



Forest Carbon Partnership Facility

2b. Proposed Carbon Fund Budget for FY17

Fourteenth Meeting of the Carbon Fund (CF14)

Paris, France, June 20-22, 2016

Outline of Today's Discussion

I. The Budget Process of the FCPF

- Review of FCPF Budgeting
- Expected Budget Lines of the Carbon Fund
- Shared Costs
- Apportioning Common Costs

II. Financial Status and FY16 Estimated Expenditure

- Financial Status of the Carbon Fund
- FY16 Estimated Expenditure

III. FY17 Budget Proposal

- FY17 Budget Proposal including Shared Costs

IV. Decision for this Meeting

I. The Budget Process of the FCPF

Topics

- Review of FCPF Budgeting
- Expected Budget Lines of the Carbon Fund
- Shared Costs
- Apportioning Common Costs

I. Review of FCPF Budgeting

- Budgets for both the Readiness Fund (RF) and Carbon Fund (CF) based on World Bank fiscal year; FY17 = July 1, 2016 through June 30, 2017.
- Budgets approved annually; FY12 was the first year for budget approval by CF Participants.
- FY17 Budget of Readiness Fund, including Shared Costs, was approved by the PC at PC21 in May

I. Expected Budget Lines of the Carbon Fund

- A. **Carbon Fund Administration:** 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
 - 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, fundraising
- Preparing budgets, business plans and longer term financial projections
- Legal guidance on Methodological Framework, General Conditions and Legal Agreements
- Accounting, contributions management
- Meeting costs
- Preparation of Annual Report and 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

- Starts at ERPA signing
- 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
- Support to and costs of independent verifications 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 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

I. 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 (PA) and PC meetings
- Travel and expenses of REDD Country Participants and some observers in meetings
- Second Evaluation of the FCPF
- FCPF website and general communications, translation services

I. Shared Costs

REDD Methodology Support

- TAP reviews of R-PPs and R-Packages
- Early Carbon Fund non-country specific TAPs (e.g., Methodology and Pricing)
- 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)
- Decision Support Tools for MRV, RLs & Data Management Systems
- Meth Guidance & Implementation of Carbon Fund Meth Framework

I. 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 FY17 budgeted costs
- How should they be apportioned between the Tranches?
- Agreed at CF4 in Santa Marta, Colombia in June 2012 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 (shortly before signing first ERPA)

I. Apportioning Common Costs

Tranche Commitments to date and current apportionments

Participant Name	Total	%age
Tranche A		
Australia	18,393	2%
BP Technology Ventures	5,000	1%
The Nature Conservancy	5,000	1%
United States of America	14,000	2%
Tranche A Committed Funding	42,393	6%
Canada	5,015	1%
European Commission	6,709	1%
France	5,000	1%
Germany	125,685	17%
Norway	300,462	40%
Switzerland	10,796	1%
United Kingdom	202,540	27%
Tranche B Committed Funding	656,207	87%
Tranche B Pledged Funding Germany	56,000	7%
Tranche B Committed and Pledged Funding	712,207	94%
Total Committed & Pledged Funding	754,600	100%

Amounts may vary due to exchange rate fluctuations

II. Financial Status and FY16 Estimated Expenditure

Topics

- Financial Status
- FY16 Estimated Expenditure

II. Financial Status – Available Funding

FCPF Carbon Fund

Donor Contributions as of (June 15, 2016) of FY16 (in \$ thousands)

Participant Name	Total	Outstanding*	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09
Australia	18,393						5,658	12,735		
BP Technology Ventures	5,000							5,000		
Canada	5,015						5,015			
European Commission	6,709								362	6,347
France	5,000							5,000		
Germany	125,685	2,016	13,329	32,108	27,280	6,556	15,443	21,125	3,819	4,009
Norway	300,462	70,800	58,352			161,310				10,000
Switzerland	10,796						10,796			
The Nature Conservancy	5,000									5,000
United Kingdom	202,540	184,600						17,940		
United States of America	14,000					4,000		10,000		
Committed Funding	698,600	257,416	71,681	32,108	27,280	171,866	36,912	71,800	4,181	25,356
Germany	56,000	56,000								
Pledged Funding	56,000	56,000								
Committed and Pledged Funding	754,600	313,416	71,681	32,108	27,280	171,866	36,912	71,800	4,181	25,356

*Amounts may vary due to exchange rate fluctuations.

