3a in the budget note*), or for the 'first-come first-served proposal (*Proposal 3b*)?
- Is there consensus – and donor interest – in seeking an increase in the target capitalization? (*Proposal 2 of the budget note*)
- What guidance does the PC have for dealing with 'Pending' REDD Country Participants?



Thank You!

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