

CLIMATE INVESTMENT FUNDS

FIP/SC.13/3/Rev.1
November 4, 2014

Meeting of the FIP Sub-Committee
Washington, D.C.
November 19, 2014

Agenda Item 3

FIP SEMI-ANNUAL OPERATIONAL REPORT

PROPOSED DECISION

The FIP Sub-Committee reviewed document, FIP/SC.13/3/Rev.1, *FIP Semi-Annual Operational Report*, and welcomes the progress that has been made in advancing the work of the FIP in the pilot countries.

I. INTRODUCTION

1. This document 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 April 1, 2014 to September 30, 2014.*

II. STRATEGIC ISSUES IN THE FIP

2. As the implementation of the FIP investment plans progresses, a number of strategic issues are emerging. For the current reporting period, five strategic issues have been identified which will be further discussed in the sections below:

- a) Within four years of its inception, the FIP has completed the programming process for the eight FIP pilot countries and 50% of the FIP resources have received FIP funding and MDB approval;
- b) There has been considerable progress with the implementation of the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) – a unique grant mechanism supported under the FIP;
- c) There are emerging findings from the study on *Linkages between the Forest Investment Program and REDD+ Performance-based Mechanisms* which further clarify the role of the FIP in the phased approach to REDD+;
- d) There is need to better understand, and improve the delivery rates for the remaining projects and programs that need FIP funding approval; and
- e) The FIP reporting agenda is now in implementation - first reports on baseline and targets were submitted by the FIP pilot countries for the agreed FIP indicator themes.

3. A more detailed portfolio presentation and analysis follows the chapter on the strategic issues.

Completion of FIP Country Programming Process and Advances in the Approval Process

4. By the end of 2014, with the endorsement of all FIP investment plans by the FIP Sub-Committee all eight FIP pilot countries had completed their programming process. The endorsement of Peru's investment plan in November 2013 was the final and symbolic milestone in concluding the efforts of FIP pilot countries to discuss and agree in an inclusive and transparent manner how allocated FIP resources would be used to address REDD+ priorities in their countries.

5. All pilot countries are now preparing or have started the implementation of the projects and programs agreed under their investment plans. Lessons learned and experiences from the FIP programming phase are now informing the implementation process in the countries. The

following three lessons from the FIP programming process have been repeatedly highlighted by countries and the MDBs as useful for the implementation of the FIP investment plans:

- a) The inclusive country-driven engagement in discussing and agreeing on REDD+ priorities to be addressed with FIP resources have had an impact on how other REDD+ initiatives are now being pursued at the country level.
- b) Despite the known complexity of addressing REDD+, including a wide variety of stakeholders and their often conflicting views, country governments engaged with these groups to define a common vision for the use of allocated FIP resources. While the FIP has sometimes been criticized for the relatively slow pace compared to the other CIF programs, it must be noted that the country programming process has set a new standard for stakeholder engagement.
- c) The coordination of REDD+ initiatives at the country level is a challenge for many countries, especially those with a weak enabling environment and low institutional capacities to organize financing flows. Most countries have used the FIP programming process to set up or strengthen inter-ministerial committees to discuss and dialogue on land use issues affecting forests and trees. These entities are increasingly taking on the responsibility to steer national and international finance towards an agreed set of priorities identified in REDD+ strategies or equivalents.

6. More than 50% of FIP funding has been approved by the FIP Sub-Committee and the MDBs. Four FIP countries (Brazil, Burkina Faso, DRC and Mexico) have received FIP funding approval for more than 85% of their allocated FIP resources. This important milestone suggests that these countries and projects and programs have moved through the preparation process in a timely manner and are now either in or about to start implementation.

Progress with the implementation of the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities – a unique grant mechanism under the FIP

7. With the endorsement of the DGM programming framework and the approval of FIP funding for the global DGM component and the Brazil DGM country program in June 2014, another important milestone for the FIP was reached. After an inclusive consultative process led by representatives from indigenous peoples and local communities in the FIP pilot countries, the DGM is finally becoming operational.

8. A meeting of the Transitional Committee (TC) of the DGM took place on September 17-19, 2014 in Washington DC. The objective of this meeting was for the Global Executing Agency (Conservation International) to present the initial work plan for the DGM Global Component to be discussed and agreed on by the Committee. The meeting also provided an opportunity for members from National Steering Committees (NSC) to discuss the status of the DGM program in their countries and share lessons and experiences on the process. The two-and-a-half days meeting included a closed session of the TC members and informational presentation from the Global Executing Agency on the upcoming COP20 in Lima, Peru and issues around REDD+ that would be of interest to the DGM TC. Highlights from the meeting are presented below:

a) Updates from countries on the formation of the NSCs:
There has been a lot of progress on selection of members to the NSC and highly inclusive, grassroots level processes were reported. DRC has had several village level meetings and is on track to completing the process in November 2014 when the NSC membership will be finalized. Indonesia has made a special provision for two women members in the NSC. In Mexico, the NSC will have three sub-committees in the areas where the FIP is operating (with 15 members in each) with a goal to use the NSC to link all the initiatives that are conserving and restoring forested areas; and support forest peoples. Ghana will form its NSC in late January 2015.

b) Lessons from the country processes:
The TC members identified the following important lessons to move the process forward in the countries:

- i. It is important to have clear criteria for the selection of the National Executing Agency (NEA); and different categories of capacities should be considered (e.g. experience, technical aspects).
- ii. The NSCs should be prepared to conduct an open process for the selection of the NEA, with World Bank assistance if needed.
- iii. NSCs should define their own rights, including naming a representative for meetings of the GSC or meetings held by the FIP country focal point; gender balance needs to be ensured.
- iv. A supportive team in the World Bank and the national government is important to succeed in the process.

