



Forest Carbon Partnership Facility

5a. FY11 Annual Budget of the Readiness Fund

Participants Committee Meeting (FCPF PC6)

Georgetown, Guyana, June 28-30, 2010

Outline of Today's Discussion

I. The Budget Process of the FCPF

- Review of FCPF Budgeting
- Services to REDD Country Participants
- Secretariat and Trustee Functions
- Shared Facility Costs

II. Status of the FY10 Budget

- Review of Contributions and Cash Flow Projections
- FY10 Expenditures and Commitments to Date

III. The FY11 Budget Proposal

- Readiness Fund Challenges and Trade-offs
- FY11 Budget Proposal
- Options and FMT Recommendations
- PC Decisions

I. The Budget Process of the FCPF

Topics

- Review of FCPF Budgeting
- Services to REDD Country Participants
- Secretariat and Trustee Functions
- Shared Facility Costs

I. The Budget Process of the FCPF – Review

- FCPF budgets – for both the Readiness Fund (RF) and Carbon Fund (CF) – are based on the World Bank fiscal year.
- FY10 = July 1, 2009 through June 30, 2010. FY11 begins this July 1.
- Budgets are to be approved annually.
- FY10 Readiness Budget was approved in June 2009. No budgets yet for the Carbon Fund.

I. The Budget Process of the FCPF – Review

- The FY11 Budget of the Readiness Fund is submitted and proposed for approval in this meeting of the PC.
- As part of approval of the RF budget, the PC makes decisions on the ‘Shared Costs’ of activities that cut across both the RF and the CF (e.g., the costs of the FCPF Secretariat).
- At PC4 meeting, the PC chose not to modify the current budget procedures, and decided not to set a budget limit / ceiling beyond which the FMT would need to seek approval for specific contracts*.

*From Additional Decisions document - Participants Assembly Meeting (FCPF PC4) Washington, DC –October 27-28, 2009

I. The Budget Process of the FCPF – Services to REDD Country Participants

Country Implementation Support

- Direct implementation support, including technical assistance, from World Bank country teams (*or other delivery partners*)
- Grant supervision and country level review, related to environmental and social due diligence, procurement and financial management policies of the World Bank (*or the policies of other delivery partners*)

I. The Budget Process of the FCPF – Services to REDD Country Participants

Country Advisory Services

- FCPF team coordination of, and feedback on R-PINs, R-PPs and other elements of REDD Readiness Packages
- General guidance on FCPF social and environmental due diligence (SESA guidelines, etc.)
- Preparation of generic terms of reference (ToR for drivers of deforestation, economic analysis)
- Sharing cross-country experiences and emerging global guidance on REDD with individual REDD Country Participants

I. The Budget Process of the FCPF – Services to REDD Country Participants

REDD Methodology Support

- Work of independent TAPs in support of FCPF Participants, advancing global topics (e.g., valuation of emission reductions, opportunity costs, reference scenarios)
- TAP review of R-PINs, R-PPs and elements of country Readiness Packages
- TAP travel and participation in FCPF meetings
- Ensuring adequate liaison with UN-REDD and other international REDD+ programs
- Indigenous Peoples capacity building program on REDD (approved FY09-13)
- Contingency (approved FY09-13)

I. The Budget Process of the FCPF – Secretariat and Trustee Functions

The FCPF Secretariat

- Overall program management and activities related to maintaining partnerships among the many stakeholders of the FCPF
- Organization of Annual Meeting and approx. three PC Meetings per year
- Travel and expenses of REDD Country Participants in meetings
- Supporting the participation of the Indigenous Peoples' Observer
- FCPF website and communications

I. The Budget Process of the FCPF – Secretariat and Trustee Functions

Readiness Fund Administration

Functions related to the World Bank role as Readiness Fund Trustee, including:

- Preparing budgets, business plans and financial projections
- Preparation of the FCPF Annual Report
- Accounting, contributions management and legal services to the Readiness Trust Fund
- FCPF First Program Evaluation*

