



Forest Carbon Partnership Facility

2c. Portfolio Management Update

26th Carbon Fund Meeting (CF26)

May 30, 2023

FCPF Carbon Fund Contributions to Date

FCPF Carbon Fund

Donor Contributions as of March 31, 2023 (in \$ thousands)

Participant Name	Total	Outstanding	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09
Australia	18,392											5,658	12,735		
BP Technology Ventures	5,000												5,000		
Canada	5,015											5,015			
European Commission	6,709													362	6,347
France	5,114								114				5,000		
Germany	321,295			55,974	57,265	29,616	54,771	13,329	32,108	27,280	6,556	15,443	21,125	3,819	4,009
Norway	297,087			27,166	27,618	12,640		58,352			161,310				10,000
Switzerland	10,796											10,796			
The Nature Conservancy	5,000														5,000
United Kingdom	181,582		71,489	92,153									17,940		
United States of America	18,500						4,500				4,000		10,000		
Committed Funding	874,492	0	71,489	175,292	84,883	42,256	59,271	71,681	32,222	27,280	171,866	36,912	71,800	4,181	25,356

\$874.5
million

Carbon Fund Financial Situation: Sources and Uses Summary

Carbon Fund Sources and Uses Summary	
Sources (\$m)	874.5
Number of Lols (#)	18
Number of ER Programs	15
Uses - Costs over Fund Lifetime	107.9
-Fixed Costs (FY10 to FY26)	33.5
-ER Program Costs	64.4
-ER Program's Reversal Management Mechanism	10.0
Uses - Available for Purchase of ERs	766.6
Equivalent to tons @ \$5/ton (millions)	153.3
Average ER Program (15 programs)	51.1

Available for purchase of ERs

Carbon Fund Sources and Uses Summary (\$m)	
Sources	874.5
Available for purchase of ERs	766.6
Signed ERPAs (15)	721.3
Total uncommitted	45.3

LOI & ERPA Commitments

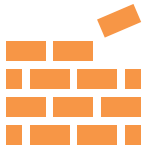
Country	Max LOI volume	ERPA contract volume	ERPA Contract value (\$ million)	HFLD	HFLD proportion
Signed ERPAs (15)					
DR Congo	10.0	11.0	55.0	11	
Chile	5.2	5.2	26.0		
Costa Rica	12.0	12.0	60.0		
Cote D'Ivoire	16.5	10.0	50.0		
Dominican Republic	7.5	5.0	25.0		
Fiji	3.6	2.5	12.5		
Ghana	18.5	10.0	50.0		
Indonesia	22.0	22.0	110.0		
Lao PDR	8.4	8.4	42.0		
Madagascar	16.4	10.0	50.0		
Mozambique	8.7	10.0	50.0		
Nepal	14.0	9.0	45.0		
Republic of Congo	11.7	8.4	41.8	8.4	
Vietnam	10.3	10.3	51.5		
Guatemala	10.5	10.5	52.5		
TOTAL	175.3	144.3	721.3	19.4	13%

- Committed funding = \$874.5 million
- Committed through contract volumes in signed ERPAs of 144.3 m tons = \$721.3 million

Portfolio updates



- Conditions of effectiveness fulfilled (all 15 ERPAs)
- 13 ER Monitoring Reports submitted (1st Reporting Period)
 - *4 Validations & Verifications completed*
 - *3 ERPA payments made (Mozambique, Costa Rica, Ghana) = \$27.7 million*
- 2 ER Advance Payments made (against monitored ERs)
 - *Interim advance Mozambique= \$604K*
 - *ER advance Indonesia = \$20.9 million*
- 2 ER Monitoring Reports submitted (2nd Reporting Period)
 - *1 Validation & Verification completed*

