



Forest Carbon Partnership Facility

Carbon Fund Long Term Financial Plan

Second Meeting of the FCPF Carbon Fund (CF2)
Berlin, Germany
October 20-21, 2011

Background (1)

- Previously presented Carbon Fund LTP scenarios as part of the Investment Profile presentation (Washington, September 2010)
 - Range of different funding scenarios from \$50m to \$200m
- PC agreed capping of Shared Costs to be charged to the Carbon Fund (Da Lat, March 2011)
 - Shared Costs capped at \$12 million over lifetime of fund
- Approved Carbon Fund budget for FY12 (Barcelona, May/June 2011)
 - Included estimated budget for Shared Costs
 - Budget resolution requested the FMT to prepare a long-term plan
- Approved Readiness Fund budget for FY12 (Oslo, June 2011)
 - Included budget for Shared Costs

Background (2)

- LTP prepared for Readiness Fund
 - Including Shared Costs over lifetime of fund
 - Summary included in FMT Note and presentation on Strategic Directions (Berlin, October 2011)
- Approved additional Readiness Fund budget for IP and CSO Program
 - \$5.5 million approved over 4 years (Berlin, October 2011)
 - Shared Costs so impacts Carbon Fund budget and LTP
- Accountability Mechanism response costs
 - Readiness Fund only
- LTP prepared for Carbon Fund
 - Including the long-term Shared Costs from Readiness Fund LTP
 - Assumptions

Sources

Contributions to the FCPF Carbon Fund as of October 1, 2011 (US\$m)					
	FY09	FY10	FY11	FY12-15*	Totals*
Australia			12.7		12.7
BP***			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	16.2	45.2
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	71.8	78.0	179.3
Germany				27.0	27.0
Committed Funding plus Pledges	25.4	4.2	71.8	105.0	206.3

* Amounts may vary due to exchange rate fluctuations.

*** Amounts secured in full by Promissory Note

Shared Costs

- ‘Shared Costs’ across both the Readiness Fund and Carbon Fund have included in practice the activities paid out of:
 - FCPF Secretariat
 - REDD Methodology Support
- Consistent with the Charter, from FY12 the Carbon Fund will assume a 35% share of these costs (65% to be covered by the Readiness Fund)
- The PC approved an overall cap of \$12 million that can be charged to the Carbon Fund for Shared Costs (Resolution PC/8/2011/8)
- Based on a LTP for the Readiness Fund which assumes a steady operational budget through FY15, with 20% annual cuts thereafter

Carbon Fund Shared Costs

Carbon Fund Shared Costs (\$000s)								
	Actual	Actual	Actual	Budget	Projections			
Shared Costs	FY09	FY10	FY11	FY12	FY13	FY14	FY15-20	Total
Shared Costs (paid by Readiness Fund) ¹	635	1,728	1,262					
Shared Costs (with Readiness Fund):								
FCPF Secretariat ¹				905	958	973	3,749	6,585
REDD Methodology Support ¹				569	548	558	2,441	4,116
Additional IP and CSO Program ²				467	637	417	404	1,925
Total Shared Costs				1,941	2,143	1,948	6,594	12,626
Reduction to Cap							(626)	(626)
Capped Shared Costs				1,941	2,143	1,948	5,968	12,000

1. Carbon Fund to pay 35% of Shared Costs from FY12
2. 35% of \$5.5 million budget as approved at PC10

Comparison of Carbon Fund Shared Costs

Comparison of Carbon Fund Shared Costs (\$000s)			
Shared Costs	Previous	Current	Increase/ (Decrease)
Shared Costs (with Readiness Fund):			
FCPF Secretariat ¹	4,083	6,585	2,502
REDD Methodology Support ¹	3,306	4,116	810
Additional IP and CSO Program ²		1,925	1,925
Total Shared Costs	7,389	12,626	5,237
Limit to Cap		(626)	(626)
(Capped) Shared Costs	7,389	12,000	4,611

1. Carbon Fund to pay 35% of Shared Costs from FY12
2. 35% of \$5.5 million budget as approved at PC10

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
<i>REDD Methodology Support</i>	1,569	1,624
of which Est. Readiness Share	1,020	1,056
<i>of which Est. Carbon Fund Share</i>	549	568
<i>FCPF Secretariat</i>	1,455	2,588
of which Est. Readiness Share	946	1,682
<i>of which Est. Carbon Fund Share</i>	509	906
Readiness Trust Fund Administration	421	421
TOTAL BUDGET	6,905	8,669
Total CF Portion of Shared Costs	1,058	1,474

