

CLIMATE INVESTMENT FUNDS

FIP/SC.15/3
October 30, 2015

Meeting of the FIP Sub-Committee
Washington, DC
Thursday, November 12, 2015

Agenda Item 3

FIP SEMI-ANNUAL OPERATIONAL REPORT

(SUMMARY)

PROPOSED DECISION

The FIP Sub-Committee reviewed the documents, FIP/SC.15/3/Rev.1, *FIP Semi-Annual Operational Report*, and FIP/SC.15/4 *FIP Results Report*, and welcomes the progress that has been made in advancing the work of the FIP in the pilot countries.

FIP Semi-Annual Operational Report:

The FIP Sub-Committee welcomes the progress made in new FIP countries in undertaking initial steps to develop the investment plans. In this regard, the FIP Sub-Committee invites the new FIP pilot countries and the MDBs to explore synergies between SCF programs in developing and implementing these investment plans, exploiting any programmatic and operational efficiencies that may exist.

The FIP Sub-Committee recognizes the resource concerns facing the new FIP countries in funding the investment plans being developed.

The FIP Sub-Committee thanks the Government of the Democratic Republic of Congo for hosting the FIP Pilot Countries Meeting in June 24-25 in Kinshasa, DRC and notes with appreciation the participation of new FIP countries and FIP observers in the meeting.

The FIP Sub-Committee welcomes the progress made on gender related issues and notes the updates provided in the report on gender-related issues in FIP investments, including the portfolio review results. The FIP Sub-Committee recognizes the efforts put in for gender-disaggregated data collection and reporting in the FIP, and encourages strengthening of such data systems and reporting going forward. The FIP Sub-Committee also welcomes development of sector-specific gender tools for sustainable forest management investments.

FIP Results Report:

The FIP Sub-Committee notes with appreciation the progress made in advancing FIP results reporting.

Based on the recommendations of the 2015 FIP Results Report, the FIP Sub-Committee encourages the FIP pilot countries in the next reporting cycle to fill any data gaps, and improve the quality of the reported data.

The FIP Sub-Committee requests the MDBs and the CIF Administrative Unit to prioritize efforts toward the harmonization of GHG emission baselines and targets to enable comparison and aggregation of results.

In particular, the FIP Sub-Committee encourages the FIP countries for the continued pursuit of stakeholder engagement for monitoring and reporting, including through participative scoring workshops, including attention to gender mainstreaming processes in these activities.

1. Introduction

1. This document identifies key strategic issues for the Forest Investment Program (FIP), highlights key elements of the decisions taken inter-sessionally (after the May 15, 2015 meeting) by the FIP Sub-Committee, and provides an update on the status of the portfolio of the FIP-funded programs and projects under the endorsed investment plans and related activities. The report covers the period from **January 1 to June 30, 2015**.

2. Following the guidance of the FIP Sub-Committee, a new section updating gender-related issues has been included in the Semi-Annual Operational Report.

2. Strategic Issues

3. Since its inception in 2009, the FIP has grown from eight pilot countries to being active in a total of 23 developing countries. Fifteen of these countries joined in May 2015 and are now beginning the investment plan preparation process. The FIP expansion presents new opportunities for collaboration but also presents some challenges, particularly in terms of resource availability. As the implementation of endorsed and the preparation of new FIP investment plans progresses, three strategic issues are emerging in the current reporting period and are discussed in the Report:

- a) Overview of strategic objectives of the FIP and its expected achievements
- b) Resources availability in the FIP
- c) Synergies across programs of the CIF

4. Based on these issues, the CIF Administrative Unit requests the FIP Sub-Committee to provide guidance on:

- a) Mobilization of additional resources to fund new investment plans for the new FIP countries; and
- b) Measures to enhance synergies between the programs of the Strategic Climate Fund (SCF) when countries participate in the FIP, Pilot Program for Climate Resilience (PPCR), and/or Scaling Up Renewable Energy in Low Income Countries Program (SREP), including a possible option of preparing one investment plan when a pilot country is participating in more than one CIF program and preparing investment plans under more than one program simultaneously.

2.2. Resource Availability in the FIP

5. Responding to a request by the FIP Sub-Committee, the CIF Administrative Unit, working with the Trustee and the MDBs, conducted a thorough analysis of the resource availability in the FIP. The document, *Resource availability in the Forest Investment Program*, was circulated to the FIP Sub-Committee June 2015 (see Annex 2).

6. Given the resources available, and noting that these resources would be insufficient to fund fully the investment plans of the new pilot countries, indicative grant and loan resources of up to USD 24 million per country have been allocated by the FIP Sub-Committee to each of the six new pilot countries¹. The new pilot countries will be able to seek additional FIP grant resources beyond the minimum indicative grant allocation within the USD 24 million funding envelope on a competitive basis with other FIP pilot countries.

7. Equal indicative allocations of USD 4.5 million for each of the national components of the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) in the six new FIP pilot countries and an allocation of 10% (USD 3.0) of the new FIP funding for the DGM for the global component of the DGM, as recommended by the Global Steering Committee of the DGM, were approved by the FIP Sub-Committee on October 8, 2015.

