

CLIMATE INVESTMENT FUNDS

FIP/SC.10/3
April 3, 2013

Meeting of the FIP Sub-Committee
Washington, D.C.
May 1, 2013

Agenda Item 4

FIP SEMI-ANNUAL OPERATIONAL REPORT

(SUMMARY)

PROPOSED DECISION

The FIP Sub-Committee reviewed document, FIP/SC.10/3, *FIP Semi-Annual Operational Report*, and welcomes the progress that has been made in advancing the work of the FIP in the pilot countries. The Sub-Committee requests the CIF Administrative Unit, in collaboration with the MDB Committee, to:

- a) prepare as an FY14 CIF knowledge product an in-depth study of the process, experience and lessons learned in developing FIP investment plans; and
- b) continue to consult with the FIP pilot countries, including at the next meeting of the FIP pilot countries, on current approaches being used to measure and report results with a view to seeking to simplify the FIP results framework. The CIF Administrative Unit is requested to report on the consultations and any recommendations at the next meeting of the Sub-Committee.

The Sub-Committee requests the Government of Peru, working in collaboration with IDB and the WBG, to finalize the development of its investment plan for review and endorsement at its next meeting.

I. INTRODUCTION

1. This note provides an update on the status of the Forest Investment Program (FIP) and related activities, in particular the pipeline of FIP-funded projects and programs under endorsed investment plans. The report covers the period from September 15, 2012 to March 15, 2013.

II. STATUS OF THE FOREST INVESTMENT PROGRAM

Program Progress

2. The FIP is a dynamic program with a solid and active pipeline of twenty (20) projects and programs. Emerging experiences and lessons from FIP programming and early implementation reflect and confirm the opportunities and complexities associated with REDD+.

3. Seven of the eight FIP pilot countries have endorsed investment plans and are at different stages of implementation. One country program, Mexico, has received FIP funding approval for all projects to be supported under its investment plan. Peru is the last FIP pilot country still in the process of developing its investment plan.

4. Supported by the MDBs, the other six FIP pilot countries (Brazil, Burkina Faso, DRC, Ghana, Indonesia and Lao PDR) are in the process of preparing projects and programs for FIP funding approval by the Sub-Committee. The recently updated pipeline shows that the majority of the projects and programs are expected to meet the agreed milestones for funding approval by the Sub-Committee, evidence that the FIP pipeline is robust. There is a high level of confidence that the projects and programs can be delivered in the agreed time frame.

5. The report addresses three strategic lessons that are emerging from the FIP experience.

Link between REDD+ readiness and implementation

6. During the meeting of FIP pilot countries in November 2012, country focal points shared their perceptions of challenges they have encountered moving the FIP process forward, major tasks ahead, as well as the initial benefits from their participation in the FIP.

7. Overwhelmingly, focal points reported that the FIP programming process has enhanced the importance of the REDD+ agenda in their country, linking relevant initiatives together and providing additional motivation for a comprehensive engagement and dialogue on the issue across multiple stakeholder groups. The FIP process has contributed significantly by adding a concrete and practical dimension to the complexity of the readiness processes.

8. Six out of the eight FIP pilot countries (DRC, Ghana, Indonesia, Lao PDR, Mexico and Peru) are supported by the FCPF and/or UN-REDD Programme for their readiness activities.

Challenges and opportunities with developing investment plans

9. There is a great variance in the time it has taken the eight pilot countries to develop their investment plans in accordance with the policies and procedures for the FIP. It can be attributed to differences in country circumstances regarding institutional readiness, stakeholder involvement, approaches to consultation, and the progress in implementation of other REDD+ readiness activities. It underscores the importance of allowing the programming process to follow its own pace to respect divergent national circumstances.

- *Group 1 (12 months or less of selection as a pilot country to endorsement of the investment plan)*

10. DRC was able to build on advanced readiness processes supported by the FCPF and the UN-REDD Programme. In addition, the decision to strategically focus the FIP investment plan on deforestation and forest degradation processes around larger cities associated with charcoal production has allowed DRC to go through the programming process without major delays.

- *Group 2 (13 to 24 months from selection as a pilot country to endorsement of the investment plan)*

11. Brazil is a country which has invested substantial national resources in advancing its commitment to reduce deforestation and forest degradation at the national, state and local levels. Brazil's policy, legal and regulatory framework as well as its institutional capacities further highlight Brazil's leadership role in REDD+. The Government of Brazil made a strategic decision to focus the FIP investments on the *Cerrado* biome, which has experienced high deforestation and forest degradation rates due to conflicting land uses. FIP investments will support Brazil's effort in the *Cerrado* to address those threats. As with DRC, an early focus on the area for investments appears to have greatly facilitated the development of the investment plan.

12. Lao PDR was benefitted from the FCPF process by building on its readiness process as well as other activities implemented by the World Wildlife Fund and the Ecosystem Restoration Associates. The process of developing the investment plan did address challenges associated with Lao PDR's institutional capacity and policy, legal and regulatory.

13. The FIP investment plan preparation process in Mexico benefitted from ongoing REDD+ readiness activities. The Government built on stakeholder consultations supported through the FCPF and the resulting Readiness Preparation Proposal (R-PP). The national dialogue platform for multi-stakeholder groups established through the readiness process also helped in the consultations on the draft FIP investment plan.

