

# CLIMATE INVESTMENT FUNDS

FIP/SC.17/5/Rev.1  
December 28, 2016

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## **PIPELINE MANAGEMENT POLICY (FIP)**

**PROPOSED DECISION**

The FIP Sub-Committee having reviewed the revised document, FIP/SC.17/5.Rev.1, *Pipeline Management policy (FIP)*, approves the proposal for effectively managing the pipeline under the Forest Investment Program.

## **1. Introduction**

1. At its meeting in June 2016, the SCF Sub-Committees expressed concern over slow progress in the implementation of investment plans, projects and related disbursements and requested the CIF Administrative Unit to include detailed information on the reasons for such slow progress in subsequent semi-annual operational reports.
2. The Sub-Committees encouraged the Multilateral Development Banks (MDBs) and the SCF pilot countries to take all possible measures to expedite the implementation of projects and the disbursement of funds. In this context, the SCF Sub-Committees requested the CIF Administrative Unit, working with MDBs and the Trustee, to prepare a pipeline management and cancellation policy for the SCF Programs, taking into account the nature of the SCF projects and programs.
3. This policy paper is prepared in response to the Sub-Committees' request and proposes a number of measures for SCF pipeline management, and cancellation of resources. This document will apply to the Forest Investment Program (FIP) and Pilot Program for Climate Resilience (PPCR) in order to ensure a harmonized policy and operational framework. Program-specific details that reflect the unique nature and requirements of each SCF program are provided as Annexes.

## **2. Background and Context**

4. FIP and PPCR Investment Plans<sup>1</sup> are submitted by governments, with the assistance of MDBs working in the country, and endorsed by the appropriate Sub-Committee as a basis for the further development of proposals. Project and program proposals are submitted to the CIF Sub-Committee for approval of CIF funding at the pre-appraisal stage.
5. The Sub-Committees for FIP and PPCR have agreed on principles for the allocation of resources to the selected pilot countries taking into account, among other things, the pledges per targeted program. The allocation of resources to the initial round<sup>2</sup> of pilot countries is expressed through a range with an upper and lower ceiling, recognizing that actual funding decisions are to be made on the basis of project and program proposals. The Sub-Committees have underscored that the quality of the proposed activities will be a significant factor in the funding to be approved when project proposals are submitted for approval of SCF funding.
6. As investment plans continue to be prepared, with resource constraints, it is timely to agree upon a strategy for actively managing the project and program pipeline in a manner that maximizes the efficient and effective use of available resources over time.

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<sup>1</sup> Investment Plans for FIP; Strategic Programs for Climate Resilience (SPCR) for PPCR

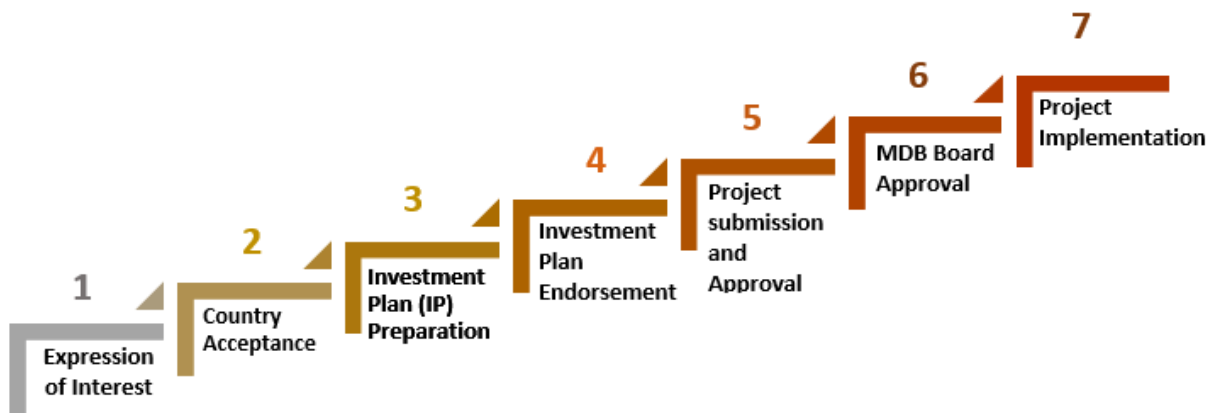
<sup>2</sup> Some of the recently selected pilot countries into the SCF programs will not have guaranteed funding

7. In November 2011, the SCF Trust Fund Committee approved a pipeline management policy for targeted programs under the SCF<sup>3</sup>. The document defined a strategy for actively managing the project and program pipeline in a manner that maximizes the efficient and effective use of available resources over time. The policy document further outlined the approach and principles that have defined SCF pipeline management. The pipeline management system proposed in the existing document has served as a tool in ensuring that projects and programs submitted to the Sub-Committees for approval of SCF funding do not exceed available resources in the Trust Fund. The tool also serves as a tracking platform not only for pledges but also for allocation updates and pipeline related information including analyses.
8. This updated policy paper will provide a framework for the implementation of the existing SCF policy as it pertains the FIP and PPCR, and to enhance pipeline management and prioritization of the FIP and PPCR portfolios. This will contribute to the effective and efficient oversight of the PPCR and FIP programs by providing the Sub-Committee members and country teams responsible for preparing investment frameworks, with predictability and confidence in the management of the funds.

### 3. CIF Programming Cycle

9. The programming cycle of SCF programs broadly comprise the stages depicted in Figure 1 below:

**Figure 1: MDB Supported CIF Programming Cycle**



<sup>3</sup> Pipeline Management of the Targeted Programs under the Strategic Climate Fund.

10. The proposed procedures for pipeline management targets the periods between:
  - Country acceptance into the CIF and endorsement of an Investment Plan (Stages 2 to 4);
  - IP endorsement and funding approval (Stages 4 to 5); and
  - Funding approval by the Sub-Committee and MDB Board Approval (Stages 5 to 6).
11. Following MDB Board Approval of a project, the MDB's own cancellation policies will be applied during project implementation. Changes to the investment plan deemed to be strategic by the country or MDBs should be presented to the SCF Sub-Committees for review and endorsement in line with the procedures outlined in the document *Pipeline Management of the Targeted Programs under the Strategic Climate Fund* as restated in Section 5 below. Progress on development of IPs and projects will be reported in the CIF periodic operational reports.

#### **4. Elements for Pipeline Management in the SCF**

12. In this section, details of the proposed pipeline management for identified stages will be presented. The pipeline management procedures prior to endorsement of investment plans focus primarily on the public sector.

