

Forest Carbon Partnership Facility (FCPF) Carbon Fund

FY25 Budget Status and FY26 Proposed Budget for the FCPF Carbon Fund

May 2025

This note presents (a) the status of the FY25 budget and (b) the proposed budget for FY26 of the Carbon Fund for approval by the Carbon Fund Participants.

1. The Budget Cycle

The timing for the FCPF Carbon Fund Budget is based on the World Bank fiscal year (July 1 - June 30), with FY26 starting on July 1, 2025. Per the Charter, the Carbon Fund budget is approved annually by the Carbon Fund Participants (CFPs). **The FY26 budget of the Carbon Fund is submitted and proposed for approval at CF30.**

The FCPF Carbon Fund budget is built around two core activity types. Those are Carbon Fund Administration and ERPA Costs.

- a. The **Fund Administration** work consists of functions related to the World Bank's role as Trustee of the Carbon Fund, including:
 - Fund strategy and management
 - Preparing budgets, business plans and longer-term financial projections (sources and uses)
 - Legal guidance on FCPF Standard including Methodological Framework, General Conditions and Legal Agreements
 - Accounting, resource management, contracting, contributions management
 - Carbon Fund Meeting costs, including costs of organization and logistics
 - Preparation of Annual Report and semi-annual monitoring and reporting
 - FMT staff time spent on Carbon Fund activities, programs, and stakeholders
 - Carbon Fund knowledge management and communications
 - Revision and maintenance of FCPF requirements related to the generation and issuance of ER Credits, a.k.a. FCPF standard.
- b. The **ERPA Costs** category contains the bulk of the operating budget as it covers costs of supervision of ERPAs and carbon asset creation, monitoring, verification, and issuance. There are two main categories of ERPA costs:

ERPA Costs – Implementation and Supervision 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, including Monitoring and Reporting, and Benefit Sharing.

ERPA Costs – Carbon asset creation, monitoring, verification, and issuance:

- Support to REDD Country monitoring of ERs and preparation of Monitoring Reports
- Ensuring the completeness of Monitoring Reports and adherence to ERPA and FCPF requirements
- Support to and costs of independent Validation of ER Programs and Verifications of ERs
- Third Party Monitoring costs

- Making payments and maintaining accounts for ERs delivered to the Tranche(s) and Participants of the Carbon Fund
- Infrastructure to enable REDD Countries to transfer and commercialize their excess ERs to third-party buyers
- Country Excess ER Monetization Support and Non-Carbon Development Outcome Certification.

2. Fund Contributions

The current capitalization of the fund is \$874.5 million. Given that the Readiness Fund is now closed, starting in FY23, any interest generated from the Carbon Fund contributions remains in the Carbon Fund.

Table 1. FCPF Carbon Fund Contributions as of March 31, 2025

FCPF Carbon Fund Donor Contributions as of March 31, 2025 (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

3. Approved FY25 Budget

The Carbon Fund Participants (CFPs) approved the following operating budget of \$11.533 million for FY25 (CFM/28/2024/1) as shown in Table 2 below.

Table 2. FCPF Carbon Fund Overall FY25 Annual Budget (Operating Costs in US\$000)

Carbon Fund Costs (\$000s)	FY25 Budget
Carbon Fund Admin	3,500
Carbon Fund Country Advisory Support	1,875
ERPA Costs - Supervision	3,301
Validation/Verification Costs	2,000
Registry Costs	857
Total Carbon Fund Costs	11,533

4. Total Expenses to Date

Below is an overview of costs of the Carbon Fund from inception to date, including costs not charged to the Carbon Fund shown in the two top shaded rows.

Table 3. Expenses to Date (in US\$'000 as of March 31, 2025)

Budget Line/Category of Costs (\$000s)	Pre-FY09	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25 Estimate	FY26 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	797	1,172	1,128	1,211	965	920	816	706	-	-	-	12,000
Carbon Fund Administration			183	366	470	652	626	741	555	657	696	864	1,076	1,252	1,091	1,998	3,705	2,924	3,000	20,856
Additional Activity on Private Sector Engagement											162	371	-	-	-	-	-	-	-	533
Registry Costs												100	758	203	622	635	651	772	579	4,321
Validation/Verification Costs														181	389	298	989	1,433	1,660	4,950
ERPA Costs - Selection																				
Carbon Fund TAP								23	440	514	463	533	41	-	-	-	-	-	-	2,014
ERPA Costs - Development																				
Carbon Fund Country Advisory								350	1,290	1,691	2,331	2,396	1,812	1,328	746	958	1,412	1,836	1,750	17,901
ER-PD Development						229	273	910	2,351	2,585	2,347	2,161	1,028	712	81	24	-	-	-	12,701
ERPA Costs - Supervision												140	284	969	1,923	2,584	2,908	3,293	3,448	15,547
Total			183	366	1,539	2,117	2,058	2,846	5,432	6,619	7,126	7,777	5,964	5,565	5,668	7,203	9,665	10,258	10,438	90,823

