

Forest Carbon Partnership Facility (FCPF) Readiness Fund

Improving Readiness Implementation and Disbursements in FCPF countries

December 10, 2013

The Participants Committee at the fifteenth meeting in Lombok, noted the slow rate of disbursements in REDD readiness in FCPF countries and requested the FMT to prepare a short report with key recommendations to overcome disbursement bottlenecks. This note presents proposals for action to (i) enhance the signing of readiness preparation grants in REDD countries and (ii) support REDD countries in their efforts to address procurement and financial management related challenges, presented at the pre-PC workshop in Lombok.

Background: Status on Readiness Grant allocation and disbursements

There are 3 indicators of allocation and disbursements in the Readiness Fund to track the progress with regard to readiness preparation grants. The status of disbursements and commitments achieved since inception of the Facility to mid-year FY14 is tracked through the following indicators¹:

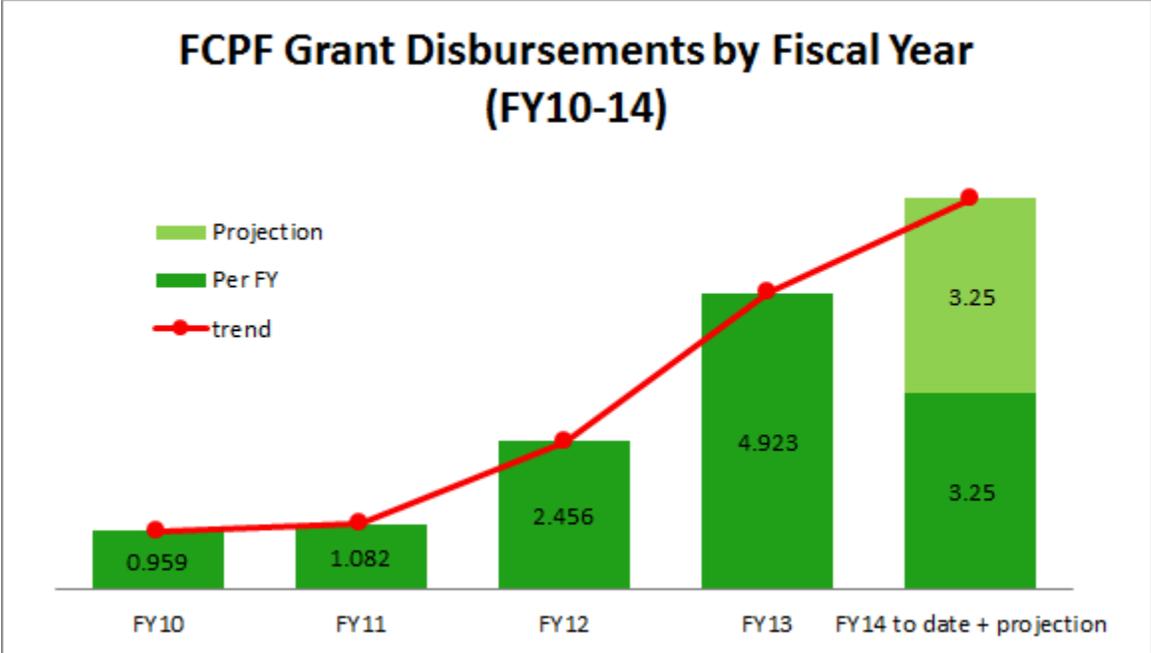
- (i) Grant allocations to countries: \$130 million (cumulative) [\$121.6 million in June 2013]
- (ii) Grants signed with countries: \$53.4 million (cumulative) [\$42.5 million in June 2013]
- (iii) Grants disbursed to countries: \$12.67 million (cumulative) [\$4.95 million in FY13]

The Facility is on track with respect to indicator (i) with a total grant allocation of \$130 million to countries who's R-PPs has been successfully assessed and endorsed by the PC. The progress on the other two indicators has been relatively slow. Only 12 readiness preparation grant agreements (of up to \$3.8 million plus formulation grants) have been signed which make up a \$53.4 million which is 41% of the total grant allocated to countries. Further, an estimated 24% (\$12.67 million) of the total cumulative amount in signed agreements (\$53.4 million) was disbursed by mid-year FY14.