Carbon Fund Costs

Carbon Fund Costs (\$000s)								
	Actual	Actual	Actual	Budget	Projections			
Carbon Fund Costs	FY09	FY10	FY11	FY12	FY13	FY14	FY15-20	Total
Carbon Fund Administration		183	366	490	500	489	3,394	5,422
Marketing to Private Sector				45				45
Meeting Logistics				50	55	56	352	513
Carbon Fund Costs		183	366	585	555	545	3,746	5,980

Comparison of Carbon Fund Fixed Costs

Comparison of Carbon Fund Fixed Costs (\$000s)

Fixed Costs	Previous	Current	Increase
Carbon Fund Costs	4,117	5,980	
Semi-Fixed Costs ¹	3,842		2,632
(Capped) Shared Costs	7,389	12,000	
Total Fixed Costs (\$000s)	15,348	17,980	2,632

Total Fixed Costs (\$m)	15.3	18.0	2.6
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1. Costs of additional staff required to manage the higher funding scenarios (over \$100 million capital)

Carbon Fund ER Program Costs

Carbon Fund ER Program Costs (\$000s)					
	Budget	Projections			
ER Program Costs	FY12	FY13	FY14	FY15-20	Total
Program Preparation	60	1,145	1,205	1,540	3,950
Supervision				3,125	3,125
Verification				1,250	1,250
Total ER Program Costs (\$000s)	60	1,145	1,205	5,915	8,325

Total ER Program Costs (\$m)	0.1	1.1	1.2	5.9	8.3
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Assumptions

Number of ER Programs: 5

Average ERPA term: 5 years

3 ERPAs signed by end of FY14 (per Action Plan)

Program Preparation costs per Program: \$670k

Number of dropped Programs: 3 (at \$200k each)

Supervision Costs per Program: \$625k

Verification Costs per Program: \$250k

Comparison and Analysis of ER Program Costs

ER Program costs	NEW ESTIMATES				
	Cost per year (\$000s)	No of years	Cost per project (\$000s)	No of projects	Total Cost (\$000s)
Preparation			670	5	3,350
Preparation (dropped)			200	3	600
Supervision	125	5	625	5	3,125
Validation				5	
Verification	50	5	250	5	1,250
Total ER Program Costs				5	8,325

OLD ESTIMATES				
Cost per year (\$000s)	No of years	Cost per project (\$000s)	No of projects	Total Cost (\$000s)
		350	5	1,750
87	3	260	5	1,300
37	3	110	5	550
		720	5	3,600

Notes:

- Increase in average assumed ERPA term from 3 to 5 years
- Possibility of dropped projects included
- Increased Preparation Costs (types of costs outlined in next slide)
- Increased supervision and verification costs

Types of Preparation Costs

Types of Preparation Costs	
Pre-ERPA signing	
Pre-ERPA outreach events	
Legal costs	
World Bank due diligence	
TAP review	
Pre and/or post ERPA signing	
Stakeholder consultations	
Refining program design	
TOTAL Preparation Costs	\$670k