It is worth noting that:

- The World Bank paid \$2.35 million for FCPF development costs (from early design meetings in 2006 through June 2008).
- The Readiness Fund has waived and paid \$3.6 million to cover what would have been the 35% of Shared Costs for the Carbon Fund from FY09 to FY11.
- Expenses forecast to be charged against the Carbon Fund from FY10 to FY26 are \$90.8 million, of which \$12 million were for shared costs.

5. Forecasted Spend for FY25

Final FY25 expenditure will be reflected in the Annual Report. With the FY25 accounting books not closing until June 30, 2025, the estimated expenditures are tentative.

Table 4. Estimated Spend for FY25

Carbon Fund Costs (\$000s)	FY25 Budget	FY25 Estimate	Underspend	Spend Rate
Carbon Fund Admin	3,500	2,924	576	84%
Carbon Fund Country Advisory Support	1,875	1,836	39	98%
ERPA Costs - Supervision	3,301	3,293	8	100%
Validation/Verification Costs	2,000	1,433	567	72%
Registry Costs	857	772	84	90%
Total Carbon Fund Costs	11,533	10,258	1,275	89%

6. Overspends and Underspends

The projected expenditure for FY25 is anticipated to be 89% of the total allocated envelope for the fiscal year, once the final figures are available. The underspend is about \$1.2 million out of the total budget of \$11.5 million. The primary reasons for this underspend are lower expenditures on validation/verification costs and Carbon Fund Administration. Detailed explanations are provided below:

a. Carbon Fund Administration

Fund Administration costs are estimated to be around 84% of the budget. This is primarily due to lower than expected disbursements on communications and knowledge management but activities will continue in FY26.

b. Carbon Fund Country Advisory Support

The budget for Country Advisory Support was about \$1.9 million. The FMT has provided the anticipated level of support as countries continue preparing monitoring reports and responding to verifiers. The estimated expenditure is expected to be 98% of the budget.

c. ERPA Costs – Supervision

Budget was planned for 15 programs that are in the supervision phase. The spending on ERPA Supervision is estimated to be around 100% of the budget.

d. Validation and verification

Budget was planned for 12 ER Programs under validation and/or verification. However, key milestones for these programs have not progressed as expected. The estimated expenditure on validation and verification is around 72% of the budget.

e. Additional Activity on Registries

The CFPs approved almost \$0.9 million for work on Registries in FY25. The estimated spending is 90% of the budget. The World Bank ER transaction registry, referred to as the Carbon Assets Tracking System (CATS), has been fully operational (stabilization phase) since June 2020. Phase 2 of the development of the registry began in FY24. CATS team was able to secure additional financial resources from the Bank budget which enabled the reduction in costs.

7. Sources and Uses as of March 31, 2025

As shown in Table 5, the total committed funding amounts to \$874.5 million. Additionally, the fund has earned \$98.7 million in investment income to date, resulting in total available funding of \$973.2 million. The estimated costs of the Fund over its lifetime are projected to be \$155.9 million. This financial overview highlights the fund's strong fiscal health and its capacity to fulfill its long-term commitments effectively.

