



Forest Carbon Partnership Facility

**BioCarbon Fund
Initiative for Sustainable Forest
Landscapes (ISFL)**

Forest Investment Program (FIP)

Presentation for UN Forum on Forests
June 11-12, 2017

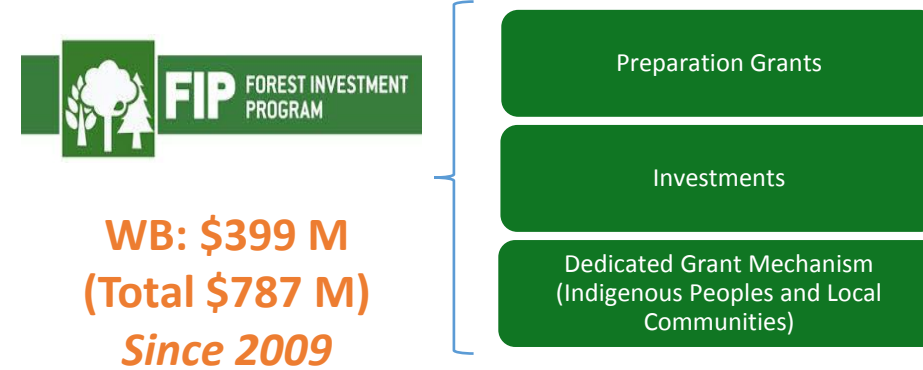


Fondos de Bosques y Financiamiento Climático de Paisajes del Banco Mundial (\$2.0 mil millones)

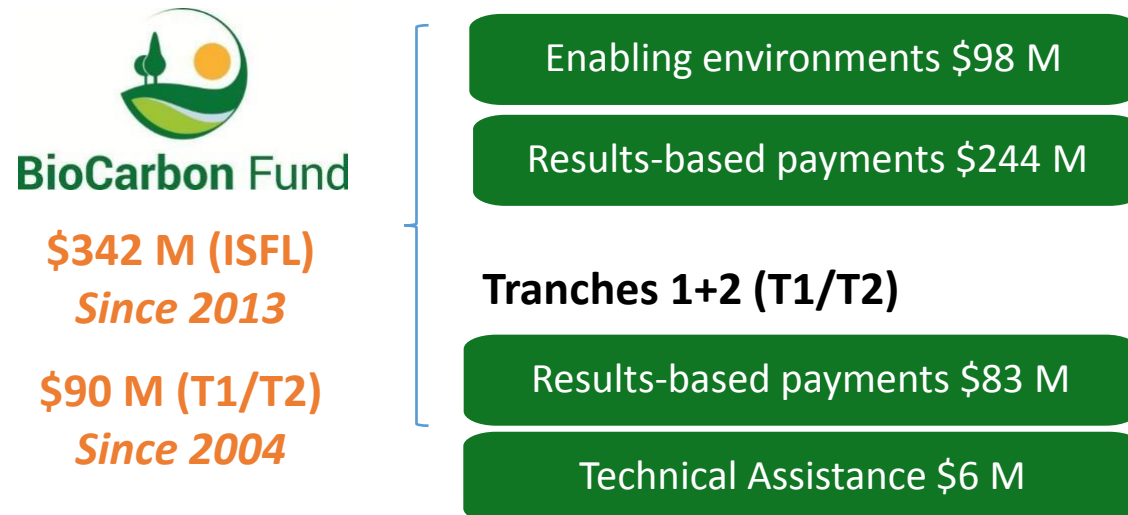
Forest Carbon Partnership Facility (FCPF)



