



Meeting of the SCF Trust Fund Committee
Washington D.C. (Virtual)
Wednesday, November 18, 2020

**FIP OPERATIONAL AND RESULTS REPORT
(SUMMARY)**





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SCF/TFC.14/3.3
October 28, 2020

PROPOSED DECISION

The SCF Trust Fund Committee reviewed the document, SCF/TFC.14/3.3, *FIP Operational and Results Report*, and welcomes the progress that has been made in advancing the work of FIP in the pilot countries.

The SCF Trust Fund Committee welcomes the analysis conducted by the CIF Administrative Unit, in collaboration with the MDBs, on achievements and results, resource availability, pipeline review, and portfolio updates.

1 Introduction

1. The FIP Operations and Results Report (ORR), identifies key strategic issues, highlights decisions taken inter-sessionally by the FIP Sub-Committee, and provides an update on the status of FIP-funded programs and projects under the endorsed investment plans and related activities.
2. This report also includes projections on future approvals and provides an update on the results achieved by the FIP pilot countries. This report provides an update of the entire FIP portfolio for the period January 1 to June 30, 2020 (with additional updates to September 30, 2020 on resource availability) as well as the disbursements and results of projects under implementation for the period January 1 to December 31, 2019.

2 Strategic issues

2.1 Resource availability

3. As of September 30, 2020, FIP had reached a total of USD 750.4 million in cumulative funding. This amount varies from month to month due to USD 167.6 million in unencashed promissory notes, which will continue to be exposed to currency exchange fluctuations until encashed.
4. With an expected resource commitment of USD 30.7 million⁴ in project funding, FIP has a total surplus of USD 60.4 million. The anticipated pipeline commitments will require USD 12 million in capital resources and USD 18.7 million in grant resources, resulting in a potential surplus of USD 65.4 million in capital funds and a potential shortfall of USD 5.0 million in grants (see Table 1).

Table 1: FIP resource availability schedule summary (Sep 2020, USD million)

	TOTAL	Capital	Grant
Unrestricted Fund Balance	76.8	52.2	24.6
Future Programming Reserves			
<i>Admin Expenses-Reserve for FY19-28 +Admin Budget Reserve</i>	(11.2)	-	(11.2)
Unrestricted Fund Balance After Reserves (i)	65.5	52.2	13.3
Anticipated Commitments (ii) Program/project funding and MPIS costs	30.7	12	18.7
Available Resources (i - ii)	34.9	40.2	(5.4)
Potential Future Resources (iii)	25.5	25.1	0.3
<i>Pledges</i>	0.3	-	0.3
<i>Release of currency risk reserves</i>	25.1	25.1	-
Potential Available Resources (i-ii+iii)	60.4	65.4	(5.0)

2.2 Pipeline management update

5. Since the FIP pipeline has a first-come-first-served funding policy, and currently available grant funding can only fully cover two of the four projects still in the pipeline, the grant shortage may affect the approval of the following projects in these countries:
 - Guatemala: Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) project
 - Nepal: DGM project

- Republic of Congo: DGM project or the Northern Congo Agroforestry project
6. In December 2019, the World Bank informed the CIF Administrative Unit that the incoming Government of Ecuador had not put the FIP program on its list of priorities for World Bank support when discussing its lending envelope, and therefore, the World Bank would not be able to prepare the Ecuador FIP and DGM projects in the foreseeable future. As a result, in early 2020, the CIF Administrative Unit informed the Government of Ecuador that both pending project proposals for a total of USD 28.5 million¹ would be removed from the FIP project pipeline.

2.3 Impact of COVID-19 on the FIP portfolio

7. The COVID-19 pandemic constitutes an unprecedented global macroeconomic shock of uncertain magnitude and duration. The urgent objective of most governments during this crisis is to save lives. The duration of the pandemic is difficult to predict at this time, as are the extent and efficacy of economic interventions by governments and central banks. In light of the pandemic, all CIF programs face heightened credit, market, and operational risks.
8. Several projects experienced disruptions as a consequence of the COVID-19 pandemic. These include delays in procuring and importing equipment and construction materials. Social distancing and travel restrictions have interrupted technical assistance by consultants, interactions with rural communities and local stakeholders, and implementation of physical works. Some planned training programs were either cancelled or postponed for these reasons. Travel restrictions imposed by countries also prevented key personnel from traveling to the field. With project teams working from home, implementation of projects has been slower in general. The MDBs and implementing agencies are responding with mitigation measures, including virtual work and trainings, shifting responsibilities from international to local consultants, extending completion dates and restructuring project implementation.

2.4 Monitoring and reporting

9. Results reporting for the FIP portfolio is steadily increasing in volume as the portfolio moves deeper into implementation mode. This year for the first time, the MDBs were able to report their data in the CIF Collaboration Hub (CCH) directly. The new results section of the CCH was launched in the spring of 2020, with training sessions for MDBs conducted in June and July. This automation is expected to reduce inaccuracies in data entry and enhance the data quality in the results reporting process. The CCH will also enable further safeguarding and institutionalization of the results database over time.
10. The current reporting period faced more complexities given the high number of project restructurings taking place. A total of six FIP projects and one DGM project were restructured, resulting in changes in targets, indicators, and achievements. This represents 27 percent of the FIP investment plan portfolio of projects reporting results.²

3 Status of FIP

3.1 Portfolio overview

11. As of June 30, 2020, USD 612 million had been endorsed by the FIP Sub-Committee as indicative allocations to the participating countries, totaling 50 projects included in investment plans, DGM, and the Private Sector Set Aside (PSSA). Table 2 provides a summary of the portfolio status. The

¹ This amount includes USD 24 million endorsed in the IP and USD 4.5 million for the DGM project.

