



Forest Carbon Partnership Facility

6. Carbon Fund Budget for FY13

Fourth Meeting of the Carbon Fund (CF4)
Santa Marta, Colombia, June 24-25, 2012

Outline of Today's Discussion

I. The Budget Process of the FCPF

- Review of FCPF Budgeting
- Expected Budget Lines of the Carbon Fund

II. Financial Status and FY12 Estimated Expenditure

- Financial Status of the Carbon Fund
- FY12 Estimated Expenditure

III. FY13 Budget Proposal

- FY13 Budget Proposal excluding Shared Costs
- Shared Costs

IV. Apportioning Common Costs

V. Decisions for this Meeting

I. The Budget Process of the FCPF

Topics

- Review of FCPF Budgeting
- Expected Budget Lines of the Carbon Fund

I. Review of FCPF Budgeting

- Budgets for both the Readiness Fund (RF) and Carbon Fund (CF) based on World Bank fiscal year; FY13 = July 1, 2012 through June 30, 2013.
- Budgets approved annually; FY12 was the first year for budget approval by CF Participants.
- FY13 Budget of RF to be proposed for approval at PC12 in a few days (budget proposal posted on PC12 meeting page)

I. Expected Budget Lines of the Carbon Fund

- A. **Carbon Fund Administration:** ongoing Trustee role and part of the Common Costs shared pro rata by CF Tranches
- 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/ERPAs
 - 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, marketing and fundraising
- Preparing budgets, business plans and longer term financial projections
- Preparation of Annual Report
- Accounting, contributions management and legal services to the Carbon Fund
- Meeting costs
- Semi-annual monitoring

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
- 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 general terms 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
- Liaison with independent verifiers 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 to be 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

II. Financial Status and FY12 Estimated Expenditure

Topics

- Financial Status
- FY12 Estimated Expenditure

II. Financial Status – Available Funding

Contributions to the FCPF Carbon Fund as of June 14, 2012 (US\$m)						
	FY09	FY10	FY11	FY12*	FY13-15*	Totals*
Australia			12.7	5.6		18.4
BP			5.0			5.0
Canada				5.0		5.0
CDC Climat			5.0			5.0
European Commission	6.3	0.4				6.7
Germany	4.0	3.8	21.1	15.3	25.2	69.5
Norway	10.0				51.0	61.0
Switzerland				10.8		10.8
The Nature Conservancy	5.0					5.0
United Kingdom				17.9		17.9
United States			10.0			10.0
Committed Funding	25.4	4.2	53.9	54.7	76.2	214.3
United States					4.0	4.0
Committed Funding plus Pledges	25.4	4.2	53.9	54.7	80.2	218.3

* Amounts may vary due to exchange rate fluctuations.

II. Financial Status – Total Expenses to Date

Budget Line/Category of Costs (\$000s)	Pre-FY09	FY09	FY10	FY11	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		-	-	-	-
Carbon Fund Administration			183	366	549
Total			183	366	549

- 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 in FY09 to FY11
- Actual expenses of **\$549k** charged against the CF in FY10 and FY11, all of which were for Carbon Fund Administration

II. FY12 Estimated Expenditure

- Final FY12 expenditures will be reflected in Annual Report prepared in September
- With FY12 books closing in one week, estimated expenditures are tentative
- Estimates show spending below overall FY12 budget
- Total underspend will be around \$730k (\$100k excluding Shared Costs)
- Breakdown of underspend and explanations

II. FY12 Estimated Expenditure

Carbon Fund Costs (\$000s) (including additional IP/CSO Program)	FY12 Budget	FY12 Estimate	Underspend
Carbon Fund Admin	585	520	65
<i>of which Marketing</i>	<i>45</i>	<i>-</i>	<i>45</i>
ERPA Costs – Selection & Development of ER Programs			
Program Development - business dev	60	20	40
Sub-total	645	540	105
Shared Costs	1,831	1,202	629
Total Carbon Fund Costs	2,476	1,742	734