9. The Transitional Committee meeting closed with the following agreed next steps:

- a) The GEA will prepare in the next 5 months a preliminary communications strategy to include a web site and logo and circulate to TC to make comments and decide in the next TC meeting.
- b) Before April 2015, all NSCs should be established, and all NEAs selected.
- c) Decides to organize the next DGM meeting in April in Indonesia.
- d) The GEA will organize a special side event during UNFCCC COP20 in Lima, Peru, with participants of the DGM TC members already in Peru participating at the COP20. The objective of the side event is to share information to indigenous peoples, governments and donors, on the progress of DGM implementation, its success and challenges to date.

- e) The mandate of the TC is extended until the GSC meeting in April 2015.
- f) Capacity building for the GSC is a priority. Need was expressed to build capacity on procurement and how to work with the World Bank as well as to better understand the process for accessing WB/DGM funds. A generic training session on the tasks and responsibilities of the GSC was also suggested.
- g) Public information and outreach on the DGM is another priority for the TSC. It was agreed to have a working website by the time of the next meeting or even sooner.

10. Discussion has now also started on how to operationalize the link between the DGM country programs and the global DGM component as well as the projects and programs supported through the FIP investment plans.

Emerging Findings from Study on Linkages between the Forest Investment Program and REDD+ Performance-based Mechanisms

11. During the last meeting of the FIP Sub-Committee in June 2014, members raised and discussed the following key concerns and questions regarding the link between FIP investments and performance-based payment mechanisms:

- a) to what extent the sustainability of FIP results should depend on future carbon payments that may or may not materialize;
- b) the challenge of ascribing GHG emission reductions achieved with FIP finance to be included in payments for performance through other REDD+ programs – the issue of “double funding/dipping”; and
- c) contributor concerns around financing the same results in the FIP that would be reported in a performance-based mechanism as their results – the issue of double results reporting.

12. A similar request on clarifying the link between CIF financing and carbon markets was made by the CTF Trust Fund Committee. Two papers were considered - CTF/TFC.11/12, *CIF Financing and Carbon Markets*, and CTF/TFC.10/9, *Interactions between CIF Financing and Carbon Markets*, which will be taken into account in further advancing the study.

13. As a result of the discussion in June 2014, the FIP Sub-Committee requested the CIF Administrative Unit, in consultation with the Sub-Committee members, FIP pilot countries, MDBs, and relevant international entities, to prepare for consideration at its next meeting, a paper providing guidance on the link between FIP investment funding and REDD+ performance-based mechanisms, taking into account the international REDD+ architecture and, in particular,

the *Warsaw Framework for REDD-plus*.¹ Available findings of the study on *Linkages between the Forest Investment Program and REDD+ Performance-based Mechanisms* will be shared with the FIP Sub-Committee in November 2014.

14. Emerging findings include:

- a) The views on using upfront ODA financing for REDD+ activities which result in assets eligible for performance-based payments are diverse.
- b) Currently available funding for REDD+ does not meet the demands for addressing all drivers of deforestation and forest degradation, sustainable management of forests and enhancements of forest carbon stocks. Hence more funding is needed and increased emphasis should be given to the efficient and effective use of available REDD+ finance.
- c) Transparency on the use and link of upfront and results-based payments is necessary to make informed decisions on FIP project and programmatic funding. This includes information on whether results-based finance is necessary to sustain outcomes and outputs generated through FIP funding and if so, what benefit-sharing mechanism which is part of performance-based payment mechanisms is envisaged.
- d) Because of weak institutional capacities, enabling conditions and technical infrastructure many REDD+ countries have encountered challenges to create or sustain forest-related assets.
- e) Poor rural and forest dependent communities often do not have the means to effectively participate in REDD+ process and to receive payments for their forest stewardship. Hence, more emphasis on empowering these stakeholders in the REDD+ process is necessary.

15. A status update on the study, including the approach, methodology, interviewed stakeholders and more detailed emerging findings will be presented during the upcoming meeting of the FIP Sub-Committee. The study is expected to be finalized in January 2015.

Understanding and improving the delivery rates for FIP funding approval for the remaining projects and programs

16. While the first strategic issue has highlighted countries which are advancing well with the FIP and MDB funding approvals, for the other 50% of FIP funding still to be approved by the FIP Sub-Committee and the MDBs, the delivery rate of projects suggests continuous challenges.

¹ <https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FINAL%20FIP%20Sub-Committee%20Summary%20of%20the%20Co-Chairs%20June%202028.pdf>

17. Currently, there are 12 projects which have been in the FIP pipeline for more than 18 months. In addition, for 5 projects, MDBs did not provide an estimate by what date FIP funding approval would be requested. Reasons for the delays include finalizing project implementation arrangements at both national and provincial levels, uncertainties and delays in counterpart staff and budget allocations, prolonged stakeholder consultations, changes in FIP focal points, national elections and delays in consultant recruitment.

18. Three countries: Ghana, Indonesia and Peru have less than 50% of their allocated resources approved by the FIP Sub-Committee. A brief status update and reasons for the low approval rate is provided below.

a) *Ghana*

- i. IFC: A market study of private sector engagement in the forestry sector in Ghana has been recently completed. This study assesses private sector's need for finance to support REDD+ projects within the context of FIP Ghana, as well as, potential investment and advisory services projects that could be supported and that meet FIP and IFC investment criteria and safeguards. IFC has shared the findings of the study with relevant FIP stakeholders to disseminate knowledge on REDD+ projects in Ghana. Development of bankable projects that fit within the Ghana FIP plan with suitable private sector partners will require time to identify and prepare.
- ii. IBRD: The project preparation process for Ghana FIP is on track for submission to the FIP Sub-Committee in early November 2014.

b) *Indonesia*

- i. IBRD: A team of consultants is still carrying out the studies that will help identify the needs and gaps to meet the proposed project development objective. Upon completing of this work, the project components can be fully developed. Consultations have started and additional discussions with key stakeholders are planned for October and November 2014. The consultants to support the national team are in place; the IBRD team is assembled and will be working very closely with the project preparation team to deliver a robust project. A preparation mission is currently ongoing.
- ii. IFC: Preparations are progressing for the IFC program in Indonesia. Given the significant concerns raised by some stakeholders about the support of FIP for private enterprises in the context of Indonesia, IFC is taking additional steps to consult with relevant stakeholders as it develops project concepts to be pursued with the support of FIP. Most recently, the Indonesia FIP Steering Committee at the Government of Indonesia (GoI) assigned the Directorate of Forest Utilization (BUK) of the Ministry of Forestry to act as the GoI-FIP partner agency with IFC. The IFC-FIP team in Indonesia has agreed with the BUK on an estimated timeline and a plan

of activities for the IFC-FIP program proposal preparation and approval. The plan includes consultation activities with various stakeholders, including web postings at the GoI designated FIP website of the draft proposal and several rounds of in person meetings prior to submission to the Sub-Committee planned for the first half of 2015.

