

# CLIMATE INVESTMENT FUNDS

FIP/SC.14/3  
April 20, 2015

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Meeting of the FIP Sub-Committee  
Washington, DC  
Friday, May 15, 2015

Agenda Item 3

## **FIP SEMI-ANNUAL OPERATIONAL REPORT**

**(SUMMARY)**

**PROPOSED DECISION**

The FIP Sub-Committee reviewed document, FIP/SC.14/3, *FIP Semi-Annual Operational Report*, and welcomes the progress that has been made in advancing the work of the FIP in the pilot countries.

## **I. INTRODUCTION**

1. This document provides an update on the status of the Forest Investment Program (FIP), the portfolio of the FIP-funded programs and projects under the endorsed investment plans, and related activities. The report covers the period from October 1 to December 31, 2014.

2. The reporting period has been adjusted to reflect a biannual reporting framework. The Semi-Annual Reports will report on project approvals as of end December for the first semi-annual reporting and as of end June for the second one. The shortened reporting period for the current Semi-Annual Report is an effort to avoid double counting for project approvals, as the last report covered the period from April 1-September 30, 2014.

## **II. STRATEGIC ISSUES IN THE FIP**

### ***Expansion of the FIP***

3. The CIF AU invited countries eligible to the FIP to submit expressions of interest<sup>1</sup> in accordance with these criteria. A total of 36 countries submitted expressions of interest, which includes 14 from the Africa region, 3 from South Asia and 3 from South-East Asia/Pacific; 4 from Europe and Central Asia; 3 from the Mediterranean and North Africa; and 9 from Latin America and the Caribbean. These submissions underline a strong demand for financing from the FIP. An Expert Group was established to assess the expressions of interest submitted and prepared a report with its recommendations, FIP/SC.14/5, to be presented to the Sub-Committee.

4. There is a high demand for additional resources in existing FIP pilot countries. As a result, the FIP Sub-Committee decided in November 2014 to make available previously unallocated resources to existing FIP pilot countries on a competitive basis. Of the 8 pilot countries, 6 pilot countries (Brazil, Burkina Faso, DRC, Ghana, Lao PDR and Peru) have submitted project/program concept proposals. An independent Expert Group has prepared a report with its recommendations, FIP/SC.14/6, to be presented to the FIP Sub-Committee.

5. The current amount of unallocated resources in the FIP is \$251 million<sup>2</sup>, which includes the new contribution from the UK. Of this, there is \$56 million of unallocated resources and previously pledged resources for existing FIP pilot countries under the competitive allocation process. However, the Sub-Committee may decide to allocate additional resources for existing FIP pilot countries under the competitive allocation process.

### ***Private sector engagement***

6. The CIF AU, in collaboration with MDBs, is seeking to better understand ways to strengthen private sector engagement in the FIP. The CIF AU is co-funding a study with IBRD, *Stimulating private sector engagement in REDD+ sustainable forest management and landscape restoration efforts*, which will seek to broaden the understanding of how productive uses of forests and forest products could significantly contribute to increased climate change mitigation

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<sup>1</sup> Drafts for these were presented in in Annex 3 of the *Further Elaboration of Options for the Use of Potentially New Funds under the Forest Investment* but will be edited based on the agreed upon criteria.

<sup>2</sup> As of December 2014. Net of reserves and gross of administrative expenses.

outcomes. The terms of reference are being prepared and the necessary steps for launch of a competitive bidding process for the selection of a consulting firm.

7. The CIF AU and the multilateral development banks (MDBs) have also proposed a Strategic Climate Fund (SCF) Private Sector Facility, the structure of which will follow a first come, first serve approach and will open eligibility to more countries.

### ***FIP in the wider REDD+ architecture***

8. To better understand the FIP's relationship and position within the wider REDD+ architecture, the CIF AU has commissioned two studies on how the FIP links with the phases of REDD+: (1) *Linkages between REDD+ Readiness and the Forest Investment Program*<sup>3</sup> and (2) *Linkages between the FIP and Performance based mechanisms*<sup>4</sup>. The latter is intended to assess and summarize the linkages between FIP investments and performance-based payments. Specifically the report intends to clarify the role of different forms of finance and how finance can be coordinated where multiple sources of finance are present in a given country.

9. Additionally, the CIF AU has been in discussion with the UN Standing Committee on Finance regarding Financing for Forests, in particular to share lessons learned in implementation for forests financing. The CIF AU participated in the SCF meeting in March 2015 and made a presentation on the FIP, and is exploring ways to contribute to the Forum on financing for forests to be organized in September 2015.

### ***Progress and challenges in project delivery***

10. The Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) is operational and progressing. In 2015, at least 2 of the remaining 7 DGM country programs are expected to be approved by the FIP Sub-Committee (Peru and Indonesia). Additionally, in March 2015, the 2 DGM projects that had been approved by the Sub-Committee were also approved by the MDB: *Brazil: DGM for indigenous peoples and local communities: (IBRD)* and *Global Component: DGM for indigenous peoples and local communities: (IBRD)*. Under the Program Framework for the DGM, the *Global Learning and Knowledge Exchange Project* was also approved by the IBRD board.