8. During the FIP pilot countries meeting held from June 23-25, 2015, in Kinshasa, Democratic Republic of Congo (DRC), representatives from the six new FIP pilot countries and from the nine additional countries receiving Investment Plan Preparation Grants expressed their commitment to move expeditiously in the investment plan preparation process. They underlined the need for additional resources to achieve transformational impacts, maintain the programmatic approach, and fully implement projects identified under the investment plans. The government representatives and MDBs underlined challenges in seeking financial resources from other multilateral funds where operational modalities are still being defined.

2.3. Synergies across SCF Programs

9. Following the FIP and PPCR Sub-Committees' decisions in May 2015 to bring in new countries, three countries were invited to develop both FIP and PPCR investment plans: Honduras, Rwanda, and Uganda. These three countries present a unique opportunity for exploring synergies between PPCR and FIP investment plans. Options described herein include holding joint FIP and PPCR scoping and joint missions and creating a joint investment plan.

10. There are advantages and disadvantages of having one investment planning process and ultimately one investment plan with multiple programs. Benefits of a joint investment plan could potentially include reduced transaction costs, stronger ties between national adaptation and mitigation programs, and opportunities for leveraging funds. On the other hand, a joint investment plan preparation process could result in investment plans that are too broad and unfocused or dilute the principles of the FIP or the PPCR. However, these risks could be mitigated by a well-thought out process that engages all relevant stakeholders and involves all relevant ministries. The CIF Administrative Unit seeks guidance from the Sub-Committee on these issues.

¹ See *Proposed Allocation of Resources to the New FIP Pilot Countries*, http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Proposed%20allocation%20of%20resources%20for%20FIP%20countries_proposed_decision_June15_2015.pdf

11. Countries new to the FIP but experienced in other SCF (or CIF) programs can take advantage of systems and resources already in place. Such synergies can ease the learning curve for developing the FIP investment plan, as the teams responsible for the PPCR and/or the SREP would be able to provide guidance to the new FIP team. Alternatively, existing country coordinating agencies and systems could be tapped into for developing the new FIP investment plans.

3. Status of the FIP

3.1. Overview and Trends

12. The pledge volume to the FIP as of December 31, 2014 is USD 787 million², of which USD 490.3 million has been endorsed. Within the pledged resources, a total of USD 175 million has been made available to the six new FIP pilot countries and to the DGM national and global components in these new countries. The Sub-Committee has approved USD 298.9 million (61 percent of FIP funding) for a total of 20 projects and programs. The MDBs have approved 249.4 million (51 percent of FIP funding) for a total of 15 projects and programs. Given the complexities involved in developing an investment plan, FIP endorsement occurred at a particularly rapid frequency.

13. With these resources the pilot countries aim to achieve greenhouse gas emissions on over 27 million hectares and improve the economic conditions and livelihoods of over 640,000 beneficiaries.

14. The FIP portfolio currently contains a total of 38 projects and programs:

- a) 25 projects and programs agreed in the endorsed investment plans (USD 420 million)
- b) 9 DGM projects (USD 50 million)
- c) 4 projects supported under the FIP private sector set-aside (USD 20.3 million)

3.2. Portfolio Updates

15. Scoping missions will occur, or have occurred, in three countries after the reporting period: Cameroon, Tunisia and Uganda. Dialogue on initiating scoping missions has begun between countries and MDBs for XX of the other new countries.

16. During the reporting period, four projects and programs were approved by the FIP Sub-Committee for a total of USD 17 million and three projects were approved by their respective MDB boards for a total of USD 41 million. After the reporting period, one project was approved by the Sub-Committee (USD 17 million) and one was approved by the MDB board (USD 32.48 million).

² Currency exchange rate as of June, 2015

17. In addition, after the reporting period, the following concept proposals in the existing FIP pilot countries were endorsed for a total of USD 35 million in grant resources:

- a) *Brazil: Integrated Landscape Management in the Cerrado Biome (IBRD)* for USD 25 million in grant financing
- b) *Ghana: Reducing Degradation and Deforestation due to Mining in Forest Landscapes (IBRD)* for USD 10 million in grant financing

18. The DGM Global Steering Committee met for the first time in Bali, Indonesia, on July 25-27, 2015 to begin implementation of the DGM Global Component.

3.3. Cross-cutting Themes

19. The FIP Pilot Countries Meeting took place in Kinshasa, DRC, from June 23-25, 2015, and brought together representatives from the first round of FIP pilot countries as well as representatives from the newly accepted FIP countries.

20. **Gender Review of Portfolio:** A full portfolio review was undertaken in the first half of 2015 across all four CIF programs at investment plan and project levels to identify baseline and program progress figures on gender “quality at entry” at design stage. FIP performance on the presence of gender analysis at the investment plan and project level and other gender indicators in the July 1-December 31, 2014 period improved, with the FIP project approved in that period scoring positively on all three indicators.

21. The 2015 FIP Results Report³ outlines the baselines, targets, and achieved results for the FIP pilot countries.

4. Portfolio Analysis

4.1. Cofinancing Summary

22. The projected co-financing ratio at the time of the endorsement of the FIP investment plans was 1: 1.9. The ratio of total FIP funding to co-financing based on the most updated information available for approved projects is 1:2.5 suggesting the projections at the time of the endorsement of the FIP investment plans were close yet slightly conservative.

4.5. Disbursements

23. As of June 2015, the cumulative disbursement for FIP projects and programs stands at USD 24.2 million. This represents a 74 percent increase from the cumulative disbursement of USD 13.9 million in December 2014 (see Table 11).

³ FIP/SC.15/4, 2015 FIP Results Report.