Exchange Rates on June 15, 2016	\$
Euro	1.12
GBP	1.42
NOK	0.12

II. Financial Status – Total Expenses to Date

Budget Line/Category of Costs (\$000s)	Pre-FY09	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16 Estimate	FY17 Plan	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		-	-	-	1,069	1,236	1,159	821	734	1,148	6,167
Carbon Fund Administration			183	366	470	652	626	741	581	717	4,336
ERPA Costs						229	273	1,283	4,372	7,850	14,008
Total			183	366	1,539	2,117	2,058	2,846	5,687	9,716	24,511

- 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 for FY09 to FY11
- Actual expenses forecast to be charged against the Carbon Fund from FY10 to FY17 are **\$24.5 million**, of which **\$6.2 million** are for shared costs

II. FY16 Estimated Expenditure

- Final FY16 expenditures will be reflected in Annual Report prepared ahead of the Participants Assembly (PA)
- With FY16 books not closing until June 30, 2016, estimated expenditures are tentative
- Estimates show spending on par with the overall FY16 budget at 85% of the \$6.7 million budgeted
- Total underspend will be around \$1.0 million (\$0.8 million excluding Shared Costs)
- Breakdown of underspend and explanations follows

II. FY16 Estimated Expenditure

Overall an 85% total spend rate is estimated for the Carbon Fund in FY16

Carbon Fund Costs (\$000s)	FY16 Budget	FY16 Estimates	Underspend	Spend Rate
Carbon Fund Admin	656	581	75	89%
ERPA Costs – Selection & Development of ER Programs				
Carbon Fund TAP	591	564	27	95%
Carbon Fund Country Advisory Support	1,220	1,072	148	88%
Program Development - business dev	185	222	(37)	120%
Program Development - enhanced ER-PIN/PDs	3,100	2,514	586	81%
Sub-total	5,752	4,953	799	86%
Shared Costs	943	734	209	78%
Total Carbon Fund Costs	6,695	5,687	1,008	85%

- Slight underspend on Admin anticipated at 89% of budget
- Business Development spend was 20% over budget due to more than anticipated ER-PINs being submitted for inclusion in pipeline
- An 81% spend, \$586k underspend for Development of Enhanced ER-PINs/PDs against the \$3.1 million budget was based on 5 countries in pipeline in FY15 plus 6 more expected to enter pipeline in FY16

III. FY17 Budget Proposal

Topics

- FY17 Budget Proposal including Shared Costs
- Decision for this meeting

III. FY17 Budget Proposal

Carbon Fund Costs (\$000s)	FY16 Budget	FY16 Estimates	FY17 Budget
Carbon Fund Admin	656	581	717
ERPA Costs – Selection & Development of ER Programs			
Carbon Fund TAP	591	564	646
Carbon Fund Country Advisory Support	1,220	1,072	2,128
Program Development - business dev	185	222	-
Program Development - enhanced ER-PIN/PDs	3,100	2,514	5,077
Sub-total	5,752	4,953	8,568
Shared Costs	943	734	1,148
Total Carbon Fund Costs	6,695	5,687	9,716

FY17 proposed budget reflects goal of assisting in the development of 18 ER-PDs by end 2017.

- FY17 Shared Costs have been approved by the PC at PC21
- **Proposed budget for CF for FY17 of approximately \$8.6 million to be approved by the CF Participants at this meeting**

III. FY17 Budget Proposal

- **Carbon Fund Admin:** Budget of \$717k reflects a small increase compared with the forecast expenditures for the current FY of \$581k
- **Carbon Fund TAP:** \$646k covers reviews of 9 ER-PDs by the TAP as well as a TAP Calibration Workshop.
- **Carbon Fund Country Advisory Support:** Targeted FMT support to 18 countries in preparing their ER-PDs and move toward ERPA signature, \$2.1 million
- **Program Development – Enhanced ER-PINs/PDs:** Approximate budget of \$5.1m funding the needs for the 13 countries with signed Lols, as well as amounts for 5 more countries that may sign in FY17 (effectively previously approved by CFPs)
- No supervision and no asset creation, ‘verification’, etc. in FY17 [budget lines B.(ii) and B.(iii)]

IV. Decision for this Meeting

- Note the CF portion of the Shared Costs as approved by the PC (\$1.1 million)
- Is approval provided for the proposed FY17 Carbon Fund budget of \$8.6 million?