- iii. ADB: Preparation of ADB's FIP project in Indonesia experienced delays for various reasons such as prolonged stakeholder consultations, delays in finalizing institutional arrangements for project design, delay in signing of the memorandum of understanding due to staff changes, delays in receiving "no objection" to proceed with project design from the Ministry of Finance due to concerns from other ministries such as planning (BAPPENAS), and also receipt of a limited number of expressions of interest from various consulting firms thereby leading to delays in consultant recruitment. A firm has been mobilized recently (October 2014) and project design is in progress. Project design is expected to be completed by the end of March 2015.

c) *Peru*

- i. The FIP investment plan for Peru was endorsed in October 2014. The programming process went through a highly inclusive approach and involved various key stakeholder groups, including indigenous people representatives. All public sector projects in Peru need to go through a national approval process (SNIP- National System of Public Investment) before they can be presented to FIP Sub-Committee and Board of the MDBs. The SNIP process can be quite lengthy, given the detailed information that need to be provided. The SNIP requires different steps that involve both the Ministry of Environment and the Ministry of Economy and Finance. Currently, the FIP program profile that represent the first milestone in the SNIP process is about to be completed and the design of the feasibility documents for the public investment projects will follow.
- ii. IDB and IBRD are working closely with the Government of Peru in order to advance with the process.

19. The above mentioned delays in delivering the remaining FIP projects and programs will contribute to delays in reporting actual results.

FIP reporting agenda in implementation - first reports on baseline and targets provided by the FIP pilot countries for the agreed FIP indicator themes have been submitted

20. During its meeting in October 2013, the FIP Sub-Committee approved the approach on *Results Monitoring and Reporting in the FIP*, as a basis for the annual reporting on progress with the implementation of FIP investment plans. In March 2014, the CIF Administrative Unit

finalized a first draft of a *FIP Monitoring and Reporting Toolkit* which provides detailed guidance on the reporting requirements for each category and a common format for reporting. The draft was discussed with the FIP pilot countries in May 2014. The current version of the toolkit is available on the FIP website² and may be used by the FIP pilot countries to report in accordance with the approved approach on FIP results reporting. Hence, FIP results reporting is now an integral part of the FIP operational cycle, a strategic achievement to have all eight FIP pilot countries reporting back annually to the Sub-Committee on progress with the implementation of their investment plans.

21. It was agreed that FIP pilot countries will report the first time to the FIP Sub-Committee at the meeting in November 2014 using the agreed core indicator themes relevant for their FIP investment plan. The first report focusses on baselines and targets for relevant indicator themes. From November 2015 onwards, FIP pilot countries are expected to report on progress towards achieving the indicated targets by indicator theme in the context of the objective of their investment plan.

22. As of September 30, 2014, five FIP countries have submitted their FY14 results reports: Brazil, Burkina Faso, DRC, Indonesia and Peru. The reports received vary significantly in format and depth. Reports are still to be received from Mexico, Lao PDR and Ghana.

23. Three of the five FIP pilot countries that have reported have projects under implementation (Brazil, Burkina Faso and the Democratic Republic of Congo).

24. *Brazil* submitted its comprehensive FIP monitoring and reporting plan in addition to its reporting sheets. The Government of Brazil informed that it would not set emission mitigation targets or baseline for the Brazil investment plan or its projects, considering its position and the agreement achieved in 2013 in the Warsaw Framework for REDD+ under the UNFCCC (decision 9 to 15/CP.19). Supported by the FIP, Brazil targets 7.8 million hectares of total land area where sustainable land management practices will be adopted. Brazil also identified indicators for livelihood co-benefits, for which the baselines are zero and the targets those set at project level.

25. *Burkina Faso* aims to achieve 13.8 million tons of CO₂e of GHG emission reductions over the lifetime of the projects under its investment plan in 1,285,000 hectares of Sudano-Saharan dry forest. Burkina Faso identified targets for livelihood co-benefits and provided a narrative of their theory of change and related assumptions as well as a description of what has happened since the endorsement of their investment plan.

26. The *Democratic Republic of Congo (DRC)* aims at reducing over 18 million tons of GHG emissions over 30 years, and provided details on the methodology and assumptions for the GHG calculations, targets for livelihoods co-benefit indicators as well as a narrative summarizing what has happened since the endorsement of the investment plan. DRC also provided an overview detailing enabling and sectoral activities addressed under the FIP.

²https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP_Monitoring_and_Reporting_Toolkit_final.pdf

27. *Indonesia and Peru* did not report on livelihood co-benefits yet as baselines and targets will only be final at MDB approval stage of the projects and programs. All projects are still in preparation. Both countries provided comprehensive narratives. On GHG emission reductions, Indonesia aims at 130.5 million tons of CO₂e to be reduced or avoided after the financial closure of the last project or program supported under the investment plan. Peru indicated a reference emission level of 61.5 million t of CO₂e and the fact that 4.2 million hectares of tropical mountain forests and wetland forests would be part of their FIP investments.

28. Information document FIP/SC.13/Inf.4, *FIP Results Report*, provides a compendium of reports received from the FIP pilot countries.

III. STATUS OF THE FIP

Status on pledges, investment plan endorsement, funding approvals and implementation

29. The pledge volume to the FIP as of September 30, 2014 is USD 602.1 million³, of which USD 518.8 million have been committed.