² Based on the number of projects from the investment plans.

portfolio under implementation consists of 39 projects reaching USD 270 million in cumulative disbursements.

Table 2: Overview of FIP portfolio (USD million, as of June 30, 2020)³

	Indicative Portfolio Allocation				Approved funding		Disbursement (cumulative)
	TOTAL	IP	DGM	PSSA	Committee	MDB	
FIP amount	612	524.4	70.3	17.3	582.9	536.8	270
Number of projects	50	33	14	3	46	42	39

12. The majority of FIP funding is split almost evenly between Latin America and the Caribbean (42 percent) and Africa (44 percent). The World Bank implements 65 percent of the FIP Sub-Committee-approved portfolio, followed by IDB with 16 percent. Private sector projects represent only five percent of funding. The co-financing ratio of FIP Sub-Committee-approved projects is 1:1.6, totaling USD 919.5 million. MDBs and beneficiary governments are the main sources of co-financing. The largest portion of funding (40 percent) focuses on landscape approaches, followed by sustainable forest management (25 percent) and capacity building (18 percent).

3.2 Portfolio updates

13. Since July 2019, six projects were approved by the FIP Sub-Committee for a total of USD 56.8 million, and three projects were approved by MDB boards totaling USD 15.2 million.
14. The cumulative project disbursements by MDBs totals USD 270 million, corresponding to 39 projects under implementation.⁴ The current rate of portfolio disbursement is 51 percent of funding for MDB-approved projects
15. During this reporting period two projects reached completion, bringing the total number of completed projects to three.

4 Cross-cutting themes

16. Knowledge management, learning and evaluation: two studies focused exclusively on FIP under the CIF E&L Initiative were published ([Assessing the Dedicated Grant Mechanism through an Indigenous Peoples Lens](#); and [Early Lessons from the Design and Implementation of the Forest Investment Program](#)). In addition, MDBs produced several FIP-related knowledge products, including the AfDB gender [case study of the FORM Ghana Ltd.](#) project, which featured gender integration in forest restoration through commercial forest plantation investments; and two case studies on DGM country programs in [Brazil](#) and [Burkina Faso](#) by the WB, entitled “Voices of Women”.
17. Gender: There is an increase in the quality of the FIP investment plan and project portfolios from June 2014 for both sector-specific gender analysis and women-targeted activities. There is poorer performance, however, on sex-disaggregated monitoring indicators, which demonstrates the need to increase upstream support and review on gender in FIP investment plan and project preparation.

³ Amounts include Project Preparation Grants (PPGs).

⁴ This amount includes disbursements of Project Preparation Grants (PPGs)

18. Risk management: FIP's risk score for implementation risk remains High, with six projects representing USD 104 million of program funding flagged for this risk.

5 Results

19. Results corresponds to the time period from January 1 to December 31, 2019, referred to as reporting year 2019 (RY2019). Due to the challenging situation on the ground caused by the COVID-19 pandemic and the resulting difficulties countries have faced attempting to conduct annual results workshops and data validation among stakeholders, results monitoring and reporting for this reporting period is limited only to project-level reporting by the MDBs. Country-level reporting is expected to continue in the next reporting period, or as soon as conditions allow.
20. This means that there is no data for several sections, including category 2 themes, i.e. biodiversity, governance, tenure rights and access, and capacity development. This also means that it is not possible to directly compare RY2019 results with those from previous years.
21. Out of the 40 MDB-approved projects (28 under FIP investment plans, nine under DGM, and three under FIP PSSA, totaling USD 533.8 million in FIP funding), 32 projects are currently report results.
22. The results of the FIP portfolio should be interpreted in the context of the portfolio maturity. In this reporting period, close to one-third of the portfolio (34 percent) of FIP projects had yet to be MDB approved or had only received MDB approval in the previous two years or less.
23. Since the countries did not report this reporting year, GHG achievements presented in this report do not fully represent FIP activity. Nonetheless, from the start of FIP implementation to RY2019, 46 percent of cumulative targets have been met (compared to 43 percent in RY2018), with a total of 18.7 million tons of carbon dioxide equivalent (MtCO₂e) reduced or avoided.
24. In RY2019, FIP investments reported 14.1 million hectares (ha) covered under sustainable land management practices or other FIP interventions, bringing total cumulative area covered to 45.6 million ha. This cumulative progress represents 111 percent against the target of 41 million ha.
25. The total cumulative number of people receiving livelihood co-benefits reached over 960,850, or 84 percent of the collective targets of 1.1 million beneficiaries.
26. DGM: As a result of successful project implementation, IPLCs in eight countries (Burkina Faso, Brazil, DRC, Ghana, Indonesia, Mozambique, Peru, and Mexico) have made significant progress in obtaining land tenure and recognition, economic improvement, food sovereignty, cultural restoration, Indigenous Peoples inclusion in national policy, and sustainable agroforestry, among other major successes.
27. As of RY2019, 45 percent of the approved DGM projects had been approved for less than three years. DGM projects in Burkina Faso, Brazil, and Peru cover 167,881 ha of land, and 237,848 people have benefited from DGM in Burkina Faso, Brazil, DRC, Ghana, Indonesia, Mexico, and Peru.
28. Through DGM, IPLCs in seven countries are directly managing 587 subprojects with a combined value of over USD 12 million. These subprojects range from support for land tenure and sustainable natural resource management to support for sustainable livelihoods.