



Forest Carbon Partnership Facility

8. Carbon Fund Budget for FY14

Seventh Meeting of the Carbon Fund (CF7)

Paris, France, June 24-25, 2013

Outline

I. The Budget Process of the FCPF

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

II. Financial Status and FY13 Estimated Expenditure

- Financial Status of the Carbon Fund
- FY13 Estimated Expenditure

III. FY14 Budget Proposal

- FY14 Budget Proposal including 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; FY14 = July 1, 2013 through June 30, 2014.
- Budgets approved annually; FY12 was the first year for budget approval by CF Participants.
- FY14 Budget of RF to be proposed for approval at PC15 in a few days (budget proposal to be posted on PC15 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 FY13 Estimated Expenditure

Topics

- Financial Status
- FY13 Estimated Expenditure

II. Financial Status – Available Funding

Contributions to the FCPF Carbon Fund as of June 11, 2013 (US\$m)							
	FY09	FY10	FY11	FY12	FY13	FY14-17*	Totals*
Australia			12.7	5.7			18.4
BP Technology Ventures			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	15.4	6.5	81.2	132.0
Norway	10.0				161.3		171.3
Switzerland				10.8			10.8
The Nature Conservancy	5.0						5.0
United Kingdom				17.9			17.9
United States of America			10.0		4.0		14.0
Committed Funding	25.4	4.2	53.9	54.9	171.8	81.2	391.2

* 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	FY12	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	1,069
Carbon Fund Administration			183	366	470	1,019
Total			183	366	1,539	2,088

- 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 **\$2.1 million** charged against the CF in FY10 to FY12

II. FY13 Estimated Expenditure

- Final FY13 expenditures will be reflected in Annual Report prepared in September
- With FY13 books closing in one week, estimated expenditures are tentative
- Estimates show spending below overall FY13 budget
- Total underspend will be around \$1.1 million (\$900k excluding Shared Costs)
- Breakdown of underspend and explanations

II. FY13 Estimated Expenditure

Carbon Fund Costs (\$000s)	FY13 Budget	FY13 Estimate	Underspend
Carbon Fund Admin	920	631	289
<i>of which Marketing</i>	255	74	181
ERPA Costs – Selection & Development of ER Programs			
Program Development - business dev	200	129	71
Program Development - enhanced ER-PIN	600	30	570
Sub-total	1,720	790	930
Shared Costs	1,240	1,078	162
Total Carbon Fund Costs	2,960	1,868	1,092

III. FY14 Budget Proposal

Topics

- FY14 Budget Proposal including Shared Costs
- Shared Costs

III. FY14 Budget Proposal

Carbon Fund Costs (\$000s)	FY13 Budget	FY13 Estimate	FY14 Budget
Carbon Fund Admin	920	631	730
<i>of which Marketing</i>	255	74	-
ERPA Costs – Selection & Development of ER Programs			
Program Development - business dev	200	129	200
Program Development - enhanced ER-PIN	600	30	1,220
Sub-total	1,720	790	2,150
Shared Costs	1,240	1,078	1,394
Total Carbon Fund Costs	2,960	1,868	3,544

- Shared Costs budget is subject to approval by PC (likely to be between \$1.3 million and \$1.4 million)
- Proposed budget for CF for FY14 of approximately \$2.1 million to be approved by the CF Participants at this meeting
- More details in following slides

III. FY14 Budget Proposal

- **Carbon Fund Admin:** as CF activity increases administrative burden and cost increases, plus semi-annual monitoring. Includes meeting costs and previously included marketing.
- **Marketing:** No further marketing budget
- **Program Development – Business Development:** Requesting new \$200k business development budget to support early development of ER-PINs across the portfolio (seed money)
- **Program Development – Enhanced ER-PIN:** Approximate budget based on remainder of \$650k allocated to Costa Rica plus \$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. FY14 Budget Proposal - Shared Costs

Shared Costs - Recap

- Costs of activities that cut across both the CF and the RF
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- 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
- 'Shared Costs' have included in practice the activities paid out of:
 - FCPF Secretariat and
 - REDD Methodology Support
- 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. FY14 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
- FCPF website and general communications, translation services

III. FY14 Budget Proposal - Shared Costs

REDD Methodology Support

- TAP review of R-PPs and R-Packages
- Carbon Fund TAPs (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)
- Carbon Fund Working Group on Methodological Framework
- Additional activities: Registries work and Country Dialogues on role of Private sector

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 FY14 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
- FMT recommends First Closing shortly before signing of first ERPA

IV. Apportioning Common Costs

Tranche Commitments to date and current apportionments

Contributions to the FCPF Carbon Fund as of June 11, 2013		
	US\$m	%age
Tranche A		
Australia	18.4	4.7%
BP Technology Ventures	5.0	1.3%
CDC Climat	5.0	1.3%
The Nature Conservancy	5.0	1.3%
United States of America	14.0	3.6%
Committed Funding	47.4	12.1%

Contributions to the FCPF Carbon Fund as of June 11, 2013		
	US\$m	%age
Tranche B		
Canada	5.0	1.3%
European Commission	6.7	1.7%
Germany	132.0	33.8%
Norway	171.3	43.8%
Switzerland	10.8	2.8%
United Kingdom	17.9	4.6%
Committed Funding	343.8	87.9%

Amounts may vary due to exchange rate fluctuations

Grand Total	391.2	100.0%
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V. Decisions for this Meeting

- Is approval provided for the proposed FY14 Carbon Fund budget of \$2.1 million plus the CF portion of the Shared Costs as approved by the PC?
- Do the CF Participants agree with the FMT recommendation that First Closing should be shortly before signing of the first ERPA?