* Given the expanded scope of the current evaluation, costs are being shifted to the Secretariat beginning in FY11

I. The Budget Process of the FCPF – Shared Facility Costs

- ‘Shared Costs’ across both the Readiness Fund and Carbon Fund include
 - FCPF Secretariat and
 - REDD Methodology Support
- Consistent with the Charter, the Carbon Fund will assume a 35% share of these costs in the annual budgets over time (with 65% to be covered by the Readiness Fund)
- However, the Participants Committee determines appropriate phasing of the Shared Costs borne by Carbon Fund

II. Status of the FY10 Budget

Topics

- Review of Contributions and Cash Flow Projections
- Estimated FY10 Expenditures and Commitments

II. Status of the FY10 Budget – Review of Contributions

Available Contributions to the Readiness Fund (\$m) as of June 15, 2010					
	FY09	FY10	FY11	FY12	Totals
AFD (France)	4.6	0.6			5.2
Australia	9.6				9.6
Denmark		5.8			5.8
Finland	9.0				9.0
Japan	5.0	5.0			10.0
Netherlands	5.0		15.3		20.3
Norway	5.0	16.4	4.4	4.4	30.2
Spain	7.0				7.0
Switzerland	8.2				8.2
UK*		5.2			5.2
USA	0.5	4.5			5.0
Committed Funding	53.9	37.5	19.7	4.4	115.5
Australia			7.8		7.8
Germany			24.5		24.5
Japan**			4.0		4.0
Committed Funding plus Pledges			56.0	4.4	151.8

*UK funds are being made available through the Strategic Climate Fund

**Advised on June 26, 2010

II. Status of the FY10 Budget – Estimated Expenditures and Commitments

- Final FY10 expenditures not available until July – will be reflected in Annual Report prepared in advance of PA3/PC7 meetings.
- Based on costs through April, it appears that the approved FY10 budget was a reasonable projection of costs; there has been a considerable increase in disbursements relative to the pace of FY09, as country teams have been formed and new staff came on board.
- Estimates show variation across cost categories. With FY10 ending during this PC meeting, estimates are very tentative -- some FY10 costs (especially Secretariat and REDD Methodology Support) will be reflected in FY11 books.
- It appears there will be an overall surplus in the FY10 budget, considering some FY10 expenditures will be paid in early July and addition of two new staff only late in the fiscal year.