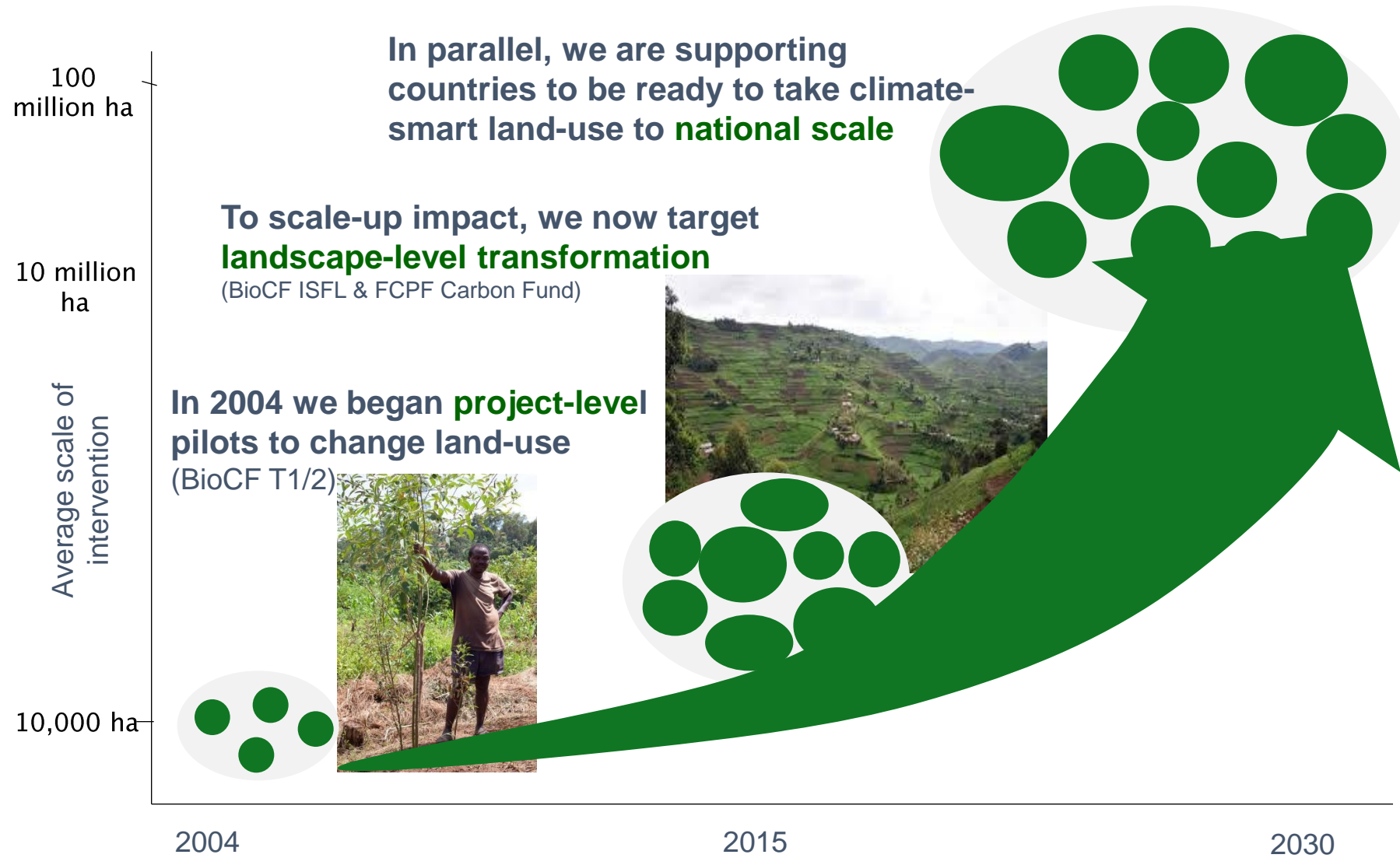
Forest Investment Program (FIP)



