



Forest Carbon Partnership Facility

7c. FY12 Annual Budget of the Readiness Fund

Participants Committee Meeting (FCPF PC9)

Oslo, Norway, June 20-June 22, 2011

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 FY11 Budget

- Fund Contributions
- FY09-11 Readiness Fund Budgets
- Additional Items Approved in FY11
- Options on the FY11 Shared Costs
- Estimated FY11 Expenditures

III. The FY12 Budget Proposal

- FY12 Proposed Base Budget and Additional Items
- Shared Costs
- Decisions For This Meeting

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 (July 1-June 30), with FY12 starting this July 1.
- Per the Charter, budgets are approved annually.
- FY11 Readiness Budget was approved in June 2010. The first Carbon Fund Budget was approved on June 1, 2011.
- The FY12 Budget of the Readiness Fund **is submitted and proposed for approval in this meeting of the PC.**
- PC decisions are also required on the ‘Shared Costs’ for activities that cut across both the RF and the CF.

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 and procedures of the World Bank (*or the policies of other delivery partners*) and the Common Approach to Environmental and Social Safeguards

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 (e.g., ToRs 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

- TAP review of R-PPs and elements of country Readiness Packages
- TAP review of carbon finance related themes – Pricing Methodology, ER-PINs, FCPF CF Standards and Guidelines paper
- TAP participation in FCPF meetings
- Close liaison with UN-REDD and international REDD+ programs
- Lessons learned, analysis on key REDD+ topics and knowledge management
- Indigenous Peoples capacity building program on REDD+ (\$200K per year, approved FY09-13)
- Contingency (\$200K per year, 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
- Task Force on Multiple Delivery Partners and the Common Approach *[proposed to be taken out of 'Shared Costs' in FY12]*
- Organization of Annual Meeting and 3 PC Meetings per year
- Travel and expenses of REDD Country Participants in meetings
- Supporting the participation of the Indigenous Peoples' Observer
- FCPF website and general 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, including long term sources and uses of funds
- Preparation of the FCPF Annual Report
- Accounting, resource management, contracting and contributions management for the Fund
- General legal services to the Readiness Trust Fund

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

- ‘Shared Costs’ across both the Readiness Fund and Carbon Fund have included in practice the activities paid out of:
 - FCPF Secretariat and
 - REDD Methodology Support
- Consistent with the Charter, the Carbon Fund assumes a 35% share of these costs in the annual budgets over time (65% to be covered by the Readiness Fund)
- However, the PC determines appropriate phasing of the Shared Costs borne by Carbon Fund, which started full operations this month
- The PC approved (Resolution PC/8/2011/8) an overall cap of \$12 million that can be charged to the Carbon Fund for Shared Costs

II. Status of the FY11 Budget

Topics

- Review of Contributions
- FY09-11 Readiness Fund Budgets
- Additional Items Approved in FY11
- Treatment of the FY11 Shared Costs
- Estimated FY11 Expenditures

II. Status of the FY11 Budget – Review of Contributions

Contributions to the FCPF Readiness Fund as of June 13, 2011 (US\$m)					
	FY09	FY10	FY11*	FY12-15*	Totals*
AFD (France)	4.6	0.6		5.8	11.0
Australia	9.6		8.0		17.6
Canada			41.4		41.4
Denmark		5.8			5.8
Finland	9.0			5.8	14.7
Germany			26.0		26.0
Italy			5.0		5.0
Japan	5.0	5.0			10.0
Netherlands	5.0			15.3	20.3
Norway	5.0	16.4	8.8		30.2
Spain	7.0				7.0
Switzerland	8.2				8.2
United Kingdom			5.8		5.8
United States	0.5	4.5			5.0
Committed Funding	53.9	32.3	94.9	26.8	208.0
European Commission				5.8	5.8
Japan				4.0	4.0
Committed Funding plus Pledges	53.9	32.3	94.9	36.6	217.7