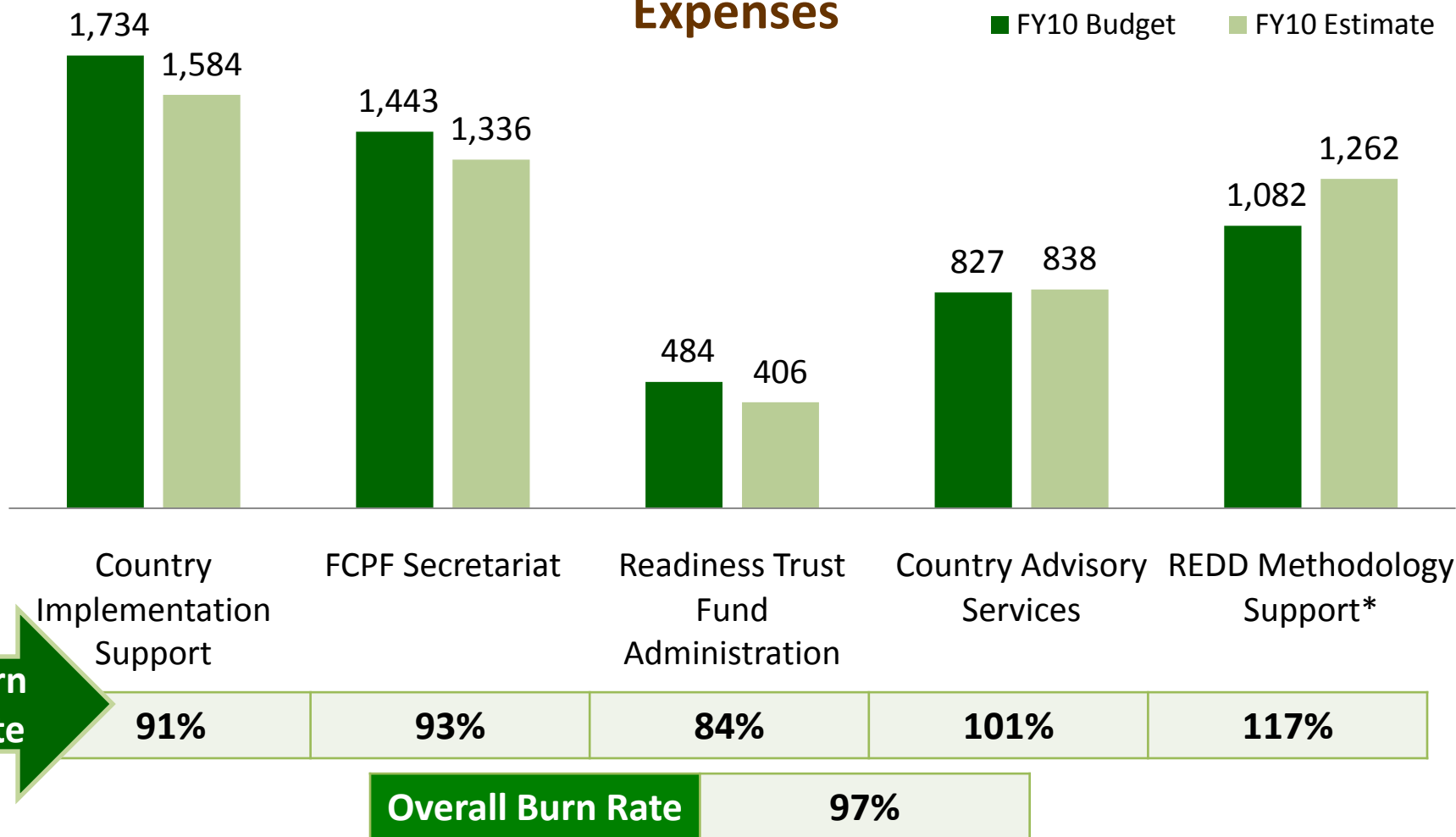
II. Status of the FY10 Budget – Estimated Expenditures and Commitments

Proposed Revision of FY10 Shared Costs

- In June 2009, the PC chose to pay 100% of FY10 Secretariat costs and only share the REDD Methodology Support costs across the RF (65%) and CF (35%).
- Given that the Carbon Fund is not yet operational, and in light of a likely RF budget surplus, the PC may wish to revisit the cost sharing arrangement.
- The FMT recommends that the RF pay 100% (instead of 65%) of FY10 REDD Methodology Support costs (hence, an estimated \$442,000 being charged to the RF rather than the Carbon Fund in the fiscal year now ending).
- A PC decision on revising the FY10 cost sharing arrangement is being sought in this meeting.
- Otherwise, the previous decision to apportion 35% of the REDD Methodology Support costs to the Carbon Fund will be implemented.

II. Status of the FY10 Budget – Estimated Expenditures and Commitments

FY10 Budget (approved by PC) vs. Current Estimated End-Year Expenses



*REDD Methodology Support is shown here at 100% for the FY10 Estimate, and at 65% as had been agreed for the budget figure.

III. FY11 Budget Proposal

Topics

- Readiness Fund Challenges and Trade-offs
- FY11 Budget Proposal
- Options and FMT Recommendations
- PC Decisions

III. FY11 Budget Proposal – Readiness Fund Challenges and Trade-offs

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 Some of the Challenges and Trade-offs for FY11?