##### **4.1 Pipeline management Prior to Endorsement of Investment Plans**

13. The following procedures are proposed to define pipeline management procedures prior to endorsement of investment plans:
  - New pilot countries accepted into the FIP and PPCR programs should submit their investment plans for endorsement within a 24-month (2-year) timeframe from the date of acceptance into the SCF, or as directed by the Sub-Committee.
  - Should any of the pilot countries be unable to submit their Investment Plan (IP)<sup>4</sup> for endorsement within the two-year period, these countries may request an extension using templates included in this document. This will be presented to the relevant SCF Sub-Committee, no later than 3 months before the deadline, who will determine if an extension can be granted and if so, for what timeframe.

##### **4.2 Pipeline management after IP endorsement**

14. The CIF Administrative Unit, and the relevant MDB Committees, will continue to prepare a project submission calendar for all the projects in the pipeline, to be presented to the relevant Sub-Committees through the CIF operational reports.

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<sup>4</sup> Investment Plans for FIP; Strategic Programs for Climate Resilience (SPCR) for PPCR.

15. Project and program readiness will continue to be considered as the primary criterion for the commitment of FIP and PPCR resources to IPs. Resources should only be committed for projects or programs that are ready to move forward to final approval and implementation so that FIP and PPCR resources are effectively and efficiently used for on-the-ground activities. Hence, programming projections should be as realistic as possible with regard to the timing of project or program processing and should include information on the expected timeline for committing resources. Private sector programs encompassing an envelope of funding for a number of projects should be presented to the respective Sub-Committee for approval only when projects utilizing at least one third of the program's resources have been identified and are mandate-ready. Public sector projects and programs will be presented to the respective Sub-Committees for approval before appraisal and negotiations of the investment terms.
16. For projects and programs entering the FIP and PPCR program pipelines following the endorsement of the investment plans<sup>5</sup>, the following timeframes and measures are proposed to enhance pipeline management:
  - Projects and programs must be submitted to the relevant Sub-Committee for funding approval within 24 months of IP or concept endorsement. Alternative submission timeline (in months) may be proposed for specific projects in the endorsed Investment Plan, with a justification for a longer timeframe. Upon endorsement of the IP the approved timelines will apply.
  - This policy will take effect on January, 2017. Existing projects and programs that have already exceeded the 24-month deadline, will be cancelled by September 30, 2017.
  - In exceptional circumstances<sup>6</sup>, the MDBs, in conjunction with the countries may submit to the relevant Sub-Committee, through the CIF Administrative Unit, a request for an extension of the deadline for approval no later than 3 months before the deadline.
  - Existing projects and programs that have already exceeded the 24-month deadline and intending to submit a request for extension, should submit the request no later than one month before the Sub-Committee meeting in June 2017.
  - Projects and programs for which an application for extension is not requested, or whose application is not approved by the Sub-Committee will be dropped from the pipeline, as outlined in Section 6.

#### **4.3 Pipeline management after Sub-Committee approval**

17. Following Sub-Committee approval, projects advance to the next stage of the CIF programming cycle and obtain MDB Board approval. The proposed procedures to manage the pipeline of FIP and PPCR programs at this stage are:

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<sup>5</sup> Or endorsement of concepts for dedicated private sector windows such as the Private Sector Set-Asides (PSSA),

<sup>6</sup> Exceptional circumstances may include natural disasters, war and civil unrest

- Unless project proposals approved by the relevant Sub-Committee specify different timeframes, MDB Board approval must be obtained within 9 months after Sub-Committee approval for public sector projects. For private sector stand-alone projects or programs (i.e., without sub-projects), 24 months to reach MDB Board approval. For private sector programs with sub-projects, 36 months to reach MDB board approval for all sub-projects.
- This policy will take effect on January, 2017. Existing projects and programs that have already exceeded the applicable deadline, will be cancelled by September 30, 2017.
- In exceptional circumstances<sup>7</sup>, the MDBs, in conjunction with the countries may submit to the relevant Sub-Committee, through the CIF Administrative Unit, a request for an extension of the deadline for approval no later than 3 months before the deadline.
- Projects and programs for which an application for extension is not requested, or whose application is not approved by the Sub-Committee will be dropped from the pipeline, as outlined in Section 6.

## **5. Managing Pipeline Changes – IP Update and Changes**

18. The proposed procedure for managing pipeline changes, are restated from the Pipeline Management of the Targeted Programs under the Strategic Climate Fund<sup>8</sup>, approved in November, 2011.
19. Based on experience gained in managing the CIF pipeline, it is apparent that project development and expectations are constantly evolving for many reasons. In some cases, modifications to the original investment plans endorsed by the Sub-Committee may be proposed. In other cases, project and program development may be delayed. Some projects or programs originally identified in an investment plan may be dropped or cancelled due to changes, among other things, in country priorities, financing structure of the project, or new information that becomes available.
20. Any investment plan should be considered a dynamic document, with the flexibility to consider changing circumstances and new opportunities. Experience from the CIF programming process has shown that there is need for a transparent communication to the Trust Fund Committee and/or Sub-Committees in the event of changes in the sector selected, or requested increases in the resource envelope. The proposal below regarding updating investment plans and managing pipeline changes builds on the experience from the CTF pipeline management approach.

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<sup>7</sup> Exceptional circumstances may include natural disasters, war and civil unrest

<sup>8</sup> Pipeline Management of the Targeted Programs under the Strategic Climate Fund.

21. It is proposed that any change to the investment plan deemed to be strategic by the country or the MDBs should be presented to the relevant Sub-Committee for review and endorsement. In particular, guidance and endorsement from the Sub-Committee will be sought, through a decision by mail, for the following types of change to an investment plan:
  - a) increasing the resource envelope for the investment plan;
  - b) adding, dropping, or shifting resources within each of the SCF programs,
    - *PPCR*: specific sectors or sub-sectors by more than 15 percent of the funding envelope of the investment plan or by more than US\$10 million;
    - *FIP*: drivers of deforestation and forest degradation by more than 15 percent of the funding envelope of the investment plan or by more than US\$ 8 million;
  - c) shifting resources between the private and the public sector.<sup>9</sup>
22. Any other amendments to the investment plans will be notified to the relevant Sub-Committee through the semi-annual updates, which will include information on the status of each of the projects and programs in the pipeline.
23. When the proposed changes to an investment plan require endorsement by the relevant Sub-Committee, a request to the Sub-Committee should be submitted to the CIF Administrative Unit for review. Such a request should include the following:
  - a) review of the status of the implementation of the original investment plan;
  - b) explanation of the circumstances and rationale for revising the investment plan and making changes to the projects or programs included;
  - c) description of the proposed changes; and
  - d) assessment of the potential impact of the proposed changes on achieving the objectives and targets of the original investment plan.
24. The Sub-Committee will review the revised investment plan and consider whether or not to endorse the proposed changes. If the proposed changes are endorsed by the Sub-Committee, the pipeline will be updated accordingly. For new projects introduced in the revised investment plan, the pipeline management timelines will restart for only the applicable projects that underwent changes.