* Amounts may vary due to exchange rate fluctuations

II. Status of the FY11 Budget – FY09-FY11 Readiness Fund Budgets

	FY09 Revised Budget	FY09 Actual^c	FY10 Revised Budget	FY10 Actual^c	FY11 Budget^a
Services to REDD Countries	\$3,732	\$2,037	\$4,226	\$3,719	\$4,213
Country Implementation Support	\$1,194	\$409	\$1,734	\$1,660	\$2,025
Country Advisory Services	\$873	\$801	\$827	\$793	\$959
REDD Methodology Support ^b	\$1,665	\$827	\$1,665	\$1,266	\$1,489
<i>of which Est. Readiness Share</i>					\$1,229
<i>of which Est. Carbon Fund Share</i>					\$260
FCPF Secretariat ^b	\$1,335	\$988	\$1,443	\$1,321	\$1,735
<i>of which Est. Readiness Share</i>					\$1,432
<i>of which Est. Carbon Fund Share</i>					\$303
Readiness Trust Fund Administration	\$306	\$471	\$484	\$362	\$472
TOTAL READINESS FUND	\$5,373	\$3,497	\$6,153	\$5,402	\$6,117

a. FY11 Budget approved at PC6, Resolution PC6/2010/8.

b. FY11 line item activities in italics are for reference only and not in the total est. budget of the Readiness Fund. They reflect PC6/2010/8 on Shared Facility Costs, whereby the Readiness Fund will pay 100% of Shared Costs until the Carbon Fund becomes operational. Once operational, the Carbon Fund will pay 35% of the Shared Costs. An estimated start date for the Carbon Fund of January 1, 2011 is used for illustration.

c. In FY09, the Trustee identified a few accounting transactions that needed to be corrected in the budget. Though there was no overall financial impact to the Readiness Fund, the transactions were corrected in Bank accounting systems during FY10 and are presented in this report to accurately reflect expenditures by activity and by fiscal year.

II. Status of the FY11 Budget – Additional Items Approved in FY11

Task Force Costs from Resolution PC/8/2011/2

FCPF Readiness Fund			
Proposed FY11 Additional Budget for the Task Force on the Common Approach			
+			
Task Force Activities			Proposed Budget
Payment for one researcher			36,000
FCPF FMT Staff costs			99,000
In-person Task Force meetings			95,128
March 2011 meeting in <u>Dalat, Vietnam</u>			48,165
May 2011 meeting in Washington DC			46,963
Translation of documents into Spanish and French			5,000
Total			235,128
Breakdown of budget items for in-person Task Force meetings in March and May			
In-Person TF meetings	March in <u>Dalat</u>	May in DC or NY	Total
Travel and Subsistence	37,398	33,054	70,452
Meeting venue	800	0	800
Interpretation (English - Spanish)	7,467	7,140	14,607
Catering	2,500	2,500	5,000
Contingency (10%)	0	4,269	4,269
Sub-total	48,165	46,963	95,128
Additional budgetary resources to support the work of the Task Force have been provided by the Government of Norway, the Climate and Land Use Alliance and the United Nations Development Programme.			

\$ 235,128

II. Status of the FY11 Budget – Additional Items Approved in FY11

Costs for additional REDD Country Representatives to attend PC Meetings.

Includes flights, per diem and hotel expenses. Proposals sent to the Bureau in advance of each meeting.

- 4 additional participants at PC8 in Vietnam: \$20,305 (actual)
- 3 additional participants at PC9 in Oslo : estimated at \$17,765.

~ \$38,000

II. Status of the FY11 Budget – Additional Items Approved in FY11

Additional activities related to the First Program Evaluation*

1. Facilitating the discussions of the evaluation working group and at PC9 meeting in June

The total budget for this work will be US\$ 27,000.

2. Translation of the evaluation report into French and Spanish

The translation costs of final evaluation report to French and Spanish have been estimated at the rate of 25 cents per word.

Total cost for translation of 68,000 word report is estimated at USD 34,000.