30. Investment plans for all eight FIP pilot countries were endorsed. During the reporting period, the FIP pilot countries, in collaboration with the relevant MDBs, have continued preparing and implementing 25 projects and programs to address REDD+ priorities described in the investment plans. Nine additional projects will implement the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM). The call for proposals under the FIP private sector set-aside resulted in five endorsed concept notes which will further enhance private sector engagement in REDD+ activities (one private sector set-aside concept has since then been removed from the portfolio as it was decided it would no longer be pursued).

31. As of September 30, 2014, FIP funding for a total of 16 projects and programs has been approved by the FIP Sub-Committee totalling USD 267.2 million⁴ (USD 191.5 million in grants and USD 75.62 million in near-zero interest credits). These resources are expected to leverage a total of USD 843.9 million in co-financing, a ratio of 1:3.2.

32. Three FIP projects in Lao PDR and Mexico are currently under implementation and disbursing FIP resources.

IV. UPDATES SINCE LAST REPORT

33. During the reporting period, the Sub-Committee reviewed and approved FIP funding for the following 4 projects:

- a) *Brazil*: Environmental Regularization of Rural Lands (based upon the CAR), (IBRD);

³ Currency exchange rate as of September 30, 2014

⁴ Without Project Preparation Grants (PPGs)

- b) *Brazil: Sustainable Production in Areas Converted to Agricultural Use* (based upon the ABC plan), (IBRD);
- c) *Brazil: DGM for Indigenous Peoples and Local Communities*, (IBRD);
- d) *Global Component: DGM for Indigenous Peoples and Local Communities*, (IBRD).

V. FIP PORTFOLIO OVERVIEW AND ANALYSIS

34. Details on the projects and programs agreed on for each FIP pilot country as part of their investment plan, the DGM and the FIP private sector set-aside are provided in information document FIP/SC.13/Inf.3, *FIP Pilot Country Portfolios*.

Portfolio overview by milestones

35. Table 1 provides an overview of the FIP portfolio in terms of approvals throughout the CIF project cycle. The portfolio contains a total of 38 projects and programs:

- a) 25 projects and programs agreed in the endorsed investment plans,
- b) 9 DGM projects; and
- c) 4 projects supported under the FIP private sector set-aside.

Table 1: Overview of FIP Portfolio

	Endorsed IPs (8)	Endorsed DGM concepts	Endorsed FIP PSSA ⁵ concepts	Total endorsed	Approved FIP Funding ⁶	MDB Approved	Disbursing (June, 2014) ⁷
USD million	420	50	31.3	501.3	267.2 (53% ⁸)	208.05 (42% ⁹)	11.6 (2.3%)
Number of projects and programs ¹⁰	25	9	4	38	16	12	3

⁵ FIP PSSA – FIP Private Sector Set-Aside

⁶ The figure includes preparatory grants for the development of investment projects and programs.

⁷ Project-level disbursement figures are available for public sector projects only and include project preparation grants.

⁸ Percentage of total endorsed funding

⁹ Percentage of total endorsed funding

¹⁰ Endorsed projects only.

36. Approximately 53% of FIP funding for projects and programs in endorsed investment plans has been approved by the FIP Sub-Committee. 78% of these projects and programs have also received MDB approval, suggesting a robust pipeline and approval process since the endorsement of the investment plans.

37. The program framework for the DGM and a notional allocation of USD 50 million in FIP grant resources were endorsed in June 2014. At the same time, two projects received FIP funding approval for a total of USD11.5 million (23% of the FIP funding allocation for the DGM).

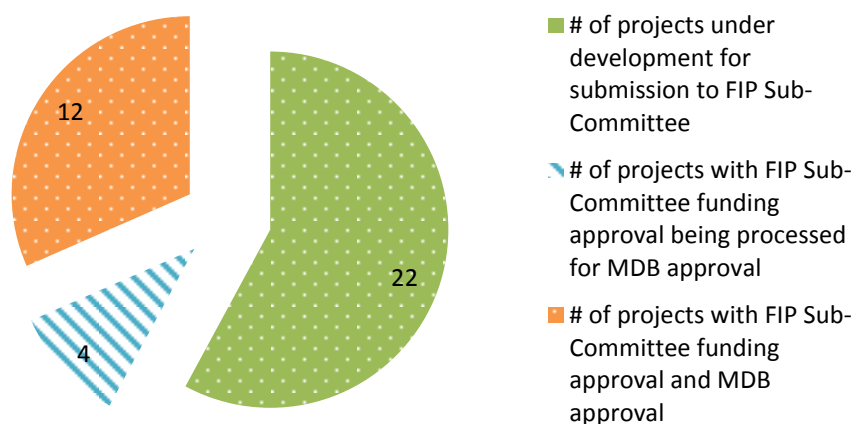
38. One project supported under the FIP private sector set aside received FIP funding approval in the amount of USD 15 million. Three projects with a total allocation of USD 16.3 million are still awaiting FIP funding approval (52% of FIP funding endorsed under the FIP private sector set-aside totalling USD 31.30 million).

Tracking project delivery

39. Of the 38 projects and programs in the FIP portfolio:

- a) 12 projects and programs have approved FIP funding and have also received final project approval by the respective MDB;
- b) 4 projects and programs have approved FIP funding and are being prepared for final project approval by the respective MDBs; and
- c) 22 projects and programs are under preparation for submission to the FIP Sub-Committee for funding approval (see Figure 1).

Figure 1: FIP Project Approval Status (as of September 30, 2014)¹¹



40. Based on the last pipeline update, 9 projects and programs were expected to be submitted to the FIP Sub-Committee for review and funding approval during the reporting period¹² and 4 projects were expected to receive final project approval by the respective MDBs. As of September 30, 2014, 4 were actually submitted for FIP funding approval and 2 projects received MDB approval.