- Financing country readiness activities at an adequate level
- Continuing support to broader REDD+ methodology issues
- Ensuring closer partnerships and coordination with other initiatives and REDD+ stakeholders

How to balance expanding demand for support to REDD Country Participants with the signed commitments and pledges to the Readiness Fund?

- ⇒ the focus of the FMT's next presentation on the Sources and Uses of Readiness Funds

III. FY11 Budget Proposal

Activity Type (\$000)	FY10 Budget	FY11 Proposed Budget
Country Implementation Support (20+5)	1,734	2,025
FCPF Secretariat ¹	1,443	1,735
Of Which Readiness Fund	1,443	1,432
Of Which Carbon Fund ²	0	303
Readiness Fund Administration	484	472
Country Advisory Services	827	959
REDD Methodology Support ¹	1,665	1,489
Of Which Readiness Fund	1,082	1,229
Of Which Carbon Fund ²	583	260
Total Operating Costs	5,571	6,117

1. All tables going forward reflect the current FMT Recommendations on Shared Costs.
2. The Carbon Fund figures are not included in the totals since this is Readiness Fund Budget.

III. FY11 Budget Proposal

FY11 Budget (within the 5-year Business Plan)

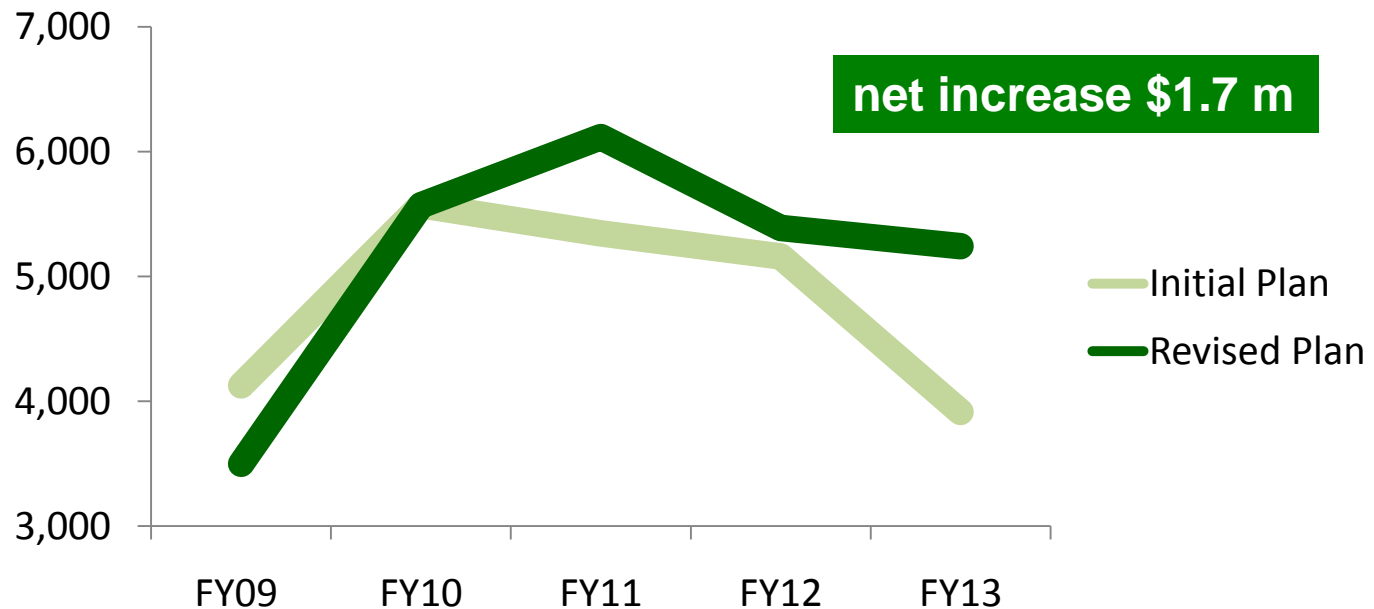
Includes programs selected by the PC in October '08– Capacity Building Program for Indigenous Peoples and Contingency (\$200,000 each for 5 years) plus allowance for the FCPF Program Evaluation (\$350,000).