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<sup>9</sup> Projects implemented by the private sector arms of the MDBs are classified as private sector projects, whereas those implemented by the public sector arms of the MDBs are classified as public sector projects. It is recognized that projects implemented by the public sector arms of the MDBs may also engage the private sector through on-lending and/or other schemes.



25. If the proposed changes are not endorsed, the Sub-Committee may propose an alternative way forward in consultation with the concerned country and MDBs. Such proposals will indicate whether the projects and programs concerned will be removed from the pipeline, whether the associated resources will be released from the funding allocation to the investment plan, and, in the case of funding being released, how the released resources may be used.

## **6. Procedures for Implementation of the Pipeline Management Policy**

26. To facilitate the procedure for application of this policy, the following is proposed:

- The MDB Committees and the CIF AU will conduct periodic review of the pipeline to ensure that resources are only being committed for projects or programs that are ready to move forward to final approval and implementation so that SCF resources are effectively and efficiently used for on-the-ground activities, in line with the readiness criteria.
- A notification system will be initiated by the CIF AU to advise the pilot country involved, MDBs and the Sub-Committee six months in advance of an impending deadline.
- As an exception, an extension of a deadline may be requested by the pilot country and MDB using the templates provided as Attachments A-D.
- The Sub-Committee can take a decision by email<sup>10</sup> or may decide to defer the discussion to the next Sub-Committee meeting.
- Options for the Sub-Committee include:
  - a) Provide an extension to the submission deadline in line with an acceptable action plan, where necessary, including the provision for additional progress updates to the Sub-Committee.
  - b) Decline the extension and as a result approve the cancellation of the allocated funding for the said project.
- With the approval of this Pipeline Management Policy, the Trustee will be authorized to de-commit the cancelled or dropped resources based upon the information provided to the Trustee by the CIF AUs pursuant to this policy<sup>11</sup>.
- When the process for preparing an IP or a project is suspended, in recognition that funds may have already been committed by the Trustee for IP or project preparation, and that work has been carried out, there will be no attempt to recover any committed amounts related to IP Preparation Grants, Project Preparation Grants, or country programming budget. In practice, it is acknowledged that these funds will have been used to improve stakeholder engagement and support the country's climate goals.

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<sup>10</sup> Using the standard two-week decision by email approval process

<sup>11</sup> Unless the IP preparation grant or Project Preparation Grant has already been approved by the respective MDB, in which case MDB cancellation policies will apply.

## **Annex 1: FIP-Specific Guidance on Pipeline Management and Cancellation of Resources**

### **I. Background and Context**

1. FIP is promoting a cross-sectoral and participatory approach to address the drivers of deforestation and forest degradation, promote sustainable forest management and enhance forest carbon stocks. By design, investments addressing REDD and sustainable forest management are often complex and need appropriate preparation time for developing appropriate investment approaches. FIP pilot countries work with a diverse set of stakeholders including governments, Indigenous Peoples groups and local communities, civil society groups and the private sector. This diversity often requires diligent and intensive stakeholder consultation processes. Hence the development of investment plans, projects and programs within the FIP and the timelines necessary for well-developed proposals should be viewed in this context.
2. In June 2014 the FIP Sub-Committee approved the document Proposal for Enhancing FIP Pipeline Management<sup>12</sup>. This considered the dynamics in the pipeline of projects and programs in preparation for FIP funding approval, and examined the need for measures to improve the management of the FIP pipeline, including options for over-programming, as the pipeline advances. The FIP Sub-Committee rejected the option of over programming for FIP and agreed to implement readiness-based pipeline management.
3. In May 2015 the FIP Sub-Committee approved Congo Republic, Ecuador, Guatemala, Ivory Coast, Mozambique, and Nepal to be selected as new FIP pilot countries<sup>13</sup>. These pilot countries are expected to submit their investment plans for endorsement within a two-year time frame. Should any of the six new pilot countries not be able to submit their investment plans for endorsement within the two-year period, the Sub-Committee agreed that such countries will be replaced by one or more of the additional nine countries (Tunisia, Bangladesh, Zambia, Cambodia, Cameroon, Guyana, Honduras, Rwanda, and Uganda), based on their ranking recommended by the expert group.

### **II. Elements for Pipeline Management**

4. The FIP will continue to use a readiness-based pipeline management approach.
5. The following procedures are proposed to maximize the resources available to fund endorsed investment plans:
  - a) New pilot countries accepted into the FIP should submit their investment plans for endorsement within a two-year timeframe from acceptance into the FIP.

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<sup>12</sup> FIP/SC.12/6

<sup>13</sup> FIP/SC.14/5

- b) Should any new pilot countries with an indicative investment funding allocation be unable to submit their investment plans for endorsement within the two-year period, and have not received approval for an extension from the Sub-Committee, they will be replaced by one or more of the additional countries without indicative allocation, based on their ranking as recommended by the expert group.
6. The MDB Committee and the CIF Administrative Unit will continue to update and review the FIP pipeline on a regular basis and specifically identify projects and programs that have met all of the following readiness criteria:
- a) For public sector projects:
    - i. project concept (or equivalent) approved by MDB management; and
    - ii. inclusion in MDB-Government partnership strategy document or other national planning document, when applicable.
  - b) For private sector projects and programs:
    - i. initial project or program concept (or equivalent) approved by MDB management;
    - ii. operation leader assigned; and
    - iii. inclusion in the MDB's project tracking system.

### **III. Prioritization**

7. It is acknowledged that as countries have joined the FIP in two tranches a simple first-come-first-served approach puts the later-starting countries at a disadvantage in a resource-constrained situation.
8. At the same time, the importance of grant resources becomes apparent:
- a) Within the new pilot countries, maintaining availability of the grant component of their indicative funding envelopes is important to ensure that a range of options for programming remain available to the new pilot countries.
  - b) Within the DGM, as an integral component of country investment planning it is important that grant resources are available to support DGM activities, which are fully grant dependent.
9. While the readiness criteria described above will provide the basis for ongoing pipeline review and update, if the funding envelope is unable to service the entire portfolio, pipeline prioritization will seek to maintain sufficient grant resources to service the indicative grant allocations of the new pilot countries and the DGM.

#### **IV. Expected Impacts of the Pipeline Management Policy**

10. The FIP portfolio currently includes 12 projects, which have already exceeded the 24-month period following investment plan endorsement for submission to the FIP Sub-Committee for approval.