- *Group 3 (more than 24 months from the time of selection as a pilot country to endorsement of the investment plan)*

14. In June 2011, the FIP Sub-Committee provisionally endorsed the investment plan for Burkina Faso and requested additional technical information on Burkina Faso's REDD+ readiness to further inform the investment plan and proposed FIP investments. Subsequently, the Government of Burkina Faso decided to launch the preparation of a Readiness Preparation Proposal (R-PP) equivalent, which was submitted in June 2012 to the 12th Participants Committee of the FCPF for consultation and advice. Through the R-PP process, Burkina Faso was able to determine the main drivers of deforestation and target FIP investments accordingly. The revised investment plan for Burkina Faso was endorsed by the Sub-Committee in November 2012.

15. Ghana's FIP programming process involved several consultations on the scope of the future FIP investments, including the identification of the geographic areas to be addressed. The mapping of synergies between FCPF and FIP contributed to the advancement of both process, FCPF and FIP, especially in the area of safeguards to ensure social and environmental integrity as well as work on benefit sharing and the development of REDD+ strategy options. The investment plan was endorsed by the Sub-Committee in November 2012.

16. The development of Indonesia's investment plan was closely linked to the FCPF readiness process, and the work of the REDD+ Task Force. Due to this close link and the associated challenges (e.g. with the REDD+ institutional and legal framework for the future implementation of REDD+ in Indonesia), and the expressed need for additional consultations on the draft investment plan, its endorsement by the Sub-Committee was postponed from March to November 2012.

17. Peru's investment plan is still forthcoming. The development of the investment plan has proven to be complex due to a combination of factors. Elections were held in 2011, and the new government needed to review and endorse the prior work of the FIP programming process. Other challenges for Peru include unsolved land tenure and ownership issues, high pressure on forests from poverty driven small-scale agriculture and from commodities and mining. In addition, Peru experienced a number of changes in its policy, legal and institutional framework. Linked to the changes in government, the forest legislation was subject to change which had a major influence on the approach for FIP.

Progress on FIP Results Measurements

18. At its meeting in November 2012, the Sub-Committee agreed that an overview of the current approaches to measuring results in endorsed investment plans would be a good starting point to improving on, and ultimately simplifying, the FIP results framework.

19. The paper "*Approaches to Measuring and Reporting Results in endorsed FIP Investment Plans*" has been shared with the FIP Sub-Committee as a working document (FIP/SC.10/4).

III. PROGRESS ON PROJECTS AND PROGRAMS

20. During the reporting period three projects were scheduled for approval by the Sub-Committee of which two were actually submitted. By the end of the reporting period (March 15, 2013), one project was approved and the second project was scheduled for approval in April 2013. Based on the most recent pipeline update, it is expected that during the upcoming reporting period¹ thirteen (13) projects and programs will be submitted to the FIP Sub-Committee for review and FIP funding approval. Seven projects and programs are expected to be approved by the MDBs.

Progress on the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM)

21. On November 2, 2012, a Transitional Committee comprised of representatives from indigenous peoples groups and local communities met in Istanbul, Turkey, to set a common framework and agree on operational guidelines allowing the DGM activities in the eight FIP pilot countries to move forward. The operational guidelines will be a key part of the project document to be submitted for FIP funding approval by the FIP Sub-Committee.

22. The decision on which MDB will implement the DGM in Mexico and Peru is still being discussed.

Update on the FIP Private Sector Set-Aside

23. The procedures for allocating FIP resources on a competitive basis from a set-aside to enhance private sector engagement in the FIP were approved in November 2012. In accordance with the agreed procedures, several actions have been undertaken to initiate the first round of proposals under the set-aside.

24. MDBs have agreed on a timeline and “common format” for the submission of project and program concepts. A dedicated webpage (<https://www.climateinvestmentfunds.org/cif/content/fip-private-sector-set-aside>) provides relevant information to the wider public.

IV. TRACKING PROJECT DELIVERY

25. As of March 15, 2013, FIP funding for three projects has been approved by the Sub-Committee totaling USD 60 million in FIP resources (USD 32.16 million in grant resources and USD 27.84 million in near-zero interest credits). These resources are expected to leverage a total of USD 706 million in co-financing (ratio 1:11.8).

¹ March 16 – October 15, 2013

Pipeline Management - Traffic Lights

26. For the seventeen projects and programs in the FIP pipeline for which funding is not yet approved by the Sub-Committee approval, fourteen are expected to be approved within the milestones agreed for approval while the following three projects are expected to exceed the milestone.

FY 13 Funding requests – Projections and Actuals

27. Table 2 presents the FIP funding requests for FY 13 as initially projected in the May 4, 2012 *FIP Semi-Annual Report*, and the revised projections as of March 2013 as well as the actual delivery to date and expected requests for the remainder of FY13. Despite the slippage the projects in question have kept a “green” light for FIP funding within the agreed benchmark.

Table 2: FY 13 – FIP Funding Requests and Actuals

	Initial Target for FY13 (May, 2012)	Revised Target for FY13 (March, 2013)	Actual Approvals FY13	Expected for Remainder FY13
Funding USD millions	170.8	59.56 ²	22.2	37.36
%	100	35	13	22

Outlook for FY 14 and FY 15

28. Taking into account the slippage in FY 13, for FY 14, 13 projects and programs are now expected to be submitted for FIP funding approval. These projects will request USD 248.14 million of which USD 176.16 will be grant funding and USD 71.98 million in near-zero interest credits. One project is scheduled for FIP funding approval in FY 15. Annex 2 presents the schedule for FIP funding approval of projects and programs for FY 14.

² Some projects were originally scheduled for FIP funding approval in FY 13 but have been rescheduled for approval in FY 14. Despite this shift, the projects may keep a “green” light for timely delivery to the Sub-Committee for funding approval as they are scheduled to be approved within the agreed benchmark.