Table 5. State of the Fund – March 31, 2025

Carbon Fund Sources and Uses Summary (\$m)	
	Current Situation
Sources	973.2
Number of ER Programs	15
Uses	877.2
Signed ERPAs	721.3
Costs over Fund Lifetime (FY10 to FY29)	155.9
Fixed Costs	47.5
ER Program Costs	98.4
ER Program's Reversal Management Mechanism	10.0

8. FY26 Budget Proposal

Table 6. FY26 Proposed Budget by Activity

Carbon Fund Costs (\$000s)	FY25 Budget	FY25 Estimate	FY26 Proposed Budget
Carbon Fund Admin	3,500	2,924	3,000
Carbon Fund Country Advisory Support	1,875	1,836	1,750
ERPA Costs - Supervision	3,301	3,293	3,448
Validation/Verification Costs	2,000	1,433	1,660
Registry Costs	857	772	579
Total Carbon Fund Costs	11,533	10,258	10,438

The proposed overall budget for FY26 is about \$10.4 million. The FY26 proposed budget reflects the important phase after ERPA signings and effectiveness which is to support countries in ER delivery, make results-based payments and implement benefit sharing arrangements.

a. Carbon Fund Administration

As shown in Table 6, the Carbon Fund Administration budget is \$3 million. The fund administration work consists of functions related to the World Bank's role as Trustee of the Carbon Fund. Additional staff time is needed in this function to review the implementation of Benefit Sharing Plans, review monitoring and verification reports, provide guidance to task teams and countries in meeting ERPA and FCPF requirements, manage the FCPF Standard, including discussions for its spin-off, and support efforts to socialize the FCPF standard with potential buyers. This proposal also includes CF meetings costs, including field visits. At CF24, following requests from FCPF countries, Carbon Fund Participants supported a proposal by the FMT to increase the Carbon Fund Knowledge Management and Communications budget over FY23-26 to enable continuation of key FCPF knowledge sharing and generation activities following the closure of the Readiness Fund in 2022. Proposed FY26 KM and Communications activities build on this initial proposal and include activities related to global knowledge events, south-south knowledge exchanges (SSKEs), training and capacity strengthening, new knowledge products, and strategic communications. Specific activities include, for example:

- Continuing to raise visibility of FCPF's work through strategic communications, including a focus on payments deliveries, marketing of excess ERs, and other achievements.
- Delivering a follow-up REDD+ Knowledge Day and other similar events to facilitate global learning and south-south knowledge exchange.
- Trainings on benefit sharing, MRV, RBCF and links to carbon markets, and other priority areas.
- Website maintenance and other digital tools.
- Knowledge capture and publishing of lessons learned, as well as light stakeholders' coordination. The Knowledge and Management Learning (KML) function also liaises with the World Bank Group Academy initiative, a corporate-level program spearheading the Group's knowledge agenda, by giving to select trust-funded capacity development initiatives the visibility, co-funding and structure consistent with World Bank Group standards.

- b. Country Advisory Support** comprises staff time and travel in providing technical and advisory support to countries delivering their ER programs. The focus on ER delivery, making results-based payments and implementing benefit sharing arrangements requires additional resources to maximize ERPA delivery and access to markets. There is additional support required for

designing the transition strategies for ER Programs so that they can continue beyond the existence of the FCPF Carbon Fund. The budget for the Country Advisory Support cost category is \$1.75 million.

c. ERPA Costs – Supervision of ER Programs

The supervision budget for FY26 includes a budget for 15 programs that are in the supervision phase. This budget covers staff in task teams primarily from the World Bank's Regional Environment and the Social Development Departments. Typically, task teams comprise at a minimum a Task Team Leader (TTL), an Environmental Safeguards Specialist and a Social Safeguards Specialist, as well as a Financial Management Specialist. The activities covered here are in essence program supervision and implementation support, ensuring all requirements of the program, ERPA, benefit sharing plan, reporting and safeguards are met. It also includes support by task teams to the ERPA extension process, definition of transition plans for ER Programs beyond the FCPF Carbon Fund and support to monetization efforts in countries where this occurs. For FY26 about \$3.4m has been budgeted for this work.

d. Validation/Verification Costs

The FY26 Budget proposal includes about \$1.6 million for validation and verification costs for about 10-12 countries. Third Party Monitoring costs, which will increase this FY26 to address the increasing needs as required by the new WB directive on safeguards, are also budgeted under this category.

e. Registry Costs

The Central Transaction Registry, Carbon Assets Tracking System (CATS) has been fully operational (stabilization phase) since June 2020. This budget of \$0.6 million is an estimate to enable the registry team to i) ensure proper communication and dissemination of information on the registry, ii) potentially provide linkages between different registries, iii) provide support on the process for Monitoring Reports and payments for ERs, and iv) system upgrade and maintenance costs.

9. Decision for the CF30 Meeting

The Carbon Fund Participants are asked to approve the proposed **Carbon Fund budget for FY26 of \$10.438 million.**