PROJECT ID	IP/DGM/PSSA	COUNTRY	PROJECT TITLE	MDB	Public/ Private	FIP FUNDING	IP Endorsement	Projected SC Approval Date	Projected MDB Approval
PFIPBR501A	PSSA	Brazil	Macauba Palm Oil in Silvicultural System	IDB	Private	3.00	Oct-13	Sep-16	Jun-16
XFIPBF503A	PSSA	Burkina Faso	Climate change mitigation and poverty reduction through the development of the cashew sector in Burkina Faso (Wouol project)	AfDB	Public	4.00	Oct-13	Jun-16	
PFIPMX505A	PSSA	Mexico	Guarantee Fund for financing low carbon forestry investments	IDB	Private	3.00	Oct-13	Dec-16	Aug-16
PFIPGH018A	IP	Ghana	Engaging the Private Sector in REDD+	IFC	Private	10.00	Nov-12		
PFIPID021A	IP	Indonesia	Strengthening Forest Enterprises to Mitigate Carbon Emissions	IFC	Private	34.65	Nov-12	Oct-16	Dec-16
XFIPPE022A	IP	Peru	Integrated Forest Landscape Management Along the Main Route Between Tarapoto and Yurimaguas in the Regions of San Martin and Loreto	IDB	Public	12.57	Oct-13	Mar-17	May-17
XFIPPE024A	IP	Peru	Integrated Landscape Management Along the Main Route Between Puerto Maldonado and Inapari and in the Amaraeri Communal Reserve	IDB	Public	12.37	Oct-13	Mar-17	May-17
XFIPPE025A	IP	Peru	Strengthening National Forest Governance and Innovation	IDB	Public	12.46	Oct-13	Mar-17	May-17
XFIPPE023A	IP	Peru	Integrated Land management in Atalaya, Ucayali Region	IBRD	Public	12.60	Oct-13		
XFIPDG205A	DGM	Indonesia	DGM for Indigenous Peoples and Local Communities	IBRD	Public	6.50	Nov-13		
XFIPDG206A	DGM	Lao PDR	DGM for Indigenous Peoples and Local Communities	IBRD	Public	4.50	Nov-13	Jun-16	
XFIPDG207A	DGM	Mexico	DGM for Indigenous Peoples and Local Communities	IBRD	Public	6.00	Nov-13	Jun-16	

**Attachments: Templates to request extension of cancellation deadline**

<b>Template A - Request for an Extension of IP/SPCR Endorsement Date</b>			
1. Country Name			
2. Source of Funding	<input type="checkbox"/> FIP	<input type="checkbox"/> PPCR	<input type="checkbox"/> SREP
3. Lead MDB		4. Name of Lead MDB Focal Point:	
5. Partner MDBs			
6. Country Focal Point			
7. Date of Country Acceptance in the SCF Program			
8. Date of IPPG Approval			
9. Date of Scoping Mission		10. Date of Joint Missions <i>First:</i> <i>Second:</i>	
11. Date of IP/SPCR Approval	Original:		Proposed:
<p>Current Status of IP/SPCR Preparation  <i>(describe in details activities and consultations conducted during the SPCR preparation process and other relevant information related to finalizing the IP/SPCR)</i></p>			
<p>Next Steps to Justify Request for an Extension and Ensure Approval by the Proposed Target Date  <i>(describe all activities to be completed during the extension)</i></p>			

**Template B - Request for an Extension of deadline for Project/Program Approval by the Subcommittee**

1. Country/Region:		2. CIF Project ID#:	
3. Source of Funding:	<input type="checkbox"/> FIP	<input type="checkbox"/> PPCR	<input type="checkbox"/> SREP
4. Project/Program Title:			
5. Type of CIF Investment:	<input type="checkbox"/> Public	<input type="checkbox"/> Private	<input type="checkbox"/> Mixed
6. Funding Request in million USD equivalent:	<i>Grant:</i>	<i>Non-Grant:</i>	
7. Implementing MDB(s):			
8. National Implementing Agency:			
9. MDB Focal Point and Project/Program Task Team Leader (TTL):	<i>Headquarters- Focal Point:</i>	<i>TTL:</i>	
10. Date of Project Approval	Original Approval date:	Proposed extended approval date:	
11. Project/Program Description ( <i>including proposed objectives and expected outcomes</i> ):			
12. Update on Project Preparation <i>(describe in detail activities and consultations conducted during the SPCR preparation process and other relevant information related to finalizing the project design):</i>			
13. Next Steps to Justify Request for an Extension and Ensure Approval by the New Target Date <i>(describe all activities to be completed during the extension)</i>			

<b>Template C - Request for an Extension of deadline for Project/Program Approval by the MDB Board</b>			
1. Country/Region:		2. CIF Project ID#:	
3. Source of Funding:	<input type="checkbox"/> FIP	<input type="checkbox"/> PPCR	<input type="checkbox"/> SREP
4. Project/Program Title:			
5. Type of CIF Investment:	<input type="checkbox"/> Public	<input type="checkbox"/> Private	<input type="checkbox"/> Mixed
6. Funding Request in million USD equivalent:	<i>Grant:</i>		<i>Non-Grant:</i>
7. Implementing MDB(s):			
8. National Implementing Agency:			
9. MDB Focal Point and Project/Program Task Team Leader (TTL):	<i>Headquarters- Focal Point:</i>		<i>TTL:</i>
10. Date of Project/Program approval by Sub-Committee	Date:		
11. Date of Project Approval by MDB Board	Original:		Proposed:
12. Project/Program Description <i>(including proposed objectives and expected outcomes):</i>			
13. Reason/s for Delay in MDB Approval			
14. Next Steps to Justify Request for an Extension and Ensure Approval by the Proposed Target Date <i>(describe all activities to be completed during the extension)</i>			



<b>Template D - Investment Plan Update - Coversheet</b>			
1. Country/Region:			
2. Source of Funding:	<input type="checkbox"/> FIP	<input type="checkbox"/> PPCR	<input type="checkbox"/> SREP
3. Investment Plan Title:			
4. Initial IP Endorsed amount (million, USD equivalent):	<i>Grant:</i>	<i>Non-Grant:</i>	
5. Revised IP amount (million, USD equivalent)	<i>Grant:</i>	<i>Non-Grant:</i>	
6. Date of IP Approval			
7. Implementing MDB(s):			
8. National Implementing Agency:			
9. MDB Focal Point and Project/Program Task Team Leader (TTL):	<i>Headquarters- Focal Point:</i>	<i>TTL:</i>	
10. Proposed changes to Investment Plan			
11. Revised project timelines and implementation arrangements			

# CLIMATE INVESTMENT FUNDS

FIP/SC.17/5  
December 5, 2016

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Meeting of the FIP Sub-Committee  
Washington D.C.  
Wednesday, December 7, 2016

Agenda 5

**PIPELINE MANAGEMENT POLICY FOR SCF PROGRAMS  
(FIP)**

## **PROPOSED DECISION**

The FIP Sub-Committee reviewed document, FIP/SC.17/5, *Pipeline Management policy for SCF Programs*, and approves the proposal for effectively managing the pipeline under the Forest Investment Program.