This overall picture since the inception of the Facility (FY2010) has been changing positively in recent years. For example, the grants disbursed to countries (indicator iii above) has shown a significant upward trend in FY12 and FY 13 (Figure 1 below) and is likely to maintain an exponential increase, as evidenced by \$3.25 million in grants disbursed to countries; and an additional \$11.2 million in grants signed with countries in the last 6 months alone (July 2014 to first week of December 2014).

¹ The first indicator represents the readiness preparation grants allocated to countries who's R-PPs were successfully endorsed by the PC ; indicator (ii) is the amount committed in signed grants with REDD countries by Delivery Partners after completion of due diligence; and indicator (iii) is the total amount of signed grants (indicator ii) actually disbursed to countries and spent in readiness preparation.

Figure 1: Grants Disbursed to Countries by Fiscal Year



The analysis shows that efforts need to be fostered further to (i) reduce the time to signing of readiness grant agreements with countries and (ii) to increase the disbursement burn rate by countries. Accordingly the following sections elaborate on proposed actions by the FMT, some of which have been commenced already.

1. Enhancing signing of readiness grant agreement

Signing readiness preparation grant agreements is a pre-requisite to grant disbursements. The average time from PC assessment of R-PPs to signing of readiness preparation grant agreements is 17.75 months (with minimum of 9 months and maximum of 24 months). Several reasons are attributable to the time it takes to signing the grant agreements and several intermediate steps need to be completed before the agreement can be signed (country political context; completion of issues raised in PC resolution by the country, FMT completion check of revised R-PP, choice of national agency in country to lead the REDD agenda, choice of Delivery Partner, Delivery Partner due diligence, financial and procurement assessment, etc.). The FMT envisages that average time from endorsement of R-PP by the PC to the signing of grant agreements should be reduced to about 12 months in remaining countries except where exceptional circumstances do not allow the country and the DP to finalize the agreements. In such instances the reasons should be well documented and decisions on next steps be taken by the PC.

A snapshot of the FCPF REDD countries status of readiness preparation grant agreement signatures is presented in Table 1 below².

Table 1: Status of Readiness Preparation Grant Agreements Signatures in FCPF countries

Signed Readiness Grant Agreements (1)	Completed due diligence and R-PP AN review for signing of grant agreements (2)	Yet to submit revised R-PPs and/or complete due diligence and R-PP AN review for signing of grant agreements (3)	Lost guaranteed access (4)	Total number of REDD country participants
12	8	13	3	36
See FCPF Dashboard for country names	Cambodia, Chile, El Salvador, Guatemala, Guyana, Lao PDR, Mexico, Nicaragua,	See FCPF dashboard for country names	Bolivia Gabon, Paraguay	

A total of 12 readiness grant agreements out of 36 have been signed; 3 out of 24 remaining countries have lost guaranteed access to readiness preparation grants as they did not submit an R-PP. Eight countries are already well advanced (due diligence process complete) and are expected to sign the agreements in early 2014; 13 remaining need to advance and sign grant agreements by May 31, 2014.

Proposed actions

- (i) **For existing FCPF countries:** In line with PC resolution, readiness grant agreements to be signed by May 31, 2014 for the 21 countries (category 2 and 3) in Table 1 above.
- (ii) **PC feedback on strategy/ options in countries** in category 4 of Table 1. FMT recommends that PC agree on next steps for countries that have not submitted R-PPs and have lost guaranteed access.
- (iii) **For new countries that are selected to the FCPF at PC16:** Selection of 11 candidate countries to the FCPF will be discussed at PC16. In line with PC resolution from PC14, it is proposed that for new countries that are selected to the FCPF, readiness preparation grant agreements (or equivalent) should be signed within 14 months of being allocated readiness preparation grant. The FMT will inform the PC if extraordinary reasons require extension, at least 1 month in advance of 14 month deadline. FMT will seek PC guidance as relevant.