41. Of the 22 projects in the FIP pipeline which are being prepared for FIP funding approval by the Sub-Committee¹³, 8 projects have been in the pipeline for more than 24 months; 6 have been in the pipeline for more than 18 months and 3 projects for less than 18 months. For 5 projects, MDBs did not provide an estimate by what date FIP funding approval would be requested. Table 2 below provides an overview of the status of projects and programs in preparation for FIP funding approval. Figure 2 below shows the approval status of all projects within the FIP pipeline, including projects implementing the DGM and supported under the FIP private sector set-aside.

Table 2: Status of Projects and Programs in Preparation for FIP Funding Approval

	18 months or less after IP endorsement	18 - 24 months after IP endorsement	24 months or more after IP endorsement	No data provided
Number of projects and programs	3	6	8	5
FIP resources (USD millions)	11.50	66.80	133.59	26.50

¹¹ includes all projects and programs under endorsed investment plans; the DGM projects and projects supported under the FIP private sector set aside.

¹² April 1, 2014 – September 30, 2014

¹³ Including projects and programs under endorsed investment plans, the DGM and the FIP private sector set aside.

42. As per last estimates by the MDBs, the following eight projects are likely to exceed the agreed benchmark by 24 months or more:

- a) *Brazil: Implementation of Early Warning System for Preventing Forest Fires and a System for monitoring the Vegetation Cover, (IBRD);*
- b) *Brazil: Brazil Forest Investment Plan (BIP) Management, (IBRD);*
- c) *Ghana: Reducing Pressure on Natural Forests Through an Integrated Landscape Approach, (IBRD);*
- d) *Ghana: Engaging the Private Sector in REDD+, (IFC);*
- e) *Indonesia: Community-Focused Investments to Address Deforestation and Forest Degradation (CFI-ADD+), (ADB);*
- f) *Indonesia: Promoting Sustainable Community-Based Natural Resource Management and Institutional Development, (IBRD);*
- g) *Indonesia: Strengthening Forest Enterprises to Mitigate Carbon Emissions, (IFC); and*
- h) *Lao PDR: Protecting Forests for Sustainable Ecosystem Services, (ADB).*

43. Reasons for the delays were discussed in the strategic section of this report.

Projected Funding Approvals – Outlook for Remainder of FY 15

44. According to data from June 2014 for FY 15, 16 projects and programs are scheduled for FIP funding approval by the Sub-Committee. These projects are expected to request USD 194.65 million in FIP funding of which USD 128.95 million (66.25%) will be grants and USD 65.7 million (33.75%) will be near-zero interest credits.

45. The projections above, however, do not include¹⁴

- a) *Burkina Faso: DGM for Indigenous Peoples and Local Communities, (IBRD)*
- b) *DRC: DGM for Indigenous Peoples and Local Communities, (IBRD)*
- c) *Ghana: DGM for Indigenous Peoples and Local Communities, (IBRD)*
- d) *Lao PDR: DGM for Indigenous Peoples and Local Communities, (IBRD)*
- e) *Mexico: DGM for Indigenous Peoples and Local Communities, (IBRD)*

¹⁴ At the time of finalizing this report there was no expected date for FIP funding approval available for these projects.

Portfolio Overview – Breakdown Analysis

Linking FIP with other REDD+ Mechanisms

46. Of the eight FIP pilot countries, seven are receiving support for readiness activities supported by the FCPF Readiness Fund and the UN-REDD Programme. Brazil is not participating in any readiness program financed by multilateral development partners.

47. Six FIP pilot countries (Burkina Faso, DRC, Ghana, Indonesia, Mexico, and Peru) have expressed the intent to link FIP-supported activities with performance-based mechanism such as the FCPF Carbon Fund and Payments for Environmental Services (PES).

48. Table 3 below provides an overview of the participation of the eight FIP pilot countries in the FCPF Readiness Fund (RF) and Carbon Fund (CF), the UN-REDD Programme and other mechanisms disaggregated by REDD+ phase, in an effort to identify further areas of collaboration between existing REDD+ initiatives and the FIP.

Table 3: FIP pilot countries across the REDD+ phased approach

FIP pilot country	Readiness	Results/Performance-based payments	Comments
Brazil	-		-
Burkina Faso	FCPF RF	PES ¹⁵	-
DRC	FCPF RF, UN-REDD	FCPF CF; PES ¹⁶	ER-PIN ¹⁷ presented
Ghana	FCPF RF	FCPF CF	ER-PIN presented
Indonesia	FCPF RF, UN-REDD	FCPF CF	Early Idea presented
Lao PDR	FCPF RF		-
Mexico	FCPF RF	FCPF CF	ER-PIN presented
Peru	FCPF RF	FCPF CF	ER-PIN presented

49. An ongoing study on the link between the FIP and performance-based payment mechanisms will further clarify the role of the FIP in the phased approach to REDD+. The study complements a study finalized in May 2014 exploring the link between REDD+ readiness and the FIP. A status update and emerging findings on the ongoing study will be presented at the upcoming FIP Sub-Committee meeting. The study is expected to be finalized in January 2015.

¹⁵ These mechanisms will channel FIP resources to local communities. Currently, there are no resources secured for results-based payments in these projects.