## 1. Introduction

1. At its meeting in June 2016, the SCF Sub-Committees expressed concern over slow progress in the implementation of investment plans, projects and related disbursements and requested the CIF Administrative Unit to include detailed information on the reasons for such slow progress in subsequent semi-annual operational reports.
2. The Sub-Committees encouraged the Multilateral Development Banks (MDBs) and the SCF pilot countries to take all possible measures to expedite the implementation of projects and the disbursement of funds. In this context, the SCF Sub-Committees requested the CIF Administrative Unit, working with MDBs and the Trustee, to prepare a pipeline management and cancellation policy for the SCF Programs, taking into account the nature of the SCF projects and programs.
3. This policy paper is prepared in response to the Sub-Committee's request and proposes a number of measures for SCF pipeline management, and cancellation of resources. This document will apply to all three SCF Programs in order to ensure a harmonized policy and operational framework across SCF. Program-specific details that reflect the unique nature and requirements of each SCF program are provided as Annexes.

## 2. Background and Context

4. Under the three targeted programs of the Strategic Climate Fund (SCF) – Forest Investment Program (FIP), Pilot Program for Climate Resilience (PPCR) and Scaling-up Renewable Energy Program in Low-Income Countries (SREP) - Investment Plans<sup>1</sup> are submitted by governments, with the assistance of MDBs working in the country, and endorsed by the appropriate Sub-Committee as a basis for the further development of proposals. Project and program proposals are submitted to the CIF Sub-Committee for approval of CIF funding at the pre-appraisal stage.
5. The Sub-Committees for FIP, PPCR and SREP have agreed on principles for the allocation of resources to the selected pilot countries taking into account, among other things, the pledges per targeted program. The allocation of resources to the initial round<sup>2</sup> of pilot countries is expressed through a range with an upper and lower ceiling, recognizing that actual funding decisions are to be made on the basis of project and program proposals. The Sub-Committees have underscored that the quality of the proposed activities will be a significant factor in the funding to be approved when project proposals are submitted for approval of SCF funding.

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<sup>1</sup> Investment Plans for FIP and SREP; Strategic Programs for Climate Resilience (SPCR) for PPCR

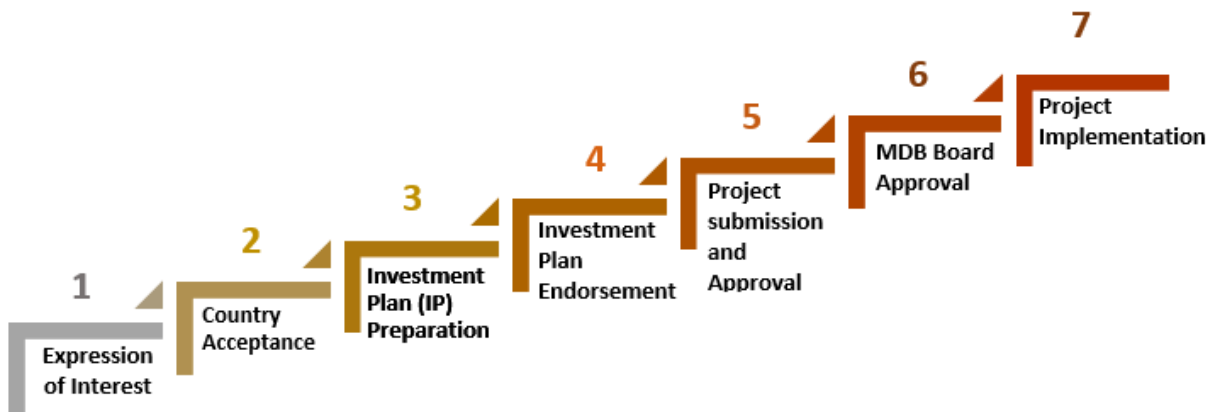
<sup>2</sup> Some of the recently selected pilot countries into the SCF programs will not have guaranteed funding

6. As investment plans continue to be prepared, with resource constraints, it is timely to agree upon a strategy for actively managing the project and program pipeline in a manner that maximizes the efficient and effective use of available resources over time.
7. In November 2011, the SCF Trust Fund Committee approved a pipeline management policy for targeted programs under the SCF<sup>3</sup>. The document defined a strategy for actively managing the project and program pipeline in a manner that maximizes the efficient and effective use of available resources over time. The policy document further outlined the approach and principles that have defined SCF pipeline management. The pipeline management system proposed in the existing document has served as a tool in ensuring that projects and programs submitted to the Sub-Committees for approval of SCF funding do not exceed available resources in the Trust Fund. The tool also serves as a tracking platform not only for pledges but also for allocation updates and pipeline related information including analyses.
8. This updated policy paper will provide a framework for the implementation of the existing SCF policy, and to enhance pipeline management and prioritization of the SCF portfolio. This will contribute to the effective and efficient oversight of the SCF programs by providing the Sub-Committee members and country teams responsible for preparing investment frameworks, with predictability and confidence in the management of the funds.

### 3. CIF Programming Cycle

9. The programming cycle of SCF programs broadly comprise the stages depicted in Figure 1 below:

**Figure 1: MDB Supported CIF Programming Cycle**



<sup>3</sup> [Pipeline Management of the Targeted Programs under the Strategic Climate Fund.](#)

10. The proposed procedures for pipeline management targets the periods between:
  - Country acceptance into the CIF and endorsement of an Investment Plan (Stages 2 to 4);
  - IP endorsement and funding approval (Stages 4 to 5); and
  - Funding approval by the Sub-Committee and MDB Board Approval (Stages 5 to 6).
11. Following MDB Board Approval of a project, the MDB's own cancellation policies will be applied during project implementation. Changes to the investment plan deemed to be strategic by the country or MDBs should be presented to the SCF Sub-Committees for review and endorsement in line with the procedures outlined in the document *Pipeline Management of the Targeted Programs under the Strategic Climate Fund* as restated in Section 5 below. Progress on development of IPs and projects will be reported in the CIF periodic operational reports.

#### **4. Elements for Pipeline Management in the SCF**

12. In this section, details of the proposed pipeline management for identified stages will be presented. The pipeline management procedures prior to endorsement of investment plans focus primarily on the public sector.