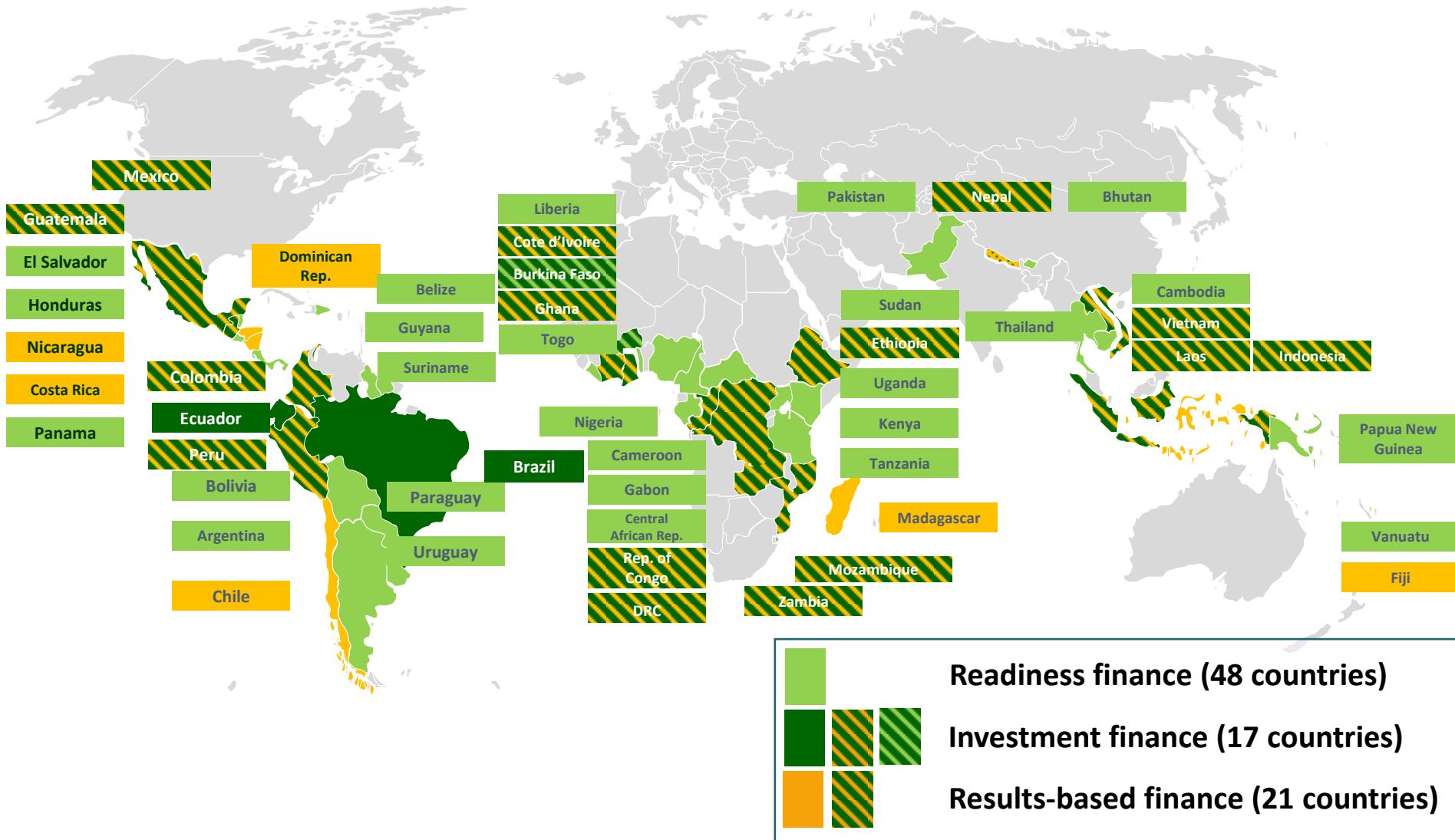
Initiative for Sustainable Forest Landscapes (ISFL)



Modelo de Escalamiento de los Programas



Fondos Forestales : Readiness (Preparacion) , Inversiones, y Financiamiento basado en Resultados



Iniciativa para Paisajes Forestales Sostenibles (Bio CF ISFL)

The ISFL aims to promote and reward reduced greenhouse gas emissions and increased sequestration through better land management, including REDD+, climate smart agriculture, and smarter land use planning and policies.

