



Forest Carbon Partnership Facility

FMT Update on Funding Availability and Proposal on the Use of Remaining Funds of the Readiness Fund

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Outline of Presentation

- Background
- Financial status of the Readiness Fund
- Financial management strategies to reduce unallocated funding
- Criteria for use of Unallocated Funding
- Proposed activities to be funded
- Transferring funds from the Readiness Fund to the Carbon Fund
- Proposals for PC consideration

Background

As agreed at PC25:

- No further calls for requests for additional funding through Recipient-executed grants
- FMT to explore “options to use the remaining [Readiness Fund] funds for additional World Bank and Delivery Partner-executed work with countries on specific needs – such as MRV, gender, private sector, CSO/IP capacity building, etc.”

Financial Status of the Readiness Fund – Committed Funding

FCPF Readiness Fund

Donor Contributions as of August 30, 2018 (in \$ thousands)

Participant Name	Total	Outstanding*
Australia	23,892	
Canada	41,360	
Denmark	5,800	
European Commission	5,216	1,164
Finland	23,196	
France	10,340	
Germany	106,382	
Italy	5,000	
Japan	14,000	
Netherlands	20,270	
Norway	113,773	
Spain	7,048	
Switzerland	8,214	
United Kingdom	5,766	
United States of America	9,000	
Committed Funding	399,258	1,164

*Amounts may vary due to exchange rate fluctuations.

Financial Status of the Readiness Fund – Sources of Funds

Summary of Long Term Sources and Uses of Readiness Funding (in \$ million, as of August 30, 2018)

Description	Totals (\$m)	
Sources of funds		
Committed Funding	399.3	
Less 15% discount*	(0.2)	
Investment income to date	32.9	
Total Available Funding	432.0	

Financial Status of the Readiness Fund – Uses of Funds

Summary of Long Term Sources and Uses of Readiness Funding (in \$ million, as of August 30, 2018)

Description	Totals (\$m)	
Uses of funds		
Grant Allocations		
To REDD Countries		
Signed grants to REDD Countries (commitments)	282.0	
Allocations to REDD Countries (not yet signed)**	32.9	
Total Allocation to REDD Countries		314.9
To IP/CSOs		
Initial Allocation to IP/CSO Capacity Building Program (commitments)	3.0	
Additional Allocation to IP/CSO Capacity Building Program (March 2017)	5.0	
Total Allocation to IP/CSO Capacity Building Program		8.0
Total Grant Allocations		322.9
Administrative, Operations, and Country Support costs over lifetime of fund		
FY09-18 Actual costs	70.7	
FY19-21 Projected costs**	24.5	
Reserve for Delivery Partner capacity for dispute resolution	1.0	
Total Administrative, Operations, and Country Support costs over lifetime of fund		96.2
Total Uses of Funds		419.1
Unallocated Funds: Total Available Funding less Total Uses		12.9

*Applied to outstanding contributions that are in a currency other than US dollars, the holding currency of the fund (World Bank policy)

**Including Proposed Additional Activities (\$5.06 million) to be included in regular budgeting process

Projected Costs

- Projected costs (of \$24.5 million) for the remainder of the lifetime of the Readiness Fund (up to December 2020) include an additional \$5 million over and above the figures presented to PC25
- Includes activities that are typically included in the normal budgeting processes, such as knowledge exchanges, workshops, gender analyses, and lessons learned products
- Will be included in the annual Readiness Fund budgets presented to the PC for approval