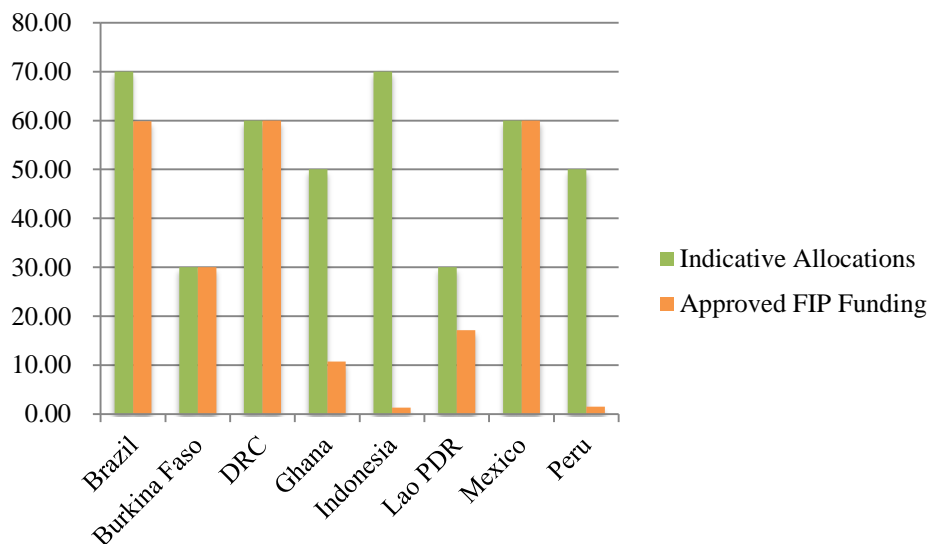
¹⁶ *Ibid.*

¹⁷ An ER-PIN- an Emission Reductions Program Idea Note (ER-PIN) - is prepared by a country participating in the FCPF Carbon Fund. Countries submit an Emission Reductions Program (ER Program) for consideration for a potential Emission Reductions Payment Agreement (ERPA) under the FCPF Carbon Fund. The purpose of this document is to provide some of the necessary information for this consideration. The ER-PIN template will be used as a basis for the selection of ER Programs into the Carbon Fund by the Carbon Fund Participants.

Approvals by FIP Pilot Country

50. Figure 3 provides information on the indicative allocation of FIP funding by pilot country at the time of FIP investment plan endorsement and the total FIP funding which has been approved at the end of the reporting period.

Figure 2: Indicative Allocation of FIP Funding and Approvals by Country Investment Plan (USD Millions)



51. Five countries, Brazil, Burkina Faso, DRC, Mexico and Lao PDR, are well advanced in terms of FIP funding approval by the Sub-Committee, with three countries having received FIP funding approval for the full indicative allocation at time of endorsement. Mexico, DRC and Burkina Faso have received not only FIP funding approval for all their projects but also MDB approval.

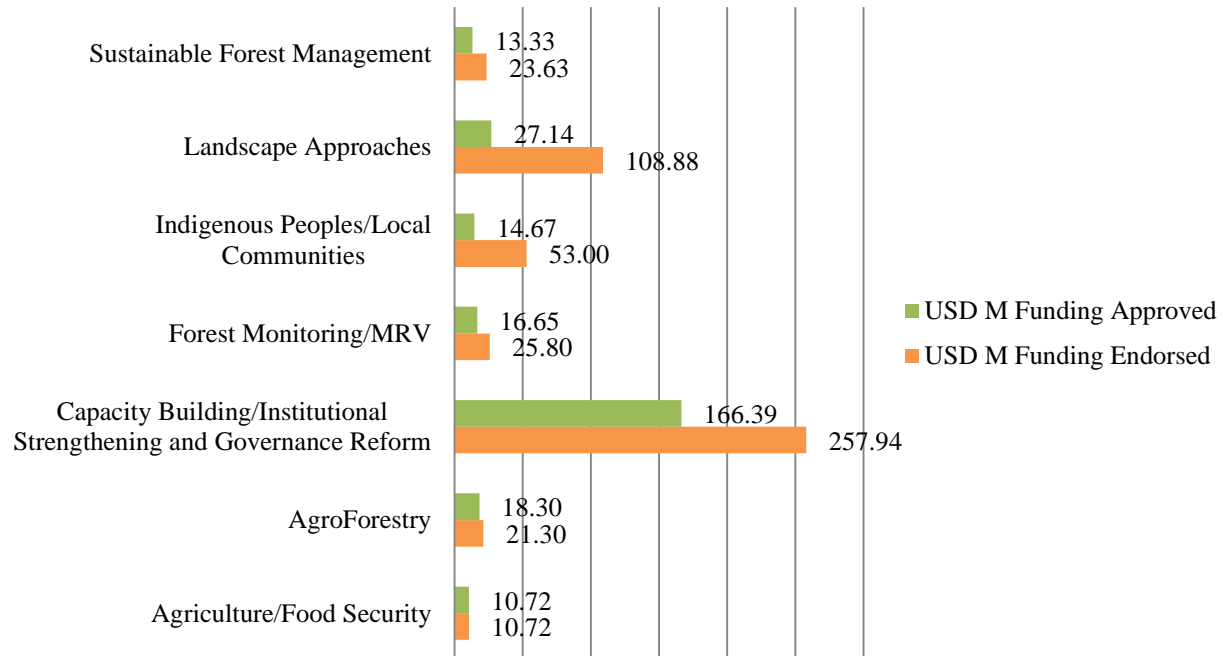
52. It is expected that during the upcoming reporting period, FIP funding approvals will increase by USD 135.09 million to a total USD 402.29 million FIP approved funding, including for projects submitted under the FIP private sector set-aside and the DGM.

53. If projections for FY 15 hold true, the current schedule indicates that an additional 3 countries, Lao PDR, Indonesia and Brazil, will have received FIP funding approval for all projects and programs endorsed under their country investment plans (excluding DGM and private sector set-asides projects) within the next reporting period.

Approvals by Sectoral Focus

54. Figure 3 provides information on the use of endorsed FIP resources by sectoral focus.

Figure 3: Indicative Allocation of FIP Funding and Approvals by Sectoral Focus¹⁸



55. Figure 3 shows that more than 50% of resources for FIP investments are allocated for building capacity, reforming institutions and strengthening governance mechanisms; enhancing the enabling environment for forest landscape management and conservation and enhancing forest monitoring. The other nearly 50%¹⁹ of FIP resources is allocated to site-specific investments.

56. Across the eight FIP pilot countries there are differences in the use of FIP resources: while a few countries which are more advanced in their readiness activities tend to use FIP resources for site-specific activities (e.g. Brazil and Mexico), countries which face challenges in terms of the enabling environment (i.e. which lack the institutional capacity to address the drivers of deforestation and forest degradation and to support sustainable forest management) use FIP resources for readiness-type activities (e.g. Burkina Faso and Indonesia).

