

# CLIMATE INVESTMENT FUNDS

FIP/SC.11/3  
October 3, 2013

---

Meeting of the FIP Sub-Committee  
Washington, D.C.  
October 30, 2013

Agenda Item 3

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

**(SUMMARY)**

## **PROPOSED DECISION**

The FIP Sub-Committee reviewed document, FIP/SC.11/3, *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 particularly appreciates the progress that has been made in:

- i. completing the programming phase of the FIP;
- ii. reporting realistic projections for project development;
- iii. submitting projects and program proposals to the Sub-Committee for approval of FIP funding; and
- iv. advancing the development of the Dedicated Grant Mechanism.

The Sub-Committee takes note of the work that has been initiated to assess the process, experience and lessons learned in developing FIP investment plans and requests that the outcome of the work be presented to the Sub-Committee for discussion at its next meeting.

The Sub-Committee requests the CIF Administrative Unit to work with the MDBs and the members of the Sub-Committee to promote shared understandings of the information that is to be made available in project proposals submitted to the Sub-Committee for funding approval.

## **I. INTRODUCTION**

1. This note provides an update on the status of the Forest Investment Program (FIP), the portfolio of FIP-funded projects and programs under endorsed investment plans, and related activities. *The report covers the period from March 16, 2013 to August 31, 2013.*

## **II. PROGRAM PROGRESS DURING THE REPORTING PERIOD**

### **Investment Plans endorsement**

2. With the impending endorsement of Peru's investment plan in the upcoming meeting of the FIP Sub-Committee, the FIP will have completed its programming phase, a major achievement and milestone for the FIP.

### **Projects and Programs**

3. During the reporting period, the Sub-Committee reviewed and approved FIP funding for three projects and programs. Three FIP-funded projects were approved by the implementing MDB during the reporting period. One FIP-funded project began implementation and is disbursing resources.

### **Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM)**

4. The most important achievement for the DGM in the reporting period was the finalization of the *DGM Framework Operational Guidelines* which provides guidance on the structure and management of the DGM as a whole as well as its eight country mechanisms.

5. During the last meeting of the United National Permanent Forum on Indigenous Issues (UNPFII) in New York in May 2013, the World Bank and the CIF Administrative Unit presented the DGM to forum participants.

### **Private Sector Engagement in the FIP**

6. During the reporting period, one private sector project for Lao PDR received FIP funding approval, increasing the number of private sector operations with approved FIP funding to two.

7. In accordance with the procedures approved by the Sub-Committee for a set aside of funds to encourage private sector engagement, eleven proposals were received from interested parties in five pilot countries (Brazil, Burkina Faso, DRC, Ghana and Mexico) and one region (Africa). USD 56 million in near-zero interest credits is available under the set aside. The expert group met on September 16-19, 2013, to review the proposals and make recommendations to the Sub-Committee as to which concepts should be considered for the further development and FIP funding approval (see document FIP/SC.11/5, *Review and selection of concepts to be financed from the FIP private sector set aside*).

## **FIP Monitoring and Reporting**

8. During its meeting in May 2013, the FIP Sub-Committee discussed the FIP monitoring and reporting agenda and requested the CIF Administrative Unit to [...] to prepare for approval by the FIP Sub-Committee at its meeting in November 2013, core indicators to be measured and reported on at the investment plan level. In presenting the core indicators, the proposal should include a description of how project level indicators would relate to the core indicators.

9. The CIF Administrative Unit has prepared a proposal for consideration at the Sub-Committee meeting (see document FIP/SC.11/6 “*Results Monitoring and Reporting in the FIP*”).

## **FIP Community of Practice**

10. The FIP pilot countries will meet on September 24-26, 2013, in Yogyakarta, Indonesia. The agenda includes discussions on the FIP M&E work program and showcased the FIP programming process in Indonesia. Document FIP/SC.11/Inf.2, *Report from the Meeting of FIP Pilot Countries (September 24-25, 2013)*, provides the self-reported updates on FIP implementation by pilot country.

## **III. STRATEGIC HIGHLIGHTS**

11. There are two strategic themes that are emerging from the FIP:

- a) there is need to agree on common expectations for the information to be included in project proposals submitted to the FIP Sub-Committee when FIP funding approval is being requested, as some members of the FIP Sub-Committee have voiced concerns with the lack of sufficient information in project proposals; and
- b) the delivery rate for project and program submissions to the FIP Sub-Committee for FIP funding remains lower than expected but semi-annual pipeline updates from the MDBs are becoming more realistic.

## **IV. ANALYSIS OF FIP PORTFOLIO**

### **Approvals (total)**

12. Over one-quarter (28.3%) of FIP funding in endorsed investment plans has been approved by the FIP Sub-Committee and is available for implementing project activities.

### **Approvals by FIP Pilot**

13. Three countries, Mexico, DRC and Lao PDR, are well advanced in terms of FIP funding approval by the Sub-Committee. Mexico is the only pilot country which has received not only FIP funding approval for all three projects but also MDB approval of final projects and programs.

## **Approvals by Sectoral Focus**

14. The current portfolio composition demonstrates the importance of investments in capacity development, institutional strengthening and governance reform as key elements for successful REDD+ implementation. It also confirms the close link between REDD+ readiness processes and investment opportunities. These links will be further explored in the on-going knowledge work on FIP mentioned earlier in the report.

## **V. TRACKING PROJECT AND PROGRAM DELIVERY**

15. As of August 30, 2013, FIP funding for a total of 6 projects has been approved by the Sub-Committee totaling USD 97.21 million (USD 69.07 million in grants and USD 28.14 million in near-zero interest credits). These resources are expected to leverage a total of USD 717.88 million in co-financing (ratio of 1: 7.2).

16. During the meeting of the Sub-Committee in May 2013, it was reported that 20% of all projects and programs under preparation for FIP funding approval by the Sub-Committee had fallen behind schedule (e.g. “yellow light” or “red light”). This figure has now increased to 50%.

## **FY 13 Actual Funding Requests –Outlook for FY 14**

17. The pipeline update by the MDBs in March 2013 presented a more realistic projection of the delivery dates for FIP funding approval. The delivery rate of projects against projections for FY 14 should improve considerably compared to FY 13.

18. For FY 14, 14 projects and programs are scheduled for FIP funding approval by the Sub-Committee. These projects are expected to request USD 265.14 million in FIP funding of which USD 193.16 million (73%) will be grants and USD 71.98 million (27%) will be near-zero interest credits.