Shared Costs (\$000s)	FY12 Budget
Original CF Budget	1,474
CF Share of Additional IP/CSO Program	357
Revised CF Budget	1,831

III. FY13 Budget Proposal

Topics

- FY13 Budget Proposal excluding Shared Costs
- Shared Costs

III. FY13 Budget Proposal

Carbon Fund Costs (\$000s)	FY12 Budget	FY12 Estimate	FY13 Budget
Carbon Fund Admin	585	520	920
<i>of which Marketing</i>	45	-	255
ERPA Costs – Selection & Development of ER Programs			
Program Development - business dev	60	20	200
Program Development - enhanced ER-PIN	-	-	600
Total	645	540	1,720

- **Excludes Shared Costs** which are subject to approval by PC (see later slides)
- **Proposed budget for CF for FY13 of approximately \$1.7 million to be approved by the CF Participants at this meeting**
- More details in next slide

III. FY13 Budget Proposal

- **Carbon Fund Admin:** as CF activity increases administrative burden and cost increases, plus semi-annual monitoring. Includes meeting costs and marketing.
- **Marketing:** Currently in negotiations with marketing consultant to be engaged to market to private sector (\$45k initial budget carried over from FY12, plus 10 x \$21k for each signed contribution of \$5 million)
- **Program Development – Business Development:** \$200k business development budget approved at CF3 in Paraguay to support development of ER-PINs across the portfolio
- **Program Development – Enhanced ER-PIN:** Approximate budget based on \$200k for 3 countries to enhance their original ER-PINs, to be approved on a case-by-case basis by CF Participants
- No supervision and no asset creation, ‘verification’, etc. in FY13 [budget lines B.(ii) and B.(iii)]

III. FY13 Budget Proposal – Shared Costs

Shared Costs - Recap

- 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 to be 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)

III. FY13 Budget Proposal – Shared Costs

- Following a request from Carbon Fund Participants an FMT Note on the subject was posted on the CF3 meeting page (FMT Note 2012-7 at <http://www.forestcarbonpartnership.org/fcp/node/396>)
- ‘Shared Costs’ have included in practice the activities paid out of:
 - FCPF Secretariat and
 - REDD Methodology Support

III. FY13 Budget Proposal – 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 and 3 PC meetings per year
- Travel and expenses of REDD Country Participants in meetings
- Previously Supporting the participation of the Indigenous Peoples' Observers (now part of IP/CSO Program costs)
- FCPF website and general communications, translation services
- Previously Task Force on Multiple Delivery Partners and the Common Approach (will not continue in FY13 as such)

III. FY13 Budget Proposal – Shared Costs

REDD Methodology Support

- TAP review of R-PPs and R-Packages
- TAP review of Carbon Fund related themes (e.g., Methodology and Pricing, ER-PINs)
- 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)
- Previously Indigenous Peoples capacity building program on REDD+ (\$200k per year for FY09-13, total \$1 million over 5 years)
- Contingency (\$200k per year, approved FY09-13)

III. FY13 Budget Proposal – Shared Costs - Considerations

- REDD Methodology Support previously included the \$1 million allocation over FY09-FY13 for the Indigenous Peoples Capacity Building Program (so treated as part of Shared Costs)
- In FY12 an additional activity of Global Indigenous Peoples Outreach for \$377k was approved and this was included in FCPF Secretariat Costs (so treated as part of Shared Costs)
- In FY12 budget discussion the PC explicitly agreed not to exclude any large items (such as further work on Multiple Delivery Partners, the global consultation and/or other ‘global activities’) from the Shared Costs to be charged to the Carbon Fund in FY12
- Additional IP/CSO Program approved in October 2011 in Berlin (\$1m for FY12, \$5.5m over 4 years)
- In October the PC was not explicit about whether the additional IP/CSO Program should be treated as Shared Costs