##### **4.1 Pipeline management Prior to Endorsement of Investment Plans**

13. The following procedures are proposed to define pipeline management procedures prior to endorsement of investment plans:
  - New pilot countries accepted into the SCF programs should submit their investment plans for endorsement within a 24-month (2-year) timeframe from the date of acceptance into the SCF, or as directed by the Sub-Committee.
  - Should any of the pilot countries be unable to submit their Investment Plan (IP)<sup>4</sup> for endorsement within the two year period, these countries may request an extension using templates included in this document. This will be presented to the relevant SCF Sub-Committee who will determine if an extension can be granted and if so, for what timeframe.

##### **4.2 Pipeline management after IP endorsement**

14. The CIF Administrative Unit, and the relevant MDB Committees, will continue to prepare a project submission calendar for all the projects in the pipeline, to be presented to the relevant Sub-Committees through the CIF operational reports.

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<sup>4</sup> Investment Plans for FIP and SREP; Strategic Programs for Climate Resilience (SPCR) for PPCR

15. Project and program readiness will continue to be considered as the primary criterion for the commitment of SCF resources to IPs. Resources should only be committed for projects or programs that are ready to move forward to final approval and implementation so that SCF resources are effectively and efficiently used for on-the-ground activities. Hence, programming projections should be as realistic as possible with regard to the timing of project or program processing and should include information on the expected timeline for committing resources. Private sector programs encompassing an envelope of funding for a number of projects should be presented to the respective Sub-Committee for approval only when projects utilizing at least one third of the program's resources have been identified and are mandate-ready. Public sector projects and programs will be presented to the respective Sub-Committees for approval before appraisal and negotiations of the investment terms.
16. For projects and programs entering the SCF program pipelines following the endorsement of the investment plans<sup>5</sup>, the following timeframes and measures are proposed to enhance pipeline management:
  - Projects and programs must be submitted to the relevant Sub-Committee for funding approval within 24 months of IP or concept endorsement. Alternative submission timeline (in months) may be proposed for specific projects in the endorsed Investment Plan, with a justification for a longer timeframe. Upon endorsement of the IP the approved timelines will apply.
  - This policy will take effect on January 1, 2017. For existing projects and programs that have already exceeded the 24 month deadline, this policy will take effect on September 30th, 2017.
  - In exceptional circumstances, the MDBs, in conjunction with the countries may submit to the relevant Sub-Committee a request for an extension of the deadline for approval.
  - Projects and programs for which an application for extension is not requested, or whose application is declined by the Sub-Committee will be dropped from the pipeline, as outlined in Section 6.

#### **4.3 Pipeline management after Sub-Committee approval**

17. Following Sub-Committee approval, projects advance to the next stage of the CIF programming cycle and obtain MDB Board approval. The proposed procedures to manage the pipeline of SCF programs at this stage are:
  - Unless project proposals approved by the relevant Sub-Committee specify different timeframes, MDB Board approval must be obtained within 9 months after Sub-Committee approval for public sector projects. For private sector stand-alone projects or programs (i.e., without sub-projects), 24 months to reach MDB Board

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<sup>5</sup> Or endorsement of concepts for dedicated private sector windows such as the Private Sector Set-Asides (PSSA),

approval. For private sector programs with sub-projects, 36 months to reach MDB board approval for all sub-projects.

- This policy will take effect on January 1, 2017. For existing projects and programs that have already exceeded the applicable deadline, this policy will take effect on September 30<sup>th</sup>, 2017.
- MDBs may submit a request for an extension of the deadline for funding approval by the MDB to the relevant Sub-Committee.
- If a project fails to meet the above applicable timeframe, the project funds will be released.

## **5. Managing Pipeline Changes – IP Update and Changes**

18. The proposed procedure for managing pipeline changes, are restated from the Pipeline Management of the Targeted Programs under the Strategic Climate Fund<sup>6</sup>, approved in November, 2011.
19. Based on experience gained in managing the CIF pipeline, it is apparent that project development and expectations are constantly evolving for many reasons. In some cases, modifications to the original investment plans endorsed by the Sub-Committee may be proposed. In other cases, project and program development may be delayed. Some projects or programs originally identified in an investment plan may be dropped or cancelled due to changes, among other things, in country priorities, financing structure of the project, or new information that becomes available.
20. Any investment plan should be considered a dynamic document, with the flexibility to consider changing circumstances and new opportunities. Experience from the CIF programming process has shown that there is need for a transparent communication to the Trust Fund Committee and/or Sub-Committees in the event of changes in the sector selected, or requested increases in the resource envelope. The proposal below regarding updating investment plans and managing pipeline changes builds on the experience from the CTF pipeline management approach.
21. It is proposed that any change to the investment plan deemed to be strategic by the country or the MDBs should be presented to the relevant Sub-Committee for review and endorsement. In particular, guidance and endorsement from the Sub-Committee will be sought, through a decision by mail, for the following types of change to an investment plan:

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<sup>6</sup> Pipeline Management of the Targeted Programs under the Strategic Climate Fund



- a) increasing the resource envelope for the investment plan;
  - b) adding, dropping, or shifting resources between
    - *PPCR*: specific sectors or sub-sectors by more than 15 percent of the funding envelope of the investment plan or by more than US\$10 million;
    - *FIP*: drivers of deforestation and forest degradation by more than 15 percent of the funding envelope of the investment plan or by more than US\$ 8 million;
    - *SREP*: projects that adopt different renewable energy technologies by more than 15 percent of the funding envelope of the investment plan or by more than US\$ 5 million;
  - c) shifting resources between the private and the public sector.<sup>7</sup>
22. Any other amendments to the investment plans will be notified to the relevant Sub-Committee through the semi-annual update of the SCF pipeline, which will include information on the status of each of the projects and programs in the pipeline.
23. When the proposed changes to an investment plan require endorsement by the relevant Sub-Committee, a request to the Sub-Committee should be submitted to the CIF Administrative Unit for review. Such a request should include the following:
- a) review of the status of the implementation of the original investment plan;
  - b) explanation of the circumstances and rationale for revising the investment plan and making changes to the projects or programs included;
  - c) description of the proposed changes; and
  - d) assessment of the potential impact of the proposed changes on achieving the objectives and targets of the original investment plan.
24. The Sub-Committee will review the revised investment plan and consider whether or not to endorse the proposed changes. If the proposed changes are endorsed by the Sub-Committee, the pipeline will be updated accordingly. For new projects introduced in the revised investment plan, the pipeline management timelines will restart for only the applicable projects that underwent changes.
25. If the proposed changes are not endorsed, the Sub-Committee may propose an alternative way forward in consultation with the concerned country and MDBs. Such proposals will indicate whether the projects and programs concerned will be removed from the pipeline, whether the associated resources will be released from the funding allocation to the investment plan, and, in the case of funding being released, how the released resources may be used.