\$61,000

*sent to the PC on April 15, 2011

II. Status of the FY11 Budget – Treatment of the FY11 Shared Costs

Two Proposed Options for FY11 Shared Costs

- During FY11 budget approval in June 2010, the PC elected to start sharing the FY11 Secretariat costs and REDD Methodology Support costs across the RF (65%) and CF (35%) only once the Carbon Fund became fully operational.
- For planning purposes, the FY11 budget assumed this for December 2010 – half of the fiscal year. Resolution PC/6/2010/7 clarified that the amount would be adjusted to the full operations date of the CF.
- Given that the CF became operational in June, with only one month remaining in the FY, a PC decision is requested on whether:
 1. the CF should be charged Shared Costs for the one month it is operational in FY11 – estimated at \$94,000 based on the average one month cost of Secretariat and REDD Meth. Support in FY11; or
 2. Shared Costs should begin to be charged to the CF on July 1, with the new fiscal year (FY12). ***[FMT Recommendation]***

II. Status of the FY11 Budget – Treatment of FY11 Shared Costs

Activity Type (\$000)	FY11 Budget	FY11 Revised Budget Option 1	FY11 Revised Budget Option 2
Country Implementation Support	2,025	2,025	2,025
Country Advisory Services	959	959	959
REDD Methodology Support	1,489	1,489	1,489
Of Which Readiness Fund	1,229	1,446	1,489
<i>Of Which Carbon Fund¹</i>	260	43	0
FCPF Secretariat ²	1,489	1,527	1,527
Task Force on Common Approach		235	235
Of Which Readiness Fund	1,432	1,711	1,762
<i>Of Which Carbon Fund¹</i>	303	51	0
Readiness Fund Administration	472	472	472
Total Operating Costs	6,117	6,613	6,707

1. *Carbon Fund amounts are for illustration and are not included in the bottom line Total Operating Costs; Total Operating Costs therefore reflect only the Readiness Fund budget for FY12*
2. *Common Approach Task Force is included in the totals for Shared Costs in FY11. The \$38,000 approved for additional PC meeting attendees is included in the revised Secretariat budget.*

II. Status of the FY11 Budget – Estimated Expenditures

- Final FY11 expenditures will be reflected in Annual Report prepared over the summer
- With FY11 books closing in one week, estimates are tentative – it is likely that several end-FY11 activities will be reflected in FY12 actual costs
- Estimates show spending roughly on track with the overall FY11 budget, though with considerable variation across budget line items
- Lower costs than expected for Country Advisory Services, in part due to FMT staff working and charging time across other activities (e.g., REDD+ Partnership, FIP, specific country support)
- Lower costs also reflected in Country Implementation Support, in part as some countries considered other delivery partners and awaited transfer agreements; in other cases, the next steps of Bank country support depended on the FCPF business process guidelines approved by the World Bank Board in March

II. Status of the FY11 Budget – Estimated Expenditures

- Considerably higher costs in REDD Methodology Support, due in part to the work and contracts being advanced on the Indigenous Peoples' Capacity Building Program and additional efforts/outreach to Indigenous Peoples on REDD+ and the FCPF
- A few large contracts from previous years have also expensed in FY11 – including the Opportunity Costs of REDD work commissioned at the end of FY09 , in partnership with the World Bank Institute (WBI)
- The FMT also provided approx. \$125,000 in financing for a workshop on the SESA/ESMF process of the FCPF in Argentina
- Otherwise, costs related to the Secretariat are on track or slightly above the budget, and FCPF Fund Administration (the Trustee role) costs are expected to be slightly below the level in the FY11 budget