¹⁸ includes all investment plan, DGM and private sector set aside projects and programs

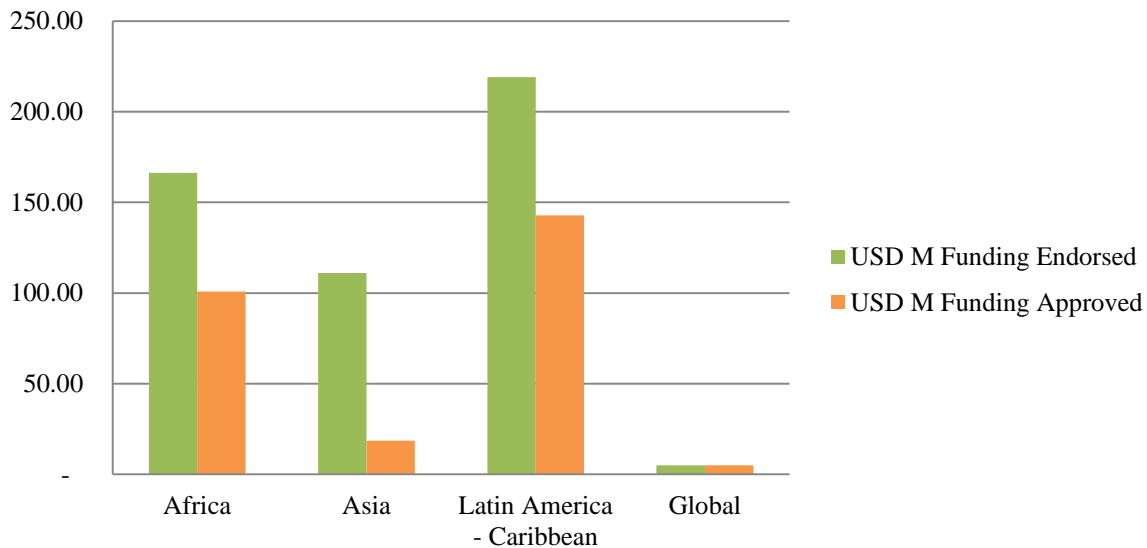
¹⁹ Actual percentage of FIP resources allocated to site-specific investments: 48.5%.

57. Types of investments drive the types of expected results. The first round of reporting on baselines and targets at the level of the FIP country investment plans does not currently reflect the investment diversity and distribution reflected in Figure 4. Hence, this will need to be further improved during the next reporting period. Reports received from the FIP pilot countries focus on targets and baseline for GHG emissions reduction/avoidance, enhancement of carbon stocks and the size of the area where FIP investments will change on-the-ground conditions. No information was provided on expected co-benefits, which includes data and information on the FIP’s contribution to the enabling environment for REDD+.

Portfolio Numbers by Region

58. Figure 4 below shows the FIP funding distribution across regions. The three countries in Latin America are not only receiving the highest amount of FIP resources but have also received FIP funding approval for more than 65% of the endorsed amounts. Also the three African countries are advanced in receiving FIP funding approval – 61% of the endorsed resources have been approved by the FIP Sub-Committee. The countries in Asia have encountered challenges with preparing projects and programs for funding approval; hence the approval rate of FIP funding remains low.

Figure 4: Indicative Allocation of FIP Funding and Approvals by Region²⁰²¹



²⁰ includes all investment plan, DGM and private sector set aside projects and programs

²¹ “Global” FIP funding refers to the Global Component of the DGM, implemented by IBRD.

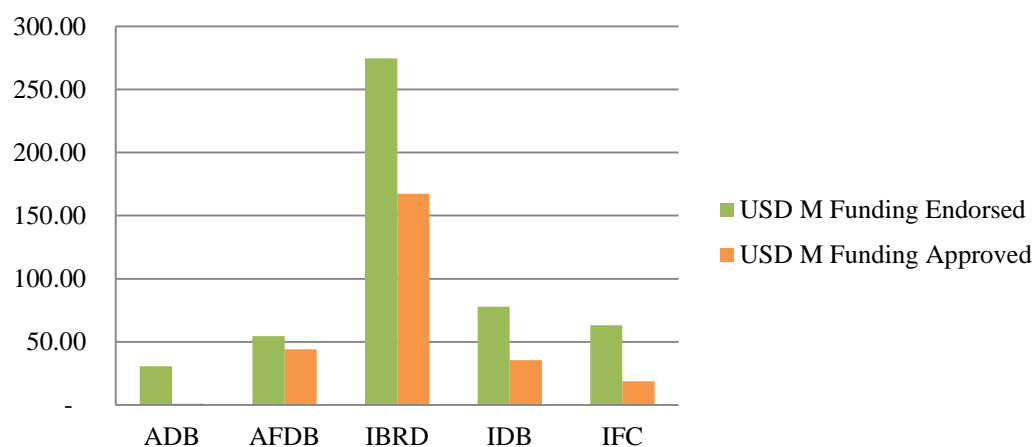
Table 4: Indicative Allocation of FIP Funding and Approvals by Region
(includes investment plans, DGM and PSSA)

	Africa	Asia	LAC	Global
USD million FIP Funding Endorsed	166.3	110.97	219	5
USD million Funding Approved	100.75	18.61	142.85	5
% of FIP Funding Approved	61	17	65	100

Portfolio Numbers by MDB

59. Figure 5 presents the allocation and approval status of FIP funding by MDB. AfDB and IBRD are well advanced in terms of receiving FIP funding approval: 81% of AfDB and 61% of IBRD endorsed funding has been approved by the FIP Sub-Committee.

Figure 5: Indicative Allocation of FIP Funding and Approvals by MDB²²



60. ADB is the implementing agency for two FIP projects in Indonesia and Lao PDR. A total of USD 30.84 million has been allocated for these projects. There are several reasons for delay in processing FIP projects by ADB. Much of the delay has been associated with finalizing institutional arrangements and recruitment of consultants. The project documents for Lao PDR are now under review for submission to FIP Sub-Committee in November 2014, while those for Indonesia are expected to be submitted in May 2015.