Allocations to REDD Countries Not Yet Signed

REDD Country	Allocation/Notice Date	Due date	Amt allocated (US\$ mil)	Deliver Partner	Comments
Burkina Faso	March 2018	March 2019	3.07	WB	Expected to be signed by the end of this year
Cameroon	March 2017	March 2018	5.00	WB	FMT recommends that the PC extend the deadline to March 2019
Colombia	March 2017	Signed		WB	Signed
Dominican Republic	March 2018	March 2019	2.20	WB	Expected to be signed by the end of this year
El Salvador	February 2018	February 2019	2.50	WB	Expected to be signed by the end of this year
Fiji	January 2018	Signed		WB	Signed
Gabon	February 2018	February 2019	1.95	WB	Expected to be signed by the end of this year
Kenya	October 2010	Signed		UNDP	Signed
Lao PDR	January 2017	Signed		WB	Signed
Nigeria	February 2018	February 2019	4.94	WB	Expected to be signed by the end of this year
Pakistan	January 2018	January 2019	4.01	WB	Expected to be signed soon
Peru	March 2017	Signed		IDB	Signed
Suriname	January 2018	January 2019	2.65	UNDP	Expected to be signed by January 2019
Togo	February 2018	February 2019	2.93	WB	Expected to be signed by February 2019
Vanuatu	January 2018	Signed		WB	Signed
Total allocated amount not yet signed			29.25		

Investment Income

- All investment income generated from both the Readiness and Carbon Funds is credited to the Readiness Fund
- \$32.9 million to date
- Significant investment income would continue to accrue to the fund until December 2020
- Difficult to predict and difficult to plan to spend
- Proposal: redirect investment income to Carbon Fund

Shared Costs

- Costs of activities that cut across and benefit both the Readiness and Carbon Funds (in practice FCPF Secretariat and REDD+ Methodology Support costs)
- Readiness Fund pays 65%, Carbon Fund pays 35% of Shared Costs, **unless the PC decides otherwise** (Charter Section 19.1(b))
- \$7.4 million to end of FY18, forecast \$2.4 million to end of term of Readiness Fund, forecast total \$9.8 million
- FMT proposes that the transfer of Shared Costs to the Carbon Fund to date of \$7.4 million be reversed and that no Shared Costs are charged to the Carbon fund in future (in other words that no Shared Costs are incurred by the Carbon Fund)

Financial Management Strategies to Reduce Unallocated Funding

FCPF Readiness Fund Unallocated Balance	\$ millions
Unallocated Funds from Sources and Uses table*	12.9
Additional resources available if Cameroon grant not signed	5.0
Unallocated funds if Cameroon grant not signed	17.9
less Shared Costs not charged to Carbon Fund	9.8
Unallocated Funds if proposal for Shared Costs agreed	8.1
less Cameroon grant (if signed)	5.0
Unallocated Funds if Cameroon grant signed and proposal for Shared Costs agreed	3.1

*assuming no further investment income accruing to Readiness Fund

Criteria for Use of Unallocated Funding

- Are World Bank- or Delivery Partner-executed
- Are likely to be disbursed by December 2020
- Address gaps in FCPF countries on priority areas that support REDD+ Readiness, with an emphasis on FCPF Carbon Fund pipeline countries where appropriate
- Over 40 proposed activities were reviewed against these criteria

Proposed Activities – MRV (up to \$3 million)

- Initial set of Country Needs Assessments (CNAs) (for up to 20 countries)
- A suite of activities that will address needs identified in CNAs that are not already funded, including:
 - Activity data improvements
 - Improvements to Inventory and biomass estimation
 - Data and systems – for data integration tools, systems and protocols
 - Next generation of MRV

Country Forest Notes (up to \$3 million)

Under the 2016-2020 Climate Change Action Plan, the World Bank Group committed to preparing Country Forestry Notes in at least 20 countries, focusing on the country needs to deliver on their Emission Reduction programs, including financing gaps and policy gaps.

Notes have been prepared in a few countries and the FMT proposes supporting the preparation of Notes for those countries in the Carbon Fund pipeline where notes have not yet been prepared.