III. FY13 Budget Proposal – Shared Costs

Treatment of Shared Costs in FY13 and beyond

- Should the IP/CSO Program be treated as Shared Costs?
- IP/CSO Program budget for FY13 is \$2,590k, so CF share of this alone in FY13 would be \$906k (35%)
- Overall the CF share of the additional \$5.5 million would be more than \$1.9 million and (based on current projections) would take the CF to their limit of \$12 million of Shared Costs over the lifetime of the Fund
- Effectively this means that any future increases in FCPF Secretariat Costs or REDD Methodology Costs would be fully charged to the Readiness Fund
- Should the additional activities included in the FY13 budget for REDD Methodology Support (MRV/RL, private sector, registries) be shared with the CF (Total \$547k so CF share \$191k)?
- FMT recommendation to the PC is that IP/CSO costs are wholly charged to the Readiness Fund (i.e. not shared with the CF) but that all other additional activities within the two cost categories (FCPF Secretariat and REDD Methodology) are shared 65/35 with the CF

III. FY13 Budget Proposal – Shared Costs

CF Shared Costs (\$000s)	FY12 Budget	FY12 Estimate	FY13 Budget
Excluding IP/CSO program	1,474	1,082	1,169
CF Share of IP/CSO Program	357	120	907
Including IP/CSO Program	1,831	1,202	2,076

- Decision by the PC on the inclusion of the IP/CSO Program in Shared Costs becomes increasingly significant for the CF

III. FY13 Budget Proposal – Overall

Carbon Fund Costs (\$000s)	FY13 Budget incl IP/CSO Program	FY13 Budget excl IP/CSO Program
Carbon Fund Admin	920	920
<i>of which Marketing</i>	255	255
ERPA Costs – Selection & Development of ER Programs		
Program Development - business dev	200	200
Program Development - enhanced ER-PIN	600	600
Total	1,720	1,720
Shared Costs	2,076	1,169
Total Carbon Fund Costs	3,796	2,889

- Overall budget likely to be either \$3.8 million or \$2.9 million (approval required at this meeting for \$1.7 million only)
- Subject to approval by the PC of the proposed Readiness Fund budget and subject to decision by the PC on the inclusion of the IP/CSO Program (and other costs) in Shared Costs

IV. 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 FY13 budgeted costs
- How should they be apportioned between the Tranches?
- Agreed at CF1 in Barcelona 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, expected by June 30, 2012
- FMT recommends no First Closing by June 30, 2012 possibly by June 30, 2013, depending on success in marketing to private sector

IV. Apportioning Common Costs

Tranche Commitments to date and current apportionments

Contributions to the FCPF Carbon Fund as of June 14, 2012		
	US\$m	%age
Tranche A		
Australia	18.4	8.4%
BP	5.0	2.3%
CDC Climat	5.0	2.3%
The Nature Conservancy	5.0	2.3%
United States	10.0	4.6%
Committed Funding	43.4	
United States	4.0	1.8%
Committed Funding plus Pledges	47.4	21.7%

Contributions to the FCPF Carbon Fund as of June 14, 2012		
	US\$m	%age
Tranche B		
Canada	5.0	2.3%
European Commission	6.7	3.1%
Germany	69.5	31.8%
Norway	61.0	27.9%
Switzerland	10.8	4.9%
United Kingdom	17.9	8.2%
Committed Funding	170.9	78.3%

Amounts may vary due to exchange rate fluctuations

Total Committed	214.3	
Total Pledged	4.0	
Grand Total	218.3	100.0%

V. Decisions for this Meeting

- Is approval provided for the proposed FY13 Carbon Fund budget of \$1.7 million plus the CF portion of the Shared Costs as approved by the PC?
- Do the CF Participants agree with the FMT recommendation that there is no First Closing by June 30, 2012, with one possibly by June 30, 2013, depending on success in marketing to private sector
- Do the CF Participants have any inputs to the PC decision on Shared Costs?