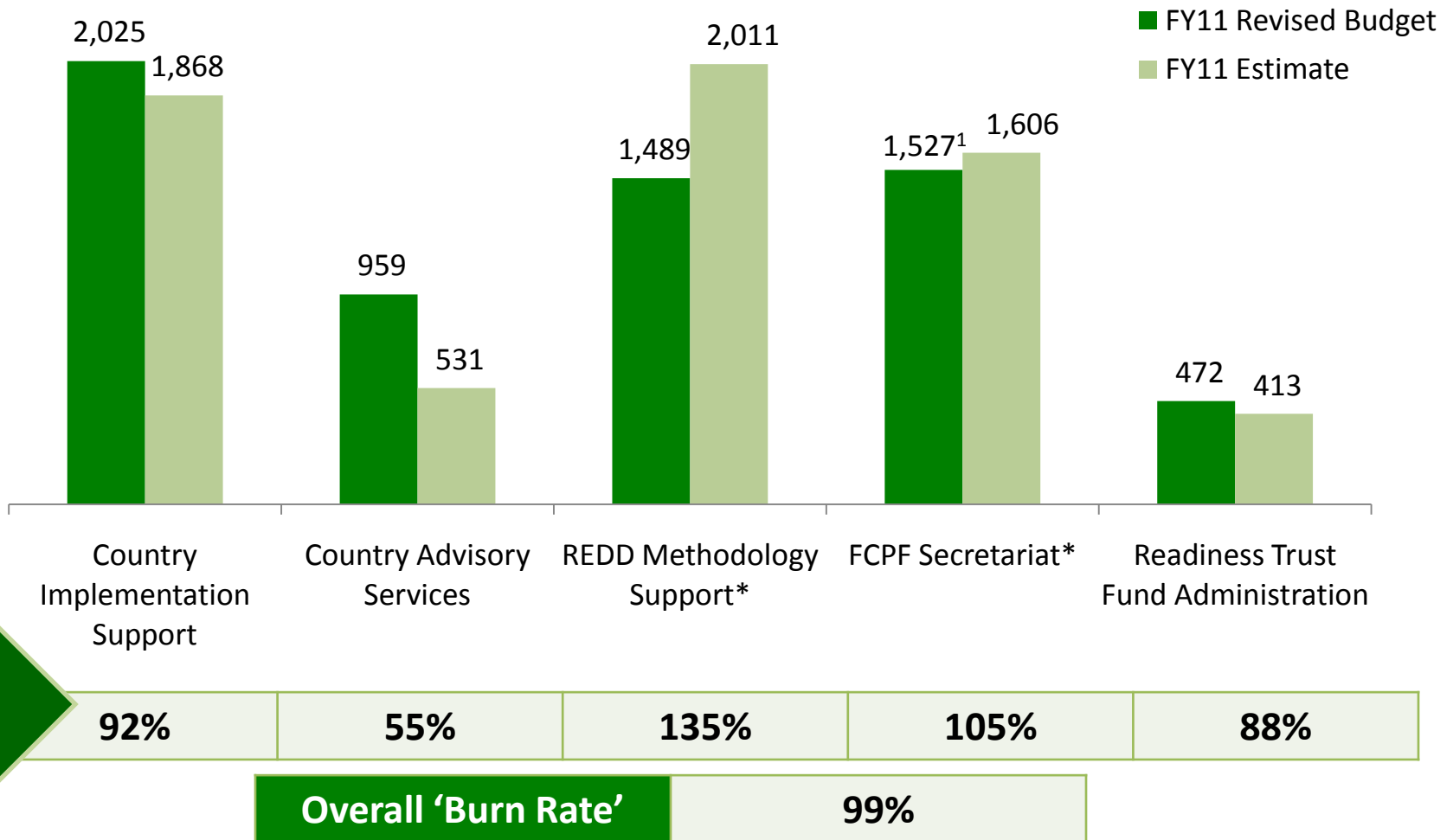
III. Status of the FY11 Budget – Revisions and Estimated Expenditures