Total Fund Capital: \$342 million



BioCF*plus*-ISFL: Technical Assistance,
Capacity Building, Implementation

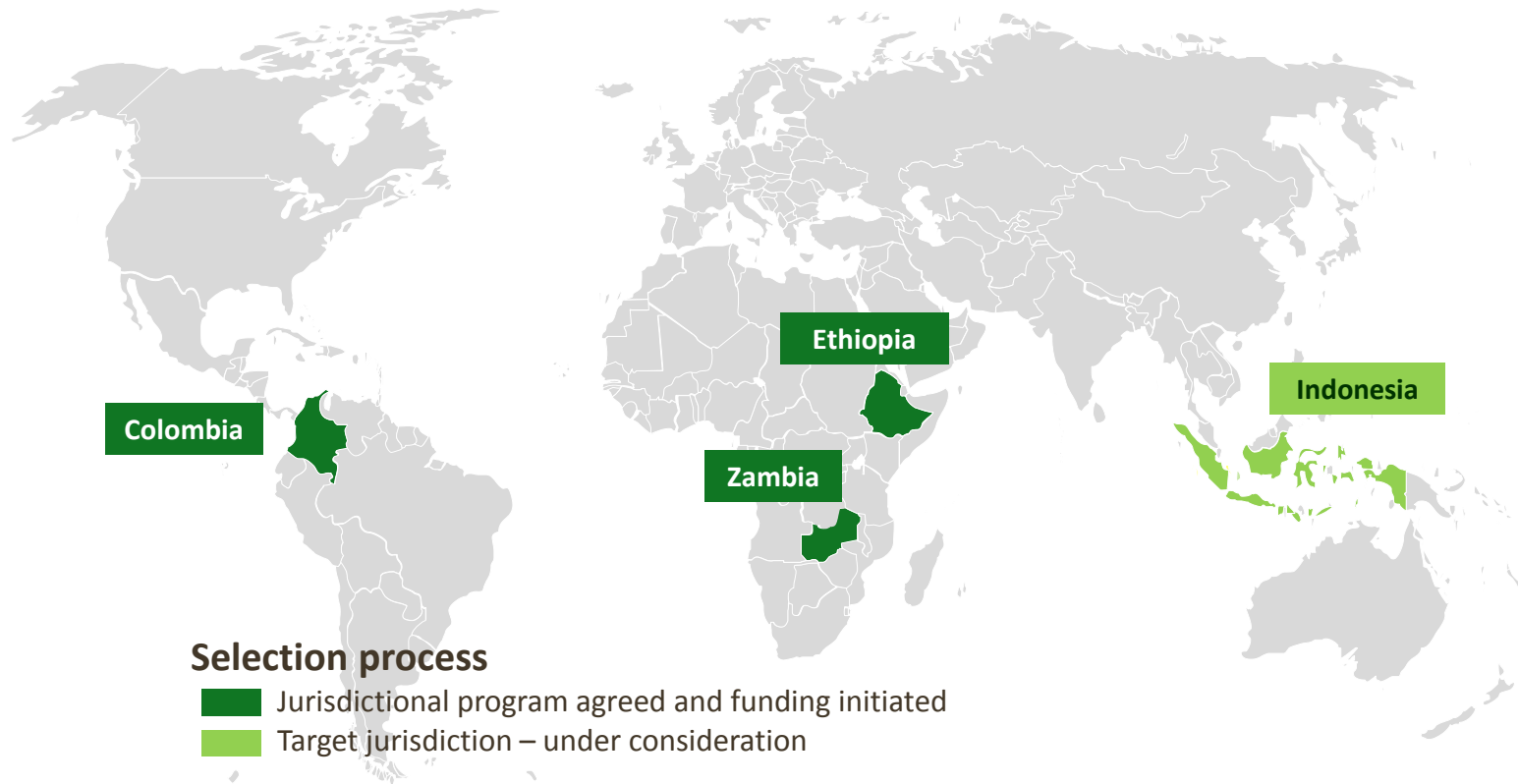
\$98M

BioCF T3: Result-based payments:

\$244M

- **Contributors:** Germany, Norway, United Kingdom, United States

Selección Inicial de Países BioCF ISFL



Selección de Países en ISFL

- **Initial Country Selection**

- *Capacity for large-scale programs: REDD+ Readiness*
- *Enabling environment and governance*
- *Agricultural drivers of land use change*
- *Private sector presence and engagement*

- **Looking to the Future**

- *The Paris Climate Agreement*
- *Public commitments and declarations (NY Declaration on Forests, Lima Challenge, Bonn Challenge)*
- *WB's Forest Action Plan and Climate Change Action Plan*

Diferencias entre FCPF & BioCF

FCPF

Fondo de Carbono

- Opera hasta **2025**
- Exclusivo REDD+
- Estructura de Gobernanza de la Alianza
- Países seleccionados competitivamente
- US\$ 60 millones – Tamaño de Proyectos promedio proyectados