11. Nearly 60% of FIP funding has been approved by the FIP Sub-Committee. At the time of the last Sub-Committee meeting, 53% of FIP funding had been approved by the FIP Sub-Committee. Five countries have received FIP funding approval for more than 50% of their allocated FIP resources (Brazil, Burkina Faso, DRC, Ghana, and Mexico). Of these, four have received FIP funding approval for more than 85% of their allocated FIP resources (Brazil, Burkina Faso, DRC, and Mexico). Three countries have received funding approval for the full indicative allocation at time of endorsement (Burkina Faso, DRC and Mexico). This important

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3 Climate Focus, B.V. 2014. *Linkages between REDD+ Readiness and the Forest Investment Program*, November 2014. Climate Investment Funds, Administrative Unit.  
<[https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Linkages\\_between\\_REDD\\_readiness\\_and\\_FIP\\_Nov2014.pdf](https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Linkages_between_REDD_readiness_and_FIP_Nov2014.pdf)>

4 Climate Focus, B.V. 2015. *Linkages between FIP and Performance based mechanisms*. Climate Investment Funds, Administrative Unit.

milestone suggests that these projects and programs have moved through the preparation process in a timely manner and are now either in or about to start implementation.

12. Currently, there are 10 projects which have been in the FIP pipeline for more than 16 months. A total of USD 140.9 million in FIP resources is affected by the delays (28% of FIP resources). In addition, the MDBs did not provide an estimated Sub-Committee approval submission date for 6 projects, totalling USD 39.1 million (7.8% of FIP resources).

### ***Monitoring and reporting***

13. FIP results reporting is now an integral part of the FIP operational cycle. It is a strategic achievement to have all eight FIP pilot countries reporting back annually to the Sub-Committee on progress implementing their investment plans. The CIF AU has commissioned a study to conduct a comparative analysis of the ex-ante GHG emission reduction accounting methodologies used in FIP projects. The recommendations from this study are expected to help harmonize ex-ante and MRV GHG emission reduction accounting for FIP projects.

14. Additionally, the CIF AU has recently acquired greater capacity in order to support country results reporting beyond the support provided by MDBs and has already agreed to support Lao PDR. The type and scope of support to be provided in other countries will be determined.

### ***Knowledge management***

15. Planning continues for the upcoming FIP Pilot Countries Meeting in Kinshasa, DRC in June 2015, in conjunction with the Government of DRC. Country representatives will soon be invited and a field visit confirmed. The two days of discussions will explore themes of particular import to the FIP countries including the orientation of new countries, forest landscapes, country ownership, forest-based science and technology and engaging the private sector.

## **III. STATUS OF THE FIP**

16. The pledge volume to the FIP as of December 31, 2014 is USD 785 million<sup>5</sup>, of which USD 501.3 million have been endorsed. The FIP Sub-Committee has approved USD 296.6 million<sup>6</sup> (59% of FIP funding) for a total of 17 projects and the MDBs have approved USD 208.4 million (42% of FIP funding) for a total of 12 projects and programs.

17. Investment Plans for all eight FIP pilot countries have been endorsed. The call for proposals under the FIP private sector set-aside resulted in 5 endorsed concept notes (one has since then been dropped) for USD 31.3 million which will further enhance private sector engagement in forest-related climate activities. Nine further projects will implement the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) for a total of USD 50 million.

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<sup>5</sup> Currency exchange rate as of December, 2014

<sup>6</sup> Without Project Preparation Grants (PPGs)

18. During the reporting period (October 1 to December 31, 2014), the Sub-Committee reviewed and approved FIP funding for the project in Ghana: *Enhancing Natural Forest and Agro-forest Landscapes Project*, (IBRD) in December 2014, for a total of USD 30 million<sup>7</sup>. After the reporting period, one Project Preparation Grant and one project received FIP funding approval in the amount of USD 1.3 million. Additionally, three projects were approved by their respective MDB boards for a total of USD 40 million.

#### **IV. FIP PORTFOLIO OVERVIEW AND ANALYSIS**

19. Of the 25 projects and programs under endorsed investment plans in the FIP portfolio, 14 projects and programs have approved FIP funding; 12 of those projects and programs have also received final project approval by the respective MDB, and 11 projects and programs are under preparation for submission to the FIP Sub-Committee for funding approval.

20. For the remainder of FY15, there are 9 projects in the pipeline totalling USD 117.24 million for Sub-Committee approval, including 1 project for USD 10 million under the private sector set-aside and 1 project for USD 5.50 million under the DGM. By end FY15, there should be a total of 26 projects approved (USD 413.19 million, 82% of total FIP funding). Looking ahead to FY16, six projects and programs are scheduled for FIP funding approval by the Sub-Committee, including one project (USD 6.3 million) under the DGM and two projects (USD 6 million) under the private sector set-aside, totalling 48.63 million in FIP funding.

#### ***Co-financing summary***

21. The projected cofinancing ratio at the time of the endorsement of the FIP investment plans was 1: 2.2. The ratio of total FIP funding to co-financing for approved projects is 1:2.8. The strong leverage of MDB resources is consistent with the principle of the CIF to build on existing MDB pipelines and operations.

#### ***Actual and projected disbursements***

22. As of December 31, 2014, the cumulative disbursement for FIP projects and programs stands at USD 13.9 million. This represents a 63% increase from the cumulative disbursement of USD 8.5 million at the end of 2013.

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<sup>7</sup> Details on the projects and programs agreed on for each FIP pilot country as part of their investment plan, the DGM and the FIP private sector set-aside are provided in information document FIP/SC.14/Inf.2, FIP Pilot Country Portfolios.