Activity Type (\$000)	FY10 Revised Budget	FY11 Revised Budget	FY11 Estimate ²
Country Implementation Support	1,734	2,025	1,868
Country Advisory Services	827	959	531
REDD Methodology Support ¹	1,665	1,489	2,011
FCPF Secretariat ¹	1,443	1,527	1,606
<i>Task Force on Common Approach</i>		235	158
Readiness Fund Administration	484	472	413
Total Operating Costs	6,153	6,707	6,587

1. For clarity, all tables going forward reflect the current FMT Recommendation on FY11 Shared Costs.
2. Please note that about \$77,000 of apparent 'under run' in the current FY11 estimate relates to the Task Force on Common Approach. That budget is being treated by the FMT as separate and not fungible with other budget lines

II. Status of the FY11 Budget – Estimated Expenditures

FY11 Budget vs. Estimated End-Year Expenses



¹ Secretariat revised budget amount does not include the separate budget for the Task Force on the Common Approach of \$235,000.

II. Status of the FY11 Budget – FCPF First Program Evaluation

- As part of the FY11 budget* the PC discussed an overall estimate of \$350,000 for the first program evaluation of the FCPF
- Considerable savings were achieved in the competitive bid process , reducing the cost of the external contract to about \$190,000 (not counting FMT and other costs)
- As noted earlier, PC8 also included new activities, estimated at \$61,000
- Even with the additional work, expected total costs (at about \$300,000 overall) are below the initial expectations

* Resolution PC/6/2010/7

II. Status of the FY11 Budget – FCPF First Program Evaluation

- Still to be completed are some contract payments and publication of the report in 3 languages – these completion costs are included in the FY12 base budget of the FMT:

	FY11 Estimate	FY12 Expected*
Contracts	177,000	25,000
FMT/Staff Costs	81,000	15,000
Total	258,000	40,000

* Est. FY12 budget of the First Program Evaluation reflects completion costs only, and is subject to change if additional follow up is requested by the PC

II. Status of the FY11 Budget – Indigenous Peoples Capacity Building Program

- In FY09, the PC approved \$1 million for the Indigenous Peoples Capacity Building program during FY09-13
- The program has committed \$507,106 in contracts with organizations of IPs and other Forest Dwellers, with about \$451,007 expensed from FY09-11.
- In addition, \$136,763 has been spent on FMT coordination and other costs
- A balance of \$356,131 is available for FY12-13

	FY09 Actual	FY10 Actual	FY11 Est.	FY09-11
Commitments (Contracts)	181,244	215,862	110,000	507,106
Expenses (Contracts)	181,244	88,859	180,904	451,007
FMT / other costs		83,541	53,222	136,763
Total Expenses	181,244	172,400	234,126	587,770

II. Status of the FY11 Budget – Additional Support to Indigenous Peoples on REDD+

- In addition, the FY11 budget financed key activities requested from Indigenous Peoples' Organizations, or to strengthen the dialogue with IPs on REDD+ and the FCPF:

Initiative	Where	Cost
High Level Dialogue on REDD+ with Indigenous Peoples	DC	17,652
International Technical Workshop of Indigenous Peoples towards COP 16	Mexico	26,004
FCPF information sharing -- FIP IP Regional Caucus Meetings (Lao, Ghana, Peru)	Global	72,200
Total – Other Support to IPs		115,856

II. Status of the FY11 Budget – Task Force on Multiple Delivery Partners

- At PC8, the PC authorized additional budget to account for the ongoing work of the Task Force to develop a common approach for the provision of readiness support
- A budget of \$235K was approved for the Task Force work**
- Extended work on the Multiple Delivery Partners arrangement is being discussed and considered in this meeting
- However, estimated expenses to date are:

	Approved Budget	FY11 Estimate
Contracts	136,000	57,767
FMT/Staff Costs	99,000	100,233
Total	235,000	158,000

III. FY12 Budget Proposal

Topics

- FY12 Proposed Base Budget and Additional Activities
- Shared Costs
- Decisions For This Meeting

