

CLIMATE INVESTMENT FUNDS

FIP/SC.11/5/Rev.1

October 10, 2013

Meeting of the FIP Sub-Committee

Washington D.C.

October 30, 2013

Agenda Item 5

**REVIEW AND SELECTION OF CONCEPTS
TO BE FINANCED FROM THE FIP PRIVATE SECTOR SET ASIDE**

PROPOSED DECISION

The FIP Sub-Committee reviewed document, FIP/SC.11/5/Rev.1 *Review and selection of concepts to be financed from the FIP private sector set aside*, and notes with appreciation the work of the expert group.

The FIP Sub Committee:

- a) endorses the following project concepts to be further developed for FIP funding approval:

...;
- b) invites the MDBs for the selected project concepts to prepare, in collaboration with the project proponent, a detailed project document and submit it to the FIP Sub-Committee for FIP funding approval; and
- c) requests the CIF Administrative Unit, in collaboration with the MDBs and the pilot countries, to further analyze the effectiveness and value-added of the FIP private sector set-aside, including its competitive selection process with a view to improve the current procedures should a second round of funding be made available and to share lessons learned with interested stakeholder groups. Results from the analysis and lessons learned should be shared at the next FIP Sub-Committee meeting.

I. INTRODUCTION

1. During its meeting in November 5, 2012, the FIP Sub-Committee reviewed document FIP/SC.8/5, *Procedures for Allocating Funds under the FIP Reserve*. The Sub-Committee referred further consideration of this item to a working group to be convened by the Co-Chair, and agreed that the proposals of the working group on arrangements for allocating FIP resources from a set aside of funds to be allocated on a competitive basis should be circulated to the Sub-Committee for approval by mail.
2. The Sub-Committee agreed that USD56 million in concessional funds should be set aside for allocation to programs and projects, selected on a competitive basis, that promote innovative approaches to engage the private sector in the pilot countries. Consistent with the decision, a FIP Sub-Committee working group was formed which met on November 6, 2012 to discuss and finalize the arrangement. The *Procedures for Allocating FIP Resources on a Competitive Basis from a Set Aside* (annexed to this report) were subsequently approved by the FIP Sub-Committee on December 16, 2012 through a decision-by-mail.
3. In accordance with paragraphs 6 and 7 of the approved procedures, the CIF Administrative Unit invited focal points in FIP pilot countries and FIP contributor countries to submit names and resumes of experts with appropriate experience, including experience with private sector development and/or investment for the expert panel. Eleven experts were proposed.
4. The MDB Committee met on June 19 and agreed on four experts from among those proposed (two nominated by pilot countries and two nominated by contributor countries). On August 1, 2013, the CIF Administrative Unit, submitted the list of the following four experts to the FIP Sub-Committee for approval by mail:
 - a) Frank Hajek (Chair), UK¹
 - b) David Kaimowitz, USA
 - c) Kinkela Savy Sunda, DRC
 - d) Meire de Fatima Ferreria, Brazil (unable to attend due to personal reasons)
5. The composition of the independent expert group was approved on August 8, 2013.
6. The expert group met from September 17-19, 2013 in Washington DC.
7. Eleven concepts were submitted to the CIF Administrative Unit by the MDBs for review by the expert group. Proponents from the following FIP pilot countries submitted concepts through the MDBs: Brazil, Burkina Faso, DRC, Ghana, and Mexico. Additionally, one regional proposal was submitted for Burkina Faso, DRC and Ghana.

¹ In place of James Sandom

8. Despite the provision of concessional finance only, some proposals request also grant resources. Currently, all grant funding has been indicatively allocated to the FIP pilot countries and future activities supported through the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities.

9. Consistent with paragraph 5 of the procedures, the expert group prioritized the concepts based primarily on the ability of projects to advance FIP program objectives, and investment criteria, as well as additional objectives contained in the FIP set-aside design document:

- a) alignment with the objective of the country investment plans;
- b) level of innovation proposed;
- c) implementation feasibility within 9-18 months after funding approval by the FIP Sub-Committee; and
- d) progress that has been achieved in implementing other projects under the endorsed investment plan.

10. The expert group has

- a) ranked and recommended that 4 concepts, totaling funding requests for USD 20.3 million (USD 20.3 million in loans), to be funded once comments made in the report are adequately addressed;
- b) ranked and recommended additional 4 concepts, totaling funding request for USD 31.02 million (USD 31.02 million in loans), to be funded if detailed due diligence by the proposing MDB proves feasibility; and
- c) concluded that 3 concepts not be funded as they do not meet the criteria mentioned in paragraph 8. A summary of the project rankings and funding requests is presented in table 1.

11. Consistent with paragraph 6 of the procedures, in proposing the list of concepts, the review group developed a scoring system as a qualitative explanation for its recommendations and prioritization. The common format facilitated comparability among the proposals and demonstrates a consistent application of the criteria. The details of this scoring system as well as initial lessons learned are further described in the report of the independent expert group.

12. The following annexes are included in this document:

- a) Annex I: Report of the Independent Expert Group
- b) Annex II: MDB Comments on the Expert Group Report for FIP
- c) Annex III: Procedures for Allocating FIP Resources on a Competitive Basis from a Set Aside.

Table 1: Summary of FIP Project Rankings and Funding Requests

Country	Project Name	MDB	Total Score	Grants (USD million)	Loan (USD million)	Total Request (USD million)	Recommendations
Brazil	Macauba Palm Oil in Silvicultural System	IDB	37.7	0	3	3	Fund once comments addressed
Burkina Faso	Climate change mitigation and poverty reduction through the development of the cashew sector in Burkina Faso	AfDB	33.7	0	4	4	
Ghana	Public-Private Partnership for restoration of degraded forest reserve through VCS and FSC certified plantations	AfDB	33.3	0	10.3	10.3	
Mexico	Guarantee Fund for financing low carbon forestry investments	IDB	33.3	0	3	3	
Sub-Total				0	20.3	20.3	
DRC	Community acacia and palm oil plantations on degraded lands to reduce deforestation in the Bandundu Province	AfDB	31.7	0	4	4	Fund only if detailed due diligence proves positive
Burkina Faso	Powering climate-smart rural development in Burkina Faso	AfDB	28.7	0	5	5	
Brazil	Commercial Reforestation of Modified Lands in Cerrado	IFC	28.0	0	15	15	
DRC	Novacel Sud Kwamouth	IBRD	23.7	0	7.02	7.02	
Sub-Total				0	31.02	31.02	
Regional	Supporting forest plantations for climate change mitigation	AfDB	22.6	0.1	15	15.1	Do not fund in current format
Brazil	Biodiversity and carbon stock conservation, agricultural best practices and transparency in land-use planning in plantation forestry expansion areas in the States of Maranhão and Tocantins, Brazil	-	20.3	7	0	7	
DRC	LEAF Improved Cookstoves Project: Scale Up to East of Kinshasa	IBRD	16.0	0	5.4	5.4	