Private Sector (up to \$3 million)

Focused on widespread platform support, as opposed to individual private sector firm support and is aimed at leveraging existing initiatives and financing

Find innovative entry points to engage the private sector to scale up the potential of REDD+

Identify and leverage barriers to private sector engagement

Generate or enhance sustainable initiatives, including supporting companies' commitments to implement their zero deforestation pledges

Focus in the following high-deforestation sectors:

- Cocoa
- Rubber
- Livestock
- Mining

IP/CSO Capacity Building (up to \$950,000)

To complement the ongoing Capacity Building Program (CBP), the following activities will aim to strengthen knowledge sharing across regions on key issues:

- 1. Global meeting** of the CBP implementing organizations/entities, including with FCPF observers, to identify lessons learned from the program and REDD+ Readiness
- 2. Regional dialogues** on lessons learned and best practices from REDD+ Readiness, with emphasis on key thematic areas such as land tenure, benefit sharing, and gender inclusion
- 3. Country-level ERPA training workshops in six countries** to raise awareness on a range of topics, including basic ERPA terminology, the types of rights recognized in ERPAs, the implication of ER programs in the country context, and how IPs/CSOs can contribute to the effective and accountable implementation of ERPA activities.

Transferring Funds from the Readiness Fund to the Carbon Fund

The FMT aims to avoid having significant funds remaining unspent in the Readiness Fund. However, if there are remaining funds and donors wish to transfer their funding to the Carbon Fund, the following is possible:

- Carbon Fund Participants can transfer their pro-rata share to the Carbon Fund (80% of RF contributions)
- Non-Carbon Fund Participants (20% of RF contributions) will likely not meet the minimum funding requirement of \$5 million for the Carbon Fund. Therefore, Carbon Fund Participants would need to agree unanimously to lower the minimum requirement, but this would then likely apply to all future Participants. This issue will need to be explored further with Carbon Fund Participants

Proposals for Consideration of the PC (1)

1. Projected costs for the remainder of the term of the Readiness Fund to include an additional \$5 million of expenditures to be approved through the normal budget approval process.
2. The deadline for signing the Cameroon grant is extended to the current last deadline for signing grants of March 28, 2019.
3. All investment income from cash balances in both the Readiness Fund and the Carbon Fund will be redirected to the Carbon Fund, beginning as soon as possible;
4. All Shared Costs over the lifetime of the Readiness Fund (estimated at \$9.8 million overall) will be borne by the Readiness Fund;

Proposals for Consideration of the PC (2)

5. The FMT will pursue implementing the following activities, up to a total of almost \$10 million (depending on actual available funding, as forecasts are refined over time):
 - a. Up to \$3 million to support the operationalization and institutionalization of MRV systems based on CNAs;
 - b. Up to \$3 million to support the preparation of Country Forestry Notes for Carbon Fund pipeline countries;
 - c. Up to \$3 million to support private sector activities
 - d. Up to \$950,000 to expand capacity building support to IPs/CSOs on Readiness and ER programs.

6. As the Readiness Fund nears its close in 2020, the FMT can revisit possible options for donors who have not contributed to the Carbon Fund to transfer any unspent balances in the Readiness Fund to the Carbon Fund



Thank you

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Revised Proposals for Consideration of the PC (1)

1. Projected costs for the remainder of the term of the Readiness Fund to include an additional \$5 million of expenditures to be approved through the normal budget approval process.
2. The deadline for signing the Cameroon grant is extended to the current last deadline for signing grants of March 28, 2019.
3. **Financial contributors will consider** investment income from cash balances in both the Readiness Fund and the Carbon Fund being redirected to the Carbon Fund, ~~beginning as soon as possible;~~
4. ~~All Shared Costs over the lifetime of the Readiness Fund (estimated at \$9.8 million overall) will be borne by the Readiness Fund;~~

Revised Proposals for Consideration of the PC (2)

5. The FMT will pursue implementing the following activities, up to a total of almost **\$13 million** (depending on actual available funding, as forecasts are refined over time):
- a. Up to **\$6 million** to support the operationalization and institutionalization of MRV systems based on CNAs;
 - b. Up to \$3 million to support the preparation of Country Forestry Notes for Carbon Fund pipeline countries;
 - c. Up to \$3 million to support private sector activities
 - d. Up to \$950,000 to expand capacity building support to IPs/CSOs on Readiness and ER programs.
6. As the Readiness Fund nears its close in 2020, the FMT can revisit possible options for donors who have not contributed to the Carbon Fund to transfer any unspent balances in the Readiness Fund to the Carbon Fund