Expenses by Activity - 5 Year Plan (\$000)	FY09 Actual	FY10 Budget	FY11	FY12	FY13
Country Implementation Support (20+5)	409	1,734	2,025	2,025	2,025
FCPF Secretariat	988	1,443	1,432	1,017	1,006
Readiness Trust Fund Administration	471	484	472	411	368
Country Advisory Services	801	827	959	910	799
REDD Methodology Support	827	1,082	1,229	1,125	1,045
Total Operating Costs - 5 Year Plan (\$000)	3,497	5,571	6,117	5,388	5,243

III. FY11 Budget Proposal

Adjustments to the 5-year Business Plan

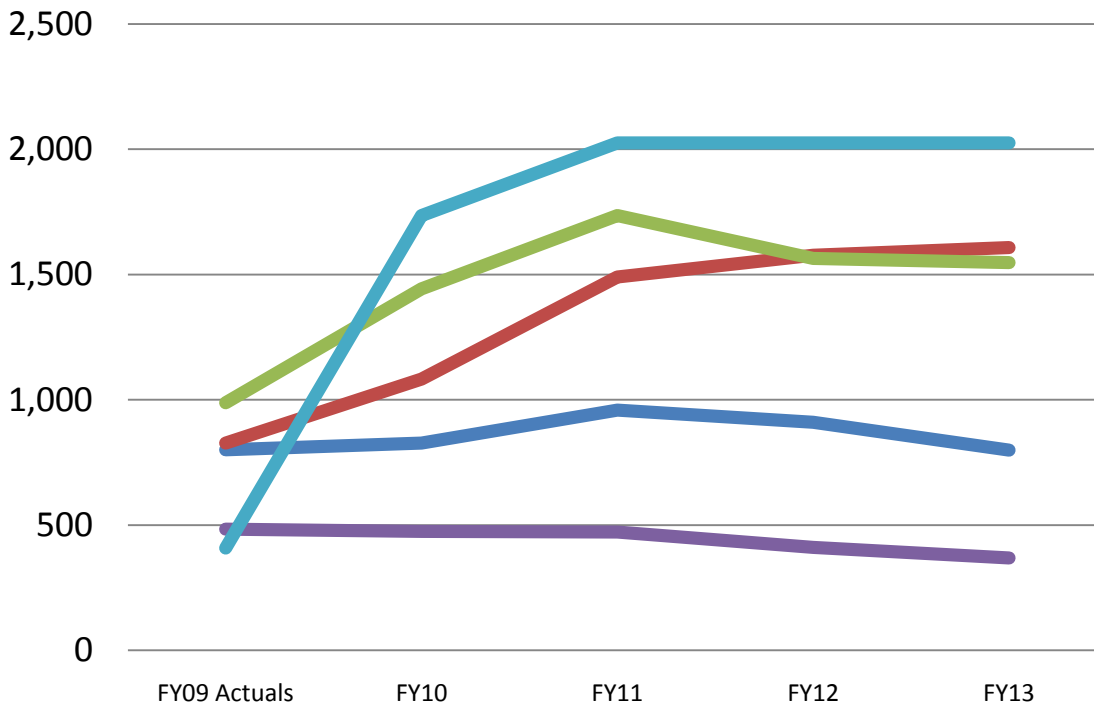
Changes in budget allocations shift the business plan. Most of the net \$1.7million increase is for increased Secretariat Costs and increasing Country Implementation Support from initial plans