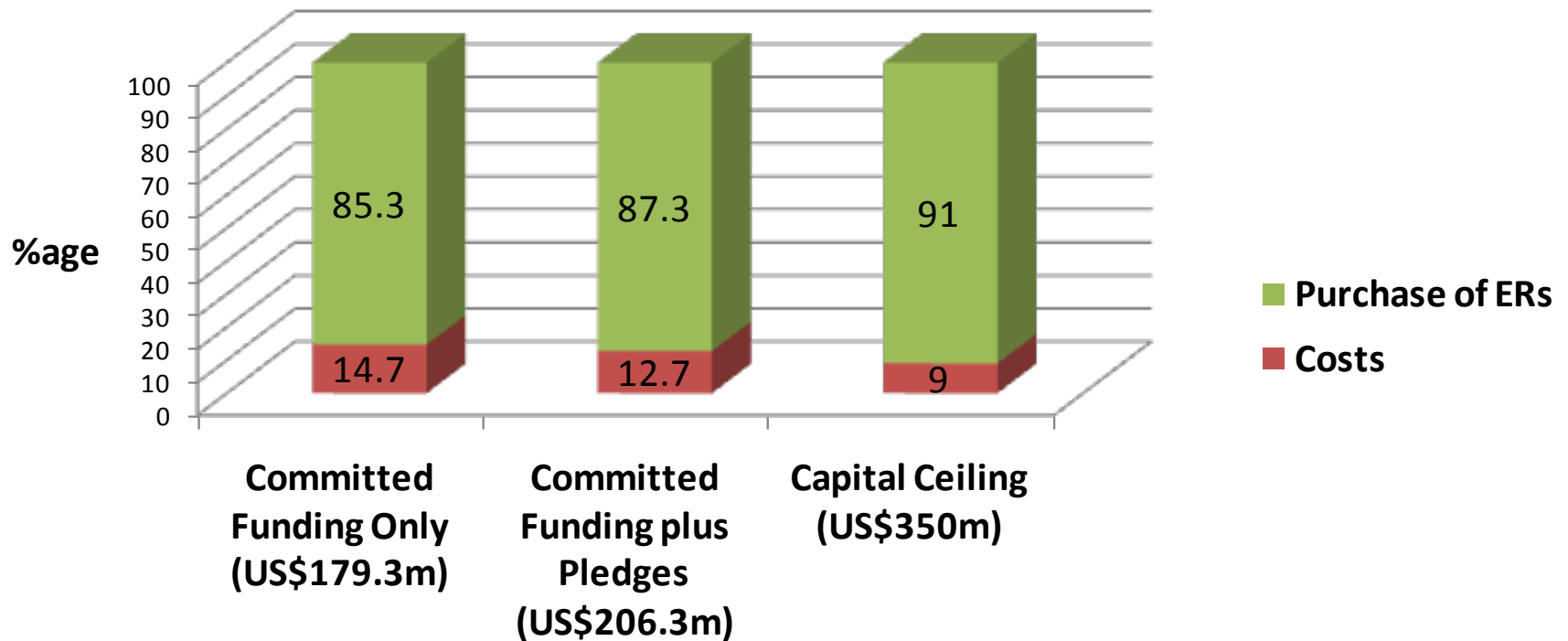
Carbon Fund Sources and Uses Summary

Carbon Fund Sources and Uses Summary (\$m)			
	Committed Funding Only US\$m	Committed Funding plus Pledges US\$m	Capital Ceiling ¹ US\$m
Sources	179.3	206.3	350.0
Uses			
Long-Term Fixed Costs (FY10 to FY20)	(18.0)	(18.0)	(18.0)?
ER Program Costs	(8.3)	(8.3)	(13 - 17)
Total Costs	(26.3)	(26.3)	(31 - 35)
Available for Purchase of ERs	153.0	180.0	315 - 319
As a share of capital (%)	85.3	87.3	90 - 91
Average ER Program	30.6	36.0	30 - 40
Number of ER Programs	5	5	8 - 10?

1. Subject to WB Board approval

Carbon Fund Expenditure Make-Up Chart

**Expenditure make-up (by %age)
for different funding scenarios**





THANK YOU!

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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 (and continuing work on MDPs)
- 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' Observers
- FCPF website and general communications

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 – 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

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 – 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

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)

Pledges and Commitments by Tranche

Contributions to the FCPF Carbon Fund as at October 1, 2011 (US\$m)					
	FY09	FY10	FY11	FY12-15*	Totals*
Tranche A					
Australia			12.7		12.7
BP***			5.0		5.0
CDC Climat***			5.0		5.0
The Nature Conservancy***	5.0				5.0
United States			10.0		10.0
Total Tranche A	5.0	0.0	32.7	0.0	37.7
Tranche B					
European Commission	6.3	0.4			6.7
Germany	4.0	3.8	21.1	16.2	45.2
Germany				27.0	27.0
Norway	10.0			51.0	61.0
Switzerland				10.8	10.8
United Kingdom			17.9		17.9
Total Tranche B	20.4	4.2	39.1	105.0	168.6
Committed Funding plus Pledges	25.4	4.2	71.8	105.0	206.3

* Amounts may vary due to exchange rate fluctuations.

*** Amounts secured in full by Promissory Note