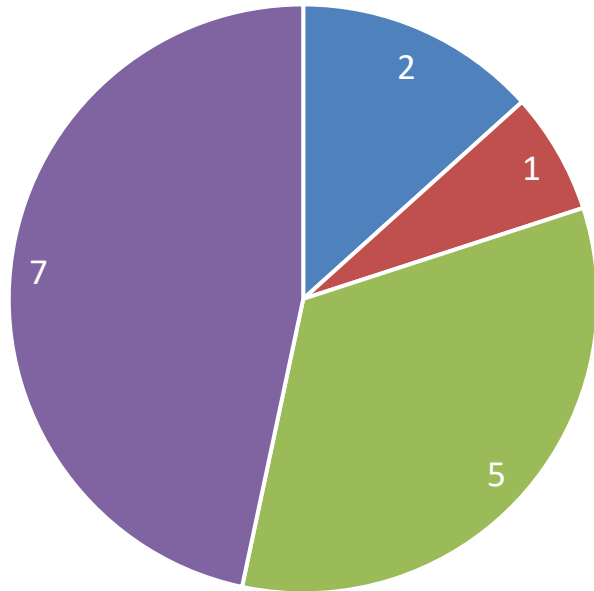


- Validations & Verifications completed by end calendar year 2023
 - *2 expected to complete in June/July (Indonesia, Vietnam)*
 - *1 anticipated to complete by December (Ghana)*
- ERPA payments by end calendar year 2023
 - *3 payments expected between July and September (Indonesia, Madagascar, Vietnam) about \$149 million*

ER MR submission – Validation & Verification Status

ER MR#	Status	# of countries	Countries
1st RP	VV completed	4	Costa Rica, Ghana, Mozambique, Madagascar
	VV completing soon	2	Indonesia, Vietnam
	VV recently started	4	DR, DR Congo, Lao PDR, Fiji
	ER MR pending VV	3	Chile, Cote d'Ivoire, Guatemala,
	ER MR not submitted	2	Nepal, Rep. of Congo
2nd RP	VV completed	1	Mozambique
	ER MR pending VV	1	Ghana
	ER MR not submitted	13	All remaining ERPAs

ER Delivery – ER Program & Portfolio



■ ≥100% ■ ~80% ■ 26% to 50% ■ ≤ 25%

% ERPA delivered*	Countries	# of RPs left
100%	Indonesia, Vietnam	2
≤ 80%	Cote d'Ivoire	2
	Lao PDR	1
26% to 50%	Costa Rica, DR, Fiji, Ghana	2
	DRC, Guatemala, Madagascar, Mozambique, Chile, Nepal	2
≤ 25%	ROC	3

- **53%** of the ERPAs have or are expecting to deliver to date ≤ 25% of their Contract ERs
- **42%** ER delivery expected to date at portfolio level (Contract ERs only)
- **\$302.6** million expected payments to date (total)

* based on submitted ERMRS and Verification Reports

ER Program Updates

ER Program	Key issues
Chile	<ul style="list-style-type: none">• Analytical studies on results reported by Chile in ERMR for RP1• Chile proposed to update their methodology based on information from the analytical studies – and submit a combined ERMR for RP1 and RP2• Based on reported numbers, Bank and Chile to discuss next steps
Costa Rica	<ul style="list-style-type: none">• ERMR for RP2 expected by end June 2023• Updates to ERMR 1 in relation to ER title transfer, expected in Dec 2023• Supplementary statement by VVB will confirm ERMR 1 updates and enable additional ER issuance and payment to Costa Rica
Cote d'Ivoire	<ul style="list-style-type: none">• ERMR for RP1 undergoing completeness & quality check
DRC	<ul style="list-style-type: none">• Validation and Verification of ERMR for RP1 starting in June 2023• ERPA amendment has been signed• DRC is expected to generate more than sweep cap amount of 2.5 million ERs (any amount beyond this is subject to a Call Option)