Initial 5-yr Plan	\$24.1m	Contains initial FY09 budget estimate which had a significant under run due to startup/staffing delays
Revised 5-yr Plan	\$25.8m	Reflects actual FY09 expenses & adjustments in the 5 year Business Plan; mainly  Fund Admin Costs &  Secretariat & Country Implementation Support Costs

III. FY11 Budget Proposal

Expenses by Activity - 5-Year Plan



FY11 Proposed Budget	
Country Advisory Services	2,025
FCPF Secretariat	1,432
Readiness Fund Admin	472
Country Advisory Services	959
REDD Methodology Support	1,229
	6,117

- Country Advisory Services
- REDD Methodology Support*
- FCPF Secretariat*
- Readiness Trust Fund Administration
- Country Implementation Support

III. FY11 Budget Proposal – Within the Longer Term Context

- Facility closing date of December 31, 2020 requires us to plan some costs for the long term. But many services to REDD Country Participants fit within a 5-7 year time frame and business plan.
- Services to REDD Country Participants, including country grants, are expected to comprise **about 87%** of total contributions over the long term.
- About **9%** of expected contributions of the Readiness Fund will pay for FCPF Secretariat (supporting both the Readiness and Carbon Funds).
- Trust Fund administration for the Readiness Fund will comprise about **4%** of expected contributions.

III. Options and FMT Recommendations

Treatment of Shared Costs in FY11

- *Option A:* In FY11, the PC may wish to fully implement the Shared Cost arrangement in the Charter, and charge 35% of Secretariat and REDD Methodology Support to the Carbon Fund. In this scenario, the Carbon Fund may incur a charge of an estimated \$1.1 million in Shared Costs in FY11.
- *Option B:* Alternatively, the FMT recommends that the PC approves such cost sharing to begin only when the CF becomes operational in FY11, and be prorated to that time in the fiscal year. Assuming the CF becomes operational by December 31, 2010, this would increase the costs to the Readiness Fund by an estimated \$5-\$600,000 in FY11 relative to *Option A* above.

III. Options and FMT Recommendations

Treatment of Shared Costs in FY11

FCPF Activity	FY11 Proposed Options	
	<i>Option A: Fully Shared Costs From July 1, 2010</i>	<i>Option B: Cost Sharing When CF Becomes Operational*</i>
Country Implementation	2,025	2,025
FCPF Secretariat	1,128	1,432
Readiness Fund Administration	472	472
Country Advisory Services	959	959
REDD Methodology Support	968	1,229
	5,552	6,117

* Numbers are estimates based on the Carbon Fund becoming operational by December 31, 2010

III. Options and FMT Recommendations – Cost of Additional REDD Country Participant Observers

At PC5, the FMT advised that four additional countries have sought to attend and observe the next FCPF PA/PC meeting.

The cost implications of this decision would be relatively small, as shown:

Average Costs	Per Person	Per PC	Per PA/PC
Duration		(3-4 days)	(meet 4-5 days)
Airfare / Travel	\$3,500.00	\$3,500.00	\$3,500.00
Catering / Per diems	\$75.00	\$375.00	\$450.00
Hotel	\$200.00	\$1,000.00	\$1,200.00
Total		\$4,875.00	\$5,150.00
Cost of adding additional Observers			
In PA3/PC7 (one meeting)		\$5,150.00	\$ 20,600.00
		Per Observer	4 Observers

*PC = Participants Committee, PA = Participants Assembly

III. Decisions for the PC

1. Should the FY10 Budget be modified to pay 100% of FY10 REDD Methodology Support costs by the Readiness Fund, thus waiving charges of about US\$442,000 to the Carbon Fund?
2. What is the PC decision for treatment of Shared Costs in FY11?
3. Should the FY11 FCPF Secretariat budget support the attendance of selected new observers to the PA3/PC7 Meeting?
4. Is PC approval provided for the proposed FY11 Readiness Trust Fund budget, taking into account the options and decisions above?



Thank you.
Merci.
Gracias.