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<sup>7</sup> Projects implemented by the private sector arms of the MDBs are classified as private sector projects, whereas those implemented by the public sector arms of the MDBs are classified as public sector projects. It is recognized that projects implemented by the public sector arms of the MDBs may also engage the private sector through on-lending and/or other schemes.

## 6. Procedures for Implementation of the Pipeline Management Policy

26. To facilitate the procedure for application of this policy, the following is proposed:

- The MDB Committees and the CIF AU will conduct periodic review of the pipeline to ensure that resources are only being committed for projects or programs that are ready to move forward to final approval and implementation so that SCF resources are effectively and efficiently used for on-the-ground activities, in line with the readiness criteria.
- A notification system will be initiated by the CIF AU to advise the pilot country involved, MDBs and the Sub-Committee six months in advance of an impending deadline;
- An extension of a deadline may be requested by the pilot country and MDB using the templates provided as Attachments A-D.
- Applications for extension should specify the reasons for delay and describe next steps to ensure approval by the proposed date.
- Special consideration may be given to force majeure cases, such as extreme events, due to the risks faced by countries and MDBs in the programmatic approach.
- This extension must be submitted to the Sub-Committee through the CIF Admin Unit for consideration via e-mail no later than three months before the deadline.
- The Sub-Committee can take a decision by email or may decide to defer the discussion to the next Sub-Committee meeting.
- Options for the Sub-Committee include:
  - a) Provide an extension to the submission deadline in line with an acceptable action plan, where necessary, including the provision for additional progress updates to the Sub-Committee.
  - b) Where extension to the submission deadline is not granted, the Sub-Committee may propose an alternative way forward in consultation with the concerned country and MDB. Such proposals will indicate whether the project concerned will be removed from the pipeline and how any funds released may be used.
- With the approval of this SCF Pipeline Management Policy, the Trustee will be authorized to de-commit the cancelled or dropped resources based upon the information provided to the Trustee by the MDBs pursuant to this policy<sup>8</sup>.
- When the process for preparing an IP or a project is suspended, in recognition that funds may have already been committed by the Trustee for IP or project preparation, and that work has been carried out, there will be no attempt to recover any amounts related to IP Preparation Grants, Project Preparation Grants, or country programming budget. In practice, it is acknowledged that these funds will have been used to improve stakeholder engagement and support the country's climate goals.

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<sup>8</sup> Unless the IP preparation grant or Project Preparation Grant has already been approved by the respective MDB, in which case MDB cancellation policies will apply.

## **Annex 1: FIP-Specific Guidance on Pipeline Management and Cancellation of Resources**

### **I. Background and Context**

1. FIP is promoting a cross-sectoral and participatory approach to address the drivers of deforestation and forest degradation, promote sustainable forest management and enhance forest carbon stocks. By design, investments addressing REDD and sustainable forest management are often complex and need appropriate preparation time for developing appropriate investment approaches. FIP pilot countries work with a diverse set of stakeholders including governments, Indigenous Peoples groups and local communities, civil society groups and the private sector. This diversity often requires diligent and intensive stakeholder consultation processes. Hence the development of investment plans, projects and programs within the FIP and the timelines necessary for well-developed proposals should be viewed in this context.
2. In June 2014 the FIP Sub-Committee approved the document Proposal for Enhancing FIP Pipeline Management<sup>9</sup>. This considered the dynamics in the pipeline of projects and programs in preparation for FIP funding approval, and examined the need for measures to improve the management of the FIP pipeline, including options for over-programming, as the pipeline advances. The FIP Sub-Committee rejected the option of over programming for FIP and agreed to implement readiness-based pipeline management.
3. In May 2015 the FIP Sub-Committee approved Congo Republic, Ecuador, Guatemala, Ivory Coast, Mozambique, and Nepal to be selected as new FIP pilot countries<sup>10</sup>. These pilot countries are expected to submit their investment plans for endorsement within a two-year time frame. Should any of the six new pilot countries not be able to submit their investment plans for endorsement within the two-year period, the Sub-Committee agreed that such countries will be replaced by one or more of the additional nine countries (Tunisia, Bangladesh, Zambia, Cambodia, Cameroon, Guyana, Honduras, Rwanda, and Uganda), based on their ranking recommended by the expert group.

### **II. Elements for Pipeline Management**

4. The FIP will continue to use a readiness-based pipeline management approach.
5. The following procedures are proposed to maximize the resources available to fund endorsed investment plans:

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<sup>9</sup> FIP/SC.12/6

<sup>10</sup> FIP/SC.14/5

- a) New pilot countries accepted into the FIP should submit their investment plans for endorsement within a two-year timeframe from acceptance into the FIP or as directed by the Sub-Committee.
  - b) Should any new pilot countries with an indicative investment funding allocation be unable to submit their investment plans for endorsement within the two-year period, and have not received approval for an extension from the Sub-Committee, they will be replaced by one or more of the additional countries without indicative allocation, based on their ranking as recommended by the expert group.
6. The MDB Committee and the CIF Administrative Unit will continue to update and review the FIP pipeline on a regular basis and specifically identify projects and programs that have met all of the following readiness criteria:
- a) For public sector projects:
    - i. project concept (or equivalent) approved by MDB management; and
    - ii. inclusion in MDB-Government partnership strategy document or other national planning document, when applicable.
  - b) For private sector projects and programs:
    - i. initial project or program concept (or equivalent) approved by MDB management;
    - ii. operation leader assigned; and
    - iii. inclusion in the MDB's project tracking system.

### **III. Prioritization**

7. It is acknowledged that as countries have joined the FIP in two tranches a simple first-come-first-served approach puts the later-starting countries at a disadvantage in a resource constrained situation.
8. At the same time, the importance of grant resources becomes apparent:
- a) Within the new pilot countries, maintaining availability of the grant component of their indicative funding envelopes is important to ensure that a range of options for programming remain available to the new pilot countries.
  - b) Within the DGM, as an integral component of country investment planning it is important that grant resources are available to support DGM activities which are fully grant dependent.
9. While the readiness criteria described above will provide the basis for ongoing pipeline review and update, if the funding envelope is unable to service the entire portfolio,

pipeline prioritization will seek to maintain sufficient grant resources to service the indicative grant allocations of the new pilot countries and the DGM.

#### **IV. Expected Impacts of the Pipeline Management Policy**

10. The FIP portfolio currently includes 12 projects which have already exceeded the 24-month period following investment plan endorsement for submission to the FIP Sub-Committee for approval. By September 30th, 2017, if an application for extension is not requested for these projects or an application is declined by the Sub-Committee the following projects would be handled as outlined in Section 6 of the Pipeline Management Policy for SCF Programs.