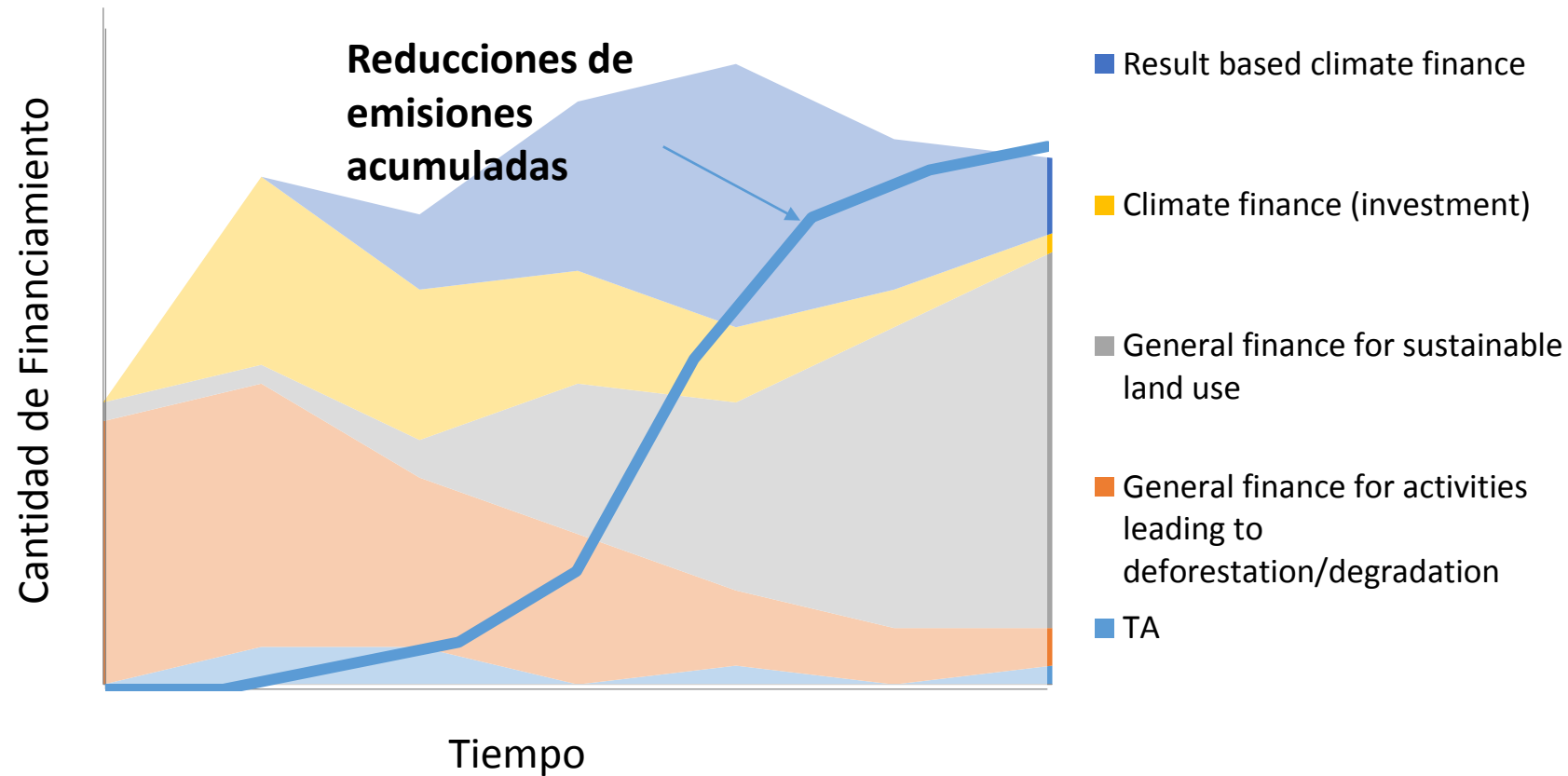
BioCF

Iniciativa de Paisajes Forestales Sostenibles

- Opera hasta el **2030**
- Intervenciones REDD+ entre otras – Paisajes (e.j. Agricultura y Energía)
- Países seleccionados bajo criterios estrictos
- Énfasis en inclusión del sector privado (en cadenas de valor, no como compradores de Reducción de Emisiones)
- US\$ 50 millones en promedio de recursos para pagos por resultados y fondos adicionales de Asistencia Técnica

Financiamiento Climático

- Las emisiones acumuladas en el largo plazo del Programa de Reducción de Emisiones, sólo podrán ser **creadas y mantenidas** a partir de una mezcla de diferentes tipos de financiamiento



Ejemplo Mezcla de Financiamiento Multilateral para el Sector Forestal en Mozambique

| | |
|---|--|
| FCPF REDD+ Readiness Grant | \$3.8 million + \$5 million (2013 – 2018) |
| Earth Observation for Drylands (GEF) | \$2 million (2016 – 2018) |
| Forest Investment Project (FIP) and Development Grant Mechanism for Indigenous Communities (DGM) | \$47 million + \$5 million (2017 – 2022) |
| Agriculture & Natural Resources Landscape Management Project (IDA) | \$40 million (2016 – 2021) |
| Conservation Areas for Biodiversity and Development Project (IDA and GEF) | \$40 million + 6 million (2015 – 2019) |

Note: A portion of funds from the projects and programs funded through IDA, FIP, and GEF are expected to support the implementation of Mozambique ER program.