Co-financing Summary

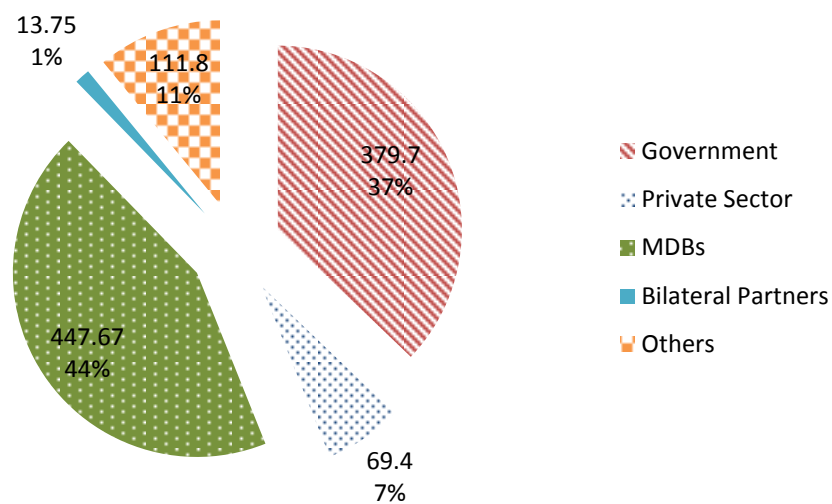
61. The projected cofinancing ratio at the time of the endorsement of the FIP investment plans was 1: 2.2. The ratio of total FIP funding to co-financing based on the most updated

²² includes all investment plans, DGM and private sector set aside projects and programs

information available for MDB approved projects is 1:3.2 suggesting the projections at the time of the endorsement of the FIP investment plans were rather conservative.

62. Figure 6 provides a breakdown of co-financing sources for all 25 projects and programs in endorsed FIP investment plans (in preparation and FIP funding approved). The co-financing distribution confirms a strong support by countries and development partners to REDD+ priorities in the FIP pilot countries. The strong leverage of MDB resources is consistent with the principle of the CIF to build on existing MDB pipelines and operations.

Figure 6: Indicative FIP co-financing Breakdown by Source (USD million)
(only projects and programs in FIP investment plans – in preparation and approved)



63. Main co-financing partners in FIP projects and programs apart from the governments and the MDBs include the European Commission; the Agence Francaise de Development (AFD); the Global Environment Facility (GEF); JICA; the Forest Carbon Partnership Facility (FCPF); KFW; and the Moore Foundation.

Disbursements – Actuals and Projected

64. As of June 30, 2014, the cumulative disbursement for FIP projects and programs stands at USD 11.6 million. This represents a 36% increase from the cumulative disbursement of USD 8.5 million at the end of 2013. Given the delays observed in the implementation of several IPs as articulated before and in previous semi-annual reports, the actual disbursements for FY14 (USD 11.6 million) stood at 55% of what had been projected for FY14 (USD 21.2 million).

**Annex 1: Calendar of Scheduled Submissions of Projects and Programs for FIP Funding Approval
(FY 15 and FY 16)**

Country	Project Title	MDB	Public/ Private	Total Funding	SC Approval Date	MDB Board Approval
Brazil	Brazil Forest Investment Plan(BIP) Management	IBRD	Public	1	Q2	Q2/FY15
Lao PDR	Protecting Forests for Sustainable Ecosystem Services	ADB	Public	13.34	Q2	Q3/FY15
Indonesia	Strengthening Forest Enterprises to Mitigate Carbon Emissions	IFC	Private	35	Q2	Q4/FY15
Brazil	Implementation of Early Warning System for Preventing Forest Fires and a System for monitoring the Vegetation Cover	IBRD	Public	9.25	Q2	TBD
Indonesia	Promoting Sustainable Community-Based Natural Resource Management and Institutional Development	IBRD	Public	17.5	Q2	Q1/FY16
Indonesia	Community-Focused Investments to Address Deforestation and Forest Degradation(CFI-ADD+)	ADB	Public	17.5	Q3	Q4/FY15
Ghana	Reducing Pressure on Natural Forests Through an Integrated Landscape Approach	IBRD	Public	30	Q3	TBD
Brazil	Macaua Palm Oil in Silvicultural System	IDB	Private	3	Q3	Q4/FY15
Mexico	Guarantee Fund for financing low carbon forestry investments	IDB	Private	3	Q3	Q4/FY15
Peru	DGM for Indigenous Peoples and Local Communities	IBRD	Public	5.5	Q3	TBD
Ghana	Public-Private Partnership for restoration of degraded forest reserve through VCS and FSC certified plantations	AfDB	Private	10.3	Q4	Q4/FY15
Ghana	Engaging the Private Sector in REDD+	IFC	Private	10	Q4	Q2/FY16

FY15

Country	Project Title	MDB	Public/ Private	Total Funding	SC Approval Date	MDB Board Approval	
Indonesia	DGM for Indigenous Peoples and Local Communities	IBRD	Public	6.5	Q4	TBD	
Peru	Integrated Land management in Atalaya, Ucayali Region	IBRD	Public	12.6	Q4	TBD	
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	Q2	Q3/FY16	FY16
Peru	Integrated Landscape Management Along the Main Route Between Puerto Maldonado and Inapari and in the Amarakaeri Communal Reserve	IDB	Public	12.37	Q2	Q3/FY16	
Peru	Strengthening National Forest Governance and Innovation	IDB	Public	12.46	Q2	Q3/FY16	
Burkina Faso	DGM for Indigenous Peoples and Local Communities	IBRD	Public	4.5	TBD		
DRC	DGM for Indigenous Peoples and Local Communities	IBRD	Public	6	TBD		TBD
Ghana	DGM for Indigenous Peoples and Local Communities	IBRD	Public	5.5	TBD		
Lao PDR	DGM for Indigenous Peoples and Local Communities	IBRD	Public	4.5	TBD		
Mexico	DGM for Indigenous Peoples and Local Communities	IBRD	Public	6	TBD		
	FY15 Total			174.49			
	TOTAL (outstanding)			248.11			