PROJECT ID	IP/DGM/PSSA	COUNTRY	PROJECT TITLE	MDB	Public/Private	FIP FUNDING	IP Endorsement	Projected SC Approval Date	Projected MDB Approval
PFIPBR501A	PSSA	Brazil	Macauba Palm Oil in Silvicultural System	IDB	Private	3.00	Oct-13	Sep-16	Jun-16
XFIPBF503A	PSSA	Burkina Faso	Climate change mitigation and poverty reduction through the development of the cashew sector in Burkina Faso (Wouol project)	AfDB	Public	4.00	Oct-13	Jun-16	
PFIPMX505A	PSSA	Mexico	Guarantee Fund for financing low carbon forestry investments	IDB	Private	3.00	Oct-13	Dec-16	Aug-16
PFIPGH018A	IP	Ghana	Engaging the Private Sector in REDD+	IFC	Private	10.00	Nov-12		
PFIPID021A	IP	Indonesia	Strengthening Forest Enterprises to Mitigate Carbon Emissions	IFC	Private	34.65	Nov-12	Oct-16	Dec-16
XFIPPE022A	IP	Peru	Integrated Forest Landscape Management Along the Main Route Between Tarapoto and Yurimaguas in the Regions of San Martin and Loreto	IDB	Public	12.57	Oct-13	Mar-17	May-17
XFIPPE024A	IP	Peru	Integrated Landscape Management Along the Main Route Between Puerto Maldonado and Inapari and in the AmaraKaeri Communal Reserve	IDB	Public	12.37	Oct-13	Mar-17	May-17
XFIPPE025A	IP	Peru	Strengthening National Forest Governance and Innovation	IDB	Public	12.46	Oct-13	Mar-17	May-17
XFIPPE023A	IP	Peru	Integrated Land management in Atalaya, Ucayali Region	IBRD	Public	12.60	Oct-13		
XFIPDG205A	DGM	Indonesia	DGM for Indigenous Peoples and Local Communities	IBRD	Public	6.50	Nov-13		
XFIPDG206A	DGM	Lao PDR	DGM for Indigenous Peoples and Local Communities	IBRD	Public	4.50	Nov-13	Jun-16	
XFIPDG207A	DGM	Mexico	DGM for Indigenous Peoples and Local Communities	IBRD	Public	6.00	Nov-13	Jun-16	

**Attachments: Templates to request extension of cancellation deadline**

<b>Template A - Request for an Extension of IP/SPCR Endorsement Date</b>			
1. Country Name			
2. Source of Funding	<input type="checkbox"/> FIP	<input type="checkbox"/> PPCR	<input type="checkbox"/> SREP
3. Lead MDB		4. Name of Lead MDB Focal Point:	
5. Partner MDBs			
6. Country Focal Point			
7. Date of Country Acceptance in the SCF Program			
8. Date of IPPG Approval			
9. Date of Scoping Mission		10. Date of Joint Missions <i>First:</i> <i>Second:</i>	
11. Date of IP/SPCR Approval	Original:		Proposed:
<p>Current Status of IP/SPCR Preparation  <i>(describe in details activities and consultations conducted during the SPCR preparation process and other relevant information related to finalizing the IP/SPCR)</i></p>			
<p>Next Steps to Justify Request for an Extension and Ensure Approval by the Proposed Target Date  <i>(describe all activities to be completed during the extension)</i></p>			

**Template B - Request for an Extension of deadline for Project/Program Approval by the Subcommittee**

1. Country/Region:		2. CIF Project ID#:	
3. Source of Funding:	<input type="checkbox"/> FIP	<input type="checkbox"/> PPCR	<input type="checkbox"/> SREP
4. Project/Program Title:			
5. Type of CIF Investment:	<input type="checkbox"/> Public	<input type="checkbox"/> Private	<input type="checkbox"/> Mixed
6. Funding Request in million USD equivalent:	<i>Grant:</i>	<i>Non-Grant:</i>	
7. Implementing MDB(s):			
8. National Implementing Agency:			
9. MDB Focal Point and Project/Program Task Team Leader (TTL):	<i>Headquarters- Focal Point:</i>	<i>TTL:</i>	
10. Date of Project Approval	Original Approval date:	Proposed extended approval date:	
11. Project/Program Description <i>(including proposed objectives and expected outcomes):</i>			
12. Update on Project Preparation <i>(describe in detail activities and consultations conducted during the SPCR preparation process and other relevant information related to finalizing the project design):</i>			
13. Next Steps to Justify Request for an Extension and Ensure Approval by the New Target Date <i>(describe all activities to be completed during the extension)</i>			



<b>Template C - Request for an Extension of deadline for Project/Program Approval by the MDB Board</b>			
1. Country/Region:		2. CIF Project ID#:	
3. Source of Funding:	<input type="checkbox"/> FIP	<input type="checkbox"/> PPCR	<input type="checkbox"/> SREP
4. Project/Program Title:			
5. Type of CIF Investment:	<input type="checkbox"/> Public	<input type="checkbox"/> Private	<input type="checkbox"/> Mixed
6. Funding Request in million USD equivalent:	<i>Grant:</i>		<i>Non-Grant:</i>
7. Implementing MDB(s):			
8. National Implementing Agency:			
9. MDB Focal Point and Project/Program Task Team Leader (TTL):	<i>Headquarters- Focal Point:</i>		<i>TTL:</i>
10. Date of Project/Program approval by Sub-Committee	Date:		
11. Date of Project Approval by MDB Board	Original:		Proposed:
12. Project/Program Description <i>(including proposed objectives and expected outcomes):</i>			
13. Reason/s for Delay in MDB Approval			
14. Next Steps to Justify Request for an Extension and Ensure Approval by the Proposed Target Date <i>(describe all activities to be completed during the extension)</i>			

**Template D - Investment Plan Update - Coversheet**

1. Country/Region:			
2. Source of Funding:	<input type="checkbox"/> FIP	<input type="checkbox"/> PPCR	<input type="checkbox"/> SREP
3. Investment Plan Title:			
4. Initial IP Endorsed amount (million, USD equivalent):	<i>Grant:</i>	<i>Non-Grant:</i>	
5. Revised IP amount (million, USD equivalent)	<i>Grant:</i>	<i>Non-Grant:</i>	
6. Date of IP Approval			
7. Implementing MDB(s):			
8. National Implementing Agency:			
9. MDB Focal Point and Project/Program Task Team Leader (TTL):	<i>Headquarters- Focal Point:</i>	<i>TTL:</i>	
10. Proposed changes to Investment Plan			
11. Revised project timelines and implementation arrangements			