III. FY12 Budget Proposal – Proposed Base Budget

Includes ongoing work, programs already approved by the PC (e.g., the Capacity Building Program for Indigenous Peoples and Contingency), plus strengthened staffing in the critical area of safeguards, SESA/ESMF issues

Budgets by Activity	FY09 Revised Budget	FY10 Revised Budget	FY11 Revised Budget	FY12 Base Budget
Country Implementation Support	1,194	1,734	2,025	2,493
Country Advisory Services	873	827	959	967
REDD Methodology Support ¹	1,665	1,665	1,489	1,569
FCPF Secretariat ¹	1,335	1,443	1,527	1,455
Task Force on Common Approach			235	
Readiness Trust Fund Administration	306	484	472	421
Total Operating Costs	5,373	6,153	6,707	6,905

¹REDD Methodology Support and Secretariat are shown here at 100%.

III. FY12 Budget – Proposed Additional Activities

- **Continued work on the Multiple Delivery Partners Arrangement (\$389,557)**
- **Expanded Tech. Support to REDD Countries (\$630,686)**
 - Benefit-sharing options (\$390,686)
 - Community Based MRV (\$185,000)
 - Reference Levels (\$55,000)
- **Broadened Stakeholder Outreach (\$598,230-\$743,230)**
 - Global Indigenous Peoples' Outreach (\$376,630)
 - Strengthened communications (\$75,000/\$220,000)
 - Expanded translation of documents (\$146,600)

III. FY12 Budget – Proposed Additional Activities

- FMT notes or presentations have been provided for each of these proposed additional items
- Several of the additional activities have come from PC requests (e.g., strengthening communications) or would continue ongoing work (e.g., Multiple Delivery Partners arrangement)
- Others aim to address on a more global level key topics and capacity building for moving forward on REDD+ readiness (e.g., benefit sharing proposal)
- Neither the base budget nor the additional items provide for contingencies for use of accountability mechanisms or associated expenses under the Common Approach, which are being discussed and addressed separately by the PC

III. FY12 Budget Proposal

Base Budget and All Additional Items

Activity	Base Budget	Base Budget+
Services to REDD Countries	5,029	5,660
Country Implementation Support	2,493	2,493
Country Advisory Services	967	1,543
REDD Methodology Support	1,569	1,624
of which Est. Readiness Share	1,020	1,056
of which Est. Carbon Fund Share	549	568
FCPF Secretariat	1,455	2,588
of which Est. Readiness Share	946	1,682
of which Est. Carbon Fund Share	509	906
Readiness Trust Fund Administration	421	421
TOTAL BUDGET	6,905	8,669
Total CF Portion of Shared Costs	1,058	1,474

III. FY12 Budget Proposal – Shared Costs

Treatment of Shared Costs in FY12

- Shared costs will now be routine in FY12 – with 35% charged to the CF and 65% charged to the RF, unless the PC decides otherwise.
- In FY12, this means an estimate \$1.058 million in Shared Costs to be charged to the Carbon Fund in the *proposed base budget*. This would increase to about \$1.474 million if all proposed additional items were included.
- However, the PC should consider whether some large proposed ‘global activities’ should be left outside of the Shared Costs, even if they are part of Secretariat or REDD Methodology Support – e.g.,
 - a) Continued work on Multiple Delivery Partners; and/or
 - b) Global FCPF consultation with Indigenous Peoples; and/or
 - c) Costs associated with transfers to Delivery Partners (and inspections, investigations, etc.)

III. Decisions for this Meeting

FY11 Budget Decision

1. Should the FY11 Budget Resolution be amended to pay 100% of FY11 Shared Costs from the Readiness Fund, or should the CF be charged for Shared Costs for one month of FY11 (a difference of about \$94,000)?

FY12 Budget Decisions

2. Is PC approval provided for the proposed FY12 Readiness Trust Fund base budget?
3. Is PC approval provided for each of the proposed additional activities in FY12? If not, for which ones?
4. Does the PC wish 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** charged to the Carbon Fund in FY12?



THANK YOU!

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