Planes Financieros presentados en los Programas de Reduccion de Emisiones del FCPF

- ER Programs present financing plans in Section 6.2 with a summary in Annex 1
- Public finance is the major source of funding to programs. The government budget and bilateral and multilateral financing are the major sources of finance to programs
- Private finance forms a small portion of program finance (exception – majority of funding in Ghana ER program is from private sources)
- Wide range of approaches to program financing
 - Attribution of a portion of national budget/public funds to program – Madagascar, Costa Rica
 - Incremental (additional) costs of implementing program – DRC, RoC, Ghana
 - Mix of national budget and incremental cost – Vietnam, Nepal

Planes Financieros de los Programas de Reducción de Emisiones propuestos al Fondo de Carbono

USD Million

| No. | ER Program | Program duration (years) | Use of funds (cost of program) | Source of Financing | | Financing Gap 1 (with ER payment) | Financing Gap 2 (without ER payment) |
|-----|--------------|--------------------------|--------------------------------|------------------------------|----------------------|-----------------------------------|--------------------------------------|
| | | | | All public & private sources | Expected ER payments | | |
| 1 | Chile | 9 | 174 | 37 | 60 | 77 | 137 |
| 2 | Costa Rica | 10 | 297 | N/A | 23 | N/A | N/A |
| 3 | D R Congo | 10 | 89 | 78 | 97 | 0 | 11 |
| 4 | Ghana | 5 | 237 | 187 | 50 | 0 | 50 |
| 5 | Madagascar | 10 | 189 | 159 | 87 | 0 | 30 |
| 6 | Mexico | 5 | 426 | 420 | 50 | 0 | 6 |
| 7 | Mozambique | 10 | N/A | 40 | 44 | N/A | N/A |
| 8 | Nepal | 10 | 177 | 131 | 70 | 0 | 46 |
| 9 | Rep of Congo | 10 | 151 | 86 | 65 | 0 | 65 |
| 10 | Vietnam | 8 | 454 | 313 | 103 | 38 | 141 |
| | Total | | 2194 | 1451 | 649 | 115 | 486 |

Elementos para el Análisis de Financiamiento de los Programas de Reducción de Emisiones

Use of funds

- Implementation costs
- Institutional costs
- Transaction costs

Source of funds

- National
 - Public – government, other public, quasi-public
 - Private
- International
 - Public – bilateral, multilateral
 - Private

Sensitivity analysis

- Costs and revenues
- Source of finance
- Discount rates

Fund flow arrangements

Opciones para Solventar la Brecha Financiera

Options to address financing gap

National

- Domestic public resources
- Loans/credits/grants (bilateral/multilateral)
- Private

World Bank Facilitated

- Bonds
- Guarantees

Carbon Fund

- Advances

Opciones para Solventar la Brecha Financiera .

Bono facilitado por el Banco Mundial

- Bond is a debt instrument in which an investor loans money in return for a periodic interest and repayment of principal at maturity
- Bond proposed for ER programs does not increase the debt burden of the forest countries as the bond repayment is expected to be linked to a portion of ER payments
- Bond facilitates public and private investors to provide upfront finance to ER programs through IBRD taking into account variables such as:
 - **Maturity:** Aligned with the duration of ERPA contracts
 - **Coupon (interest):** As agreed with investors
 - **Redemption at maturity:** An amount linked to ERPA payment with bond investors sharing the risk/reward of ER Programs with ER programs
 - **Principal protection:** Bond investors receiving a minimum amount of principal to avoid significant downside risk
- Key actors
 - **Issuer:** IBRD - Issues bond on behalf of the FCPF Carbon Fund and receives and transfers bond proceeds to the Carbon Fund for distribution to programs
 - **Underwriter:** Investment Bank – Assists in the design of bond and provides market intelligence
 - **Guarantee provider:** Entity that extends guarantee to address the risk of repayment of the principal to the bond investors

Opción para Solventar la Brecha Financiera Garantías Facilitadas por el Banco Mundial

- Guarantee can **leverage additional finance** by mitigating risks of private investors
- Guarantee addresses investment barriers, improve market access and promote **public-private** partnerships
- As a **risk sharing instrument**, guarantee can partially cover identifiable risks and contingencies of ER programs, e.g. guarantee to cover the repayment risk of a portion of bond principal
- Guarantee improves the **attractiveness of other financing instruments** (e.g. bond) to potential investors of ER Programs
- **Carbon Fund Guarantee** can address the specific risks private sector investment in ER programs (e.g. bond finance) and can facilitate sustainable sourcing (e.g. off-take agreements for sustainable products)



THANK YOU!

www.forestcarbonpartnership.org