ER Program Updates

ER Program	Key issues
DR	<ul style="list-style-type: none">• Validation and Verification for ERM for RP1 started in May 2023• Government is also working to ensure the program implementation unit is adequately resourced to support the VV process• Work also ongoing to establish sub-agreements with program executing agencies and beneficiaries to enable ER transfer and payment after VV is complete
Fiji	<ul style="list-style-type: none">• Validation and Verification for ERM for RP1 started in May 2023• Bank following closely on other legal and administrative procedures required to ensure readiness for ER transfer and payment after VV concludes
Ghana	<ul style="list-style-type: none">• Payment for RP1 completed in Jan 2023 (920K ERs for \$4.86 million)• ERM for RP2 submitted and undergoing revision following completeness & quality check
Guatemala	<ul style="list-style-type: none">• Revised ERM for RP1 under completeness & quality check• Work ongoing in parallel to sign sub-agreements with REDD+ project initiatives to enable ER transfer and payment after VV is complete• ER delivery expected beyond sweep cap amount of +2 million ERs

ER Program Updates

ER Program	Key issues
Indonesia	<ul style="list-style-type: none">• Validation and verification of ERMR for RP1 close to completion• Delivery expected for full Contract volume and Additional ERs (~30m ERs)• Advance payment of \$20.9 m has used to operationalize BSP – capacity building underway at community level prior to distribution of performance-based payments
Lao PDR	<ul style="list-style-type: none">• Validation and verification initiated of ERMR for RP1
Madagascar	<ul style="list-style-type: none">• Validation and verification of ERMR for RP1 completed in May 2023• Annexes 1, 2, 3 (Safeguards, BSP, Non-carbon benefits) undergoing revision - payment cannot be made without completed and cleared annexes• Pending actions for GoM include approval of a decree that will enable receipt of ERPA payment
Mozambique	<ul style="list-style-type: none">• Validation and verification of ERMR for RP2 completed• Annexes 1, 2, 3 are under revision• Bank discussing the possibility of a TPM prior to payment against verified ERs per ERMR 2

ER Program Updates

ER Program	Key issues
Nepal	<ul style="list-style-type: none">• ERMR for RP1 pending submission• On BSP, GoN conducted several consultations with relevant stakeholders to clarify misunderstandings on the BSP• Forest Development Fund (to be used for BSP implementation) is yet to be operational• Bank working closely with GoN on both technical aspects for the preparation of the MR, and to follow up on the FDF
Republic of Congo	<ul style="list-style-type: none">• ERMR for RP1 expected to be submitted by end June 2023• ROC discussing with the Bank on possibility of an upfront advance payment to cover ER Program's operational costs until the ERPA payment is received• Decree defining the 15% allocation of ERPA payments to the government is currently awaiting approval
Vietnam	<ul style="list-style-type: none">• Validation and verification of ERMR for RP1 close to completion and payment expected by June/July 2023• Delivery expected for full Contract Volume and Additional ERs (~15m ERs)

Portfolio delivery analysis: ER delivery risk assessment

- All FCPF programs are under implementation, ER monitoring reports are being delivered and some have already completed validation and verification – more information now available on the potential performance of programs
- Updates are being made to the model to (i) **assess ER delivery risks**, (ii) **model projections** for total potential delivery, and (iii) **assessment of the reversal risks** to understand if there will be a sufficient non-permanence buffer to cover the risk of reversals beyond the lifetime of the Carbon Fund
- The updated model will be based on:
 - Data from submitted/verified ER Monitoring Reports
 - Risk assessment (expert judgment) from task teams that build on the WB's Systematic Operations Risk-rating Tool (SORT). SORT risk categories are unpacked in order to consider the contributing factors in each category explicitly:
 - Makes it possible to compute probabilities
 - Allows issues that are contributing to high-risk ratings to be systematically tracked and addressed

Portfolio delivery analysis: ER delivery risk assessment

- Therefore, the new model will combine several elements to provide a forward-looking assessment of the FCPF Carbon Fund's delivery. These elements include:
 1. A forward-looking assessment of the future emissions reductions. This involves estimating the expected emission reductions and enhanced removals over time, based on the program's implementation and specified in ERPDs.
 2. Expert judgments regarding the effectiveness of institutions and economic incentives (program teams' feedback and qualitative assessment of different institutional and economic factors).
 3. Historical information on the variability of forest carbon fluxes for the estimation of random shocks, such as forest fires or droughts, on the new deforestation trend.
- The results and projections will be presented in the next Carbon Fund Meeting.



THANK YOU!

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