² Detailed country status and progress on readiness preparation grants can be accessed on FCPF dashboard https://www.forestcarbonpartnership.org/sites/fcp/files/2013/Dec2013/FCPF%20Readiness%20Progress_PC16_121013.pdf

2. Where readiness preparation grant agreements are signed, increased support to REDD countries in early stages of grant implementation (procurement, financial management and Terms of Reference for readiness)

At PC 15, REDD Countries highlighted issues such as weak in-country capacity in procurement and financial management as key issues hampering grant implementation and disbursements.

Proposed Actions:

- (i) Delivery Partners in close consultation with REDD countries to identify (preferably during grant preparation) actions to strengthen procurement and financial management (such as hiring of procurement specialist, financial management specialist and trainings required).
- (ii) FMT will make available the calendar of World Bank regional procurement training dates for 2014 on the FCPF website. Countries can liaise with Delivery Partner focal points to make nominations to these trainings.
- (iii) Terms of Reference (ToRs) for key readiness tasks (SESA, REDD strategy development, MRV, Reference Scenario etc.) from countries have been posted on the FCPF website. The FMT will continue to update these so other FCPF countries can access and prepare ToRs suited to their own country context.
- (iv) Provide additional human resource such as Extended Term Consultants in countries/ groups of REDD countries to backstop and assist in addressing key issues that surface in early stages of grant implementation. As an example, the placing of consultants to work on safeguards in Africa region has immensely fostered the SESA process and due diligence on safeguards.

3. Possibility of World Bank executed grants rather than recipient executed grants in exceptional situations

Where a very weak financial and procurement capacity or other exceptional situation necessitate, the World Bank could explore the possibility (if countries agree) of partial or full implementation of Bank executed readiness grants in consultation with REDD country focal points.

4. Monitoring readiness grant agreement implementation and readiness progress by countries

- (i) The early lessons from countries indicate that close monitoring of readiness is critical to ensure that major issues are picked up early on and addressed in a timely manner. Whilst a few countries have managed to set up robust national monitoring framework for REDD, the majority of the countries are in nascent stages of preparing and implementing monitoring systems.
- (ii) The FMT had solicited country suggestions of the kind of support they would desire. The response rate was poor. At PC16, the FMT will seek country views on options to assist with setting up monitoring systems that move towards monitoring of results rather than activities. FMT would propose a deadline of 30 May, 2014 for countries with signed grant agreements to prepare the M&E Frameworks.

- (iii) FMT has set up resource materials on M&E on the FCPF website including draft frameworks from Liberia and Nepal as examples.

5. Enhanced tracking of intermediate milestones on grant signatures and implementation by FMT

- (i) **Delivery Partner updates to FMT:** Setting intermediate milestones for monthly/bimonthly monitoring of progress made and issues pertaining to signing of readiness grant agreements, as well disbursements will be set in place so that action to resolve can be taken and/or the PC informed in a timely manner. A first call with DPs has been held and the FMT will share with DPs and regional task team leads in the Bank the key milestones that they will report on to the FMT.
- (ii) **Assign internal focal point in FMT to track and lead on operational matters:** As the facility moves from standard setting in the Readiness and Carbon Fund towards action on the ground on readiness implementation and advancing the Emission Reduction Program preparation, the core FMT team will be strengthened to support operations and implementation in countries. One of the first measures will be to assign an internal focal team to lead on operational matters. The FCPF coordinator will lead the internal review of existing staff responsibilities/ identify new staff requirements for specific countries in the first half of 2014 once the status of selection of new countries is known.
- (iii) **Enhanced FMT support in some technical areas in FY15 to improve readiness delivery by countries:** The FMT will take stock of additional activities delivered in FY14 and propose areas of support that can enhance readiness delivery in REDD countries. The regional trainings on social inclusion for example have helped create a critical mass of stakeholders in country with better understanding of SESA which has equipped countries on SESA implementation. Likewise the regional workshop on linking REDD pilots to REDD strategy development has identified areas where countries need further analysis and focus for REDD strategy preparation.