

CLIMATE INVESTMENT FUNDS

FIP/SC.17/3
November 14, 2016

Meeting of the FIP Sub-Committee
Washington, DC
Wednesday, December 7, 2016

Agenda 3

FIP OPERATIONAL AND RESULTS REPORT (SUMMARY)

Proposed Decision

The FIP Sub-Committee reviewed the document, FIP/SC.17/4, *FIP Operational and Results Report*, and welcomes the progress that has been made in advancing the work of the FIP in the pilot countries.

The Sub-Committee appreciates the analysis conducted by the CIF Administrative Unit, in collaboration with the MDBs, on achievement of results, resource availability, pipeline review, and portfolio updates. The Sub-Committee encourages MDBs and the FIP pilot countries to take all possible measures to expedite the implementation of projects and the disbursement of funds.

The Sub-Committee also welcomes the progress made by new FIP pilot countries in undertaking steps to develop the investment plans. The Sub-Committee recalls its decisions from the May 2015 and June 2016 meeting regarding the submission of investment plans from the new pilot countries and encourages the remaining countries and the MDBs to take all possible measures to submit their plans within the two year period.

1 Introduction

1. Following guidance by the FIP Sub-Committee, this Operations and Results Report is the first instance where the previously separate Semi-Annual Report and the Results Report are combined.
2. This report provides an update of the entire FIP portfolio for the period January 1 to June 30, 2016 and status update on results of projects under implementation for the period January 1 to December 31, 2015.

2 Strategic issues

3. As of June 30, 2016, the FIP Sub-Committee has endorsed investment plans for 10 pilot countries, with total indicative endorsed allocations of USD 502.9 million, fifteen project concepts under the DGM, with an indicative endorsed allocation of USD 80 million, and four project concepts under the PSSA with an indicative endorsed allocation of USD 20.3 million. This for a total FIP endorsed indicative funding of USD 603.2 million.
4. Progress in approvals varies among pilot countries. Overall, 56 percent of the funding under the current FIP portfolio has been approved by the Sub-Committee.
5. Disbursement rates are continuing to increase, reaching USD 49.7 million or 15 percent of the MDB approved funding, more than double the amount disbursed in the last fiscal year.
6. The overarching expected results for projects currently under implementation include an estimated reduction or avoidance of greenhouse gasses (GHG) emission of 11.17 MtCO₂e, more than 1.1 million people receiving livelihoods co-benefits, and an area coverage of 27.8 million hectares.

2.1 Resource Availability

7. As of June 30, 2016, the FIP funding envelope stands at USD 757.9 million, down from the previous value of USD 771.0 million on December 31, 2015. This is equivalent to a 1.7 per cent reduction of the overall funding envelope during the reporting period.
8. With net cumulative funding commitments of USD 386.0 million and anticipated commitments of USD 392.8 million for the full complement of investment plans, the FIP currently faces a shortfall in resources of USD 57.2 million. The amount is exclusive of fund reserves, pledges, and projected net income. When these are considered, the potential shortfall in resources may decline to USD 13.1 million

2.2 Pipeline Management

9. While in the short term there is no immediate impact of the shortfall of resources availability on existing programming, as the portfolio matures and projects are submitted for Sub-Committee approval, it will not be possible to service the entire portfolio should the shortfall remain under the current circumstances.
10. The current funding position and potential future implications point to the need for an enhanced pipeline management. Fifteen projects amounting to over USD 134.6 million of endorsed indicative allocation have yet to be submitted for Sub-Committee approval after over 24 months.

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

11. As of the end of June 2016, out of the USD 80 million DGM portfolio, USD 27.5 million has been approved (Global Component, Brazil, Burkina Faso, DRC, and Peru), and USD 52.5 million was under different stages of project design and approval.
12. Brazil, Burkina Faso and Peru launched their first call for proposals for their small grants programs. In Brazil the National Steering Committee (NSC) pre-selected 40 proposals, while Peru's NSC approved 33 proposals.

2.4 The importance of improved results reporting

13. A robust monitoring system allows the FIP to accurately report to the Sub-Committee and other stakeholders about progress in the achievement of expected results. While pilot countries are making progress in monitoring and reporting through the FIP M&R Toolkit, they are experiencing some challenges that may affect the accuracy and usefulness of the data presented.
14. For example, GHG accounting continues to be a particularly difficult indicator for the countries to monitor and report, and then for these reports to be aggregated into FIP-level results. Pilot countries have consistently given feedback on the difficulties they face and the resources required to collect and report data for projects, which may be incompatible or out of synch with development of national REDD+ measurement, reporting, and verification (MRV) systems.
15. The CIF Administrative Unit will conduct a stock taking review on the FIP M&R Toolkit to assess the design, relevancy, and effectiveness of the FIP monitoring and reporting system, as well as the sustainability of achieved outcomes.

3 Status of the FIP portfolio

16. The pledge amount to the FIP as of June 30, 2016 is USD 757.9 million, of which USD 603.2 million for 51 projects has been endorsed by the FIP Sub-Committee as indicative allocation to the participating countries. The increase in endorsed amount, compared to the previous report (USD 555.2 million and 47 projects), is due to the endorsement of the investment plans of Mozambique and Cote d'Ivoire.

Table 1: Overview of the FIP portfolio

	Endorsed Indicative Allocation				Approved funding	
	TOTAL	IP	DGM	PSSA ¹	Committee	MDB
FIP Funding (in USD million)	603.2	502.9	80.0	20.3	338.4	324.6
Number of projects	51	31	15	4	23	21

17. Thematic focus. According to the previous FIP Semi Annual Report, more than 46% of the FIP funding was classified as supporting Capacity Building/ Institutional Strengthening and Governance Reform. Comparing this with activities identified in final project documents, updates from the field

¹ PSSA: Private Sector Set Aside

and incoming results reports, it became apparent that this may be an over estimate. Therefore the CIF Administrative Unit considered it necessary to review the manner in which Thematic Focus was identified for FIP projects.

18. After reviewing in detail all 23 Sub-Committee approved project documents, and based in a re-classification of the themes, the thematic focus of the FIP portfolio is now represented as 44% Landscape Approaches, 31% Capacity Building, 17% Sustainable Forest Management, and 8% Forest Monitoring. This would appear to give a more accurate reflection of the demand for on-the-ground investments that address the main drivers of deforestation within a wider landscape and, at the same time, support sustainable forest management.
19. Portfolio Updates. During the reporting period, one project was approved by the FIP Sub-Committee for a total of USD 13.34 million and three projects were approved by their respective MDB boards for a total of USD 32.6 million.
20. The design of the Investment Plans for the new pilot countries are at different stages of development, and most are expected to be submitted for the June 2017 Sub-Committee Meeting.
21. Project Pipeline Tracking. On average, the 21 projects that have been approved by the MDBs took 25.4 months between investment plan endorsement and MDB approval (21.4 months between investment plan endorsement and FIP Sub-Committee approval, and four months between FIP Sub-Committee approval and MDB approval).
22. As per last updates by the MDBs, 15 projects pending approval have exceeded the agreed benchmark of 24 months or more without receiving FIP Sub-Committee approval. They include among others, four projects from the DGM, four from the PPSA, and the four projects endorsed in Peru's investment plan. For 11 of these 15 projects, and for which MDBs have provided expected approval dates, the expected average time between concept endorsement and final approval by the Sub-Committee is 38.9 months.
23. Disbursements. As of June 2016, 17 projects reported disbursements for a total of USD 49.7 million, or 15 percent of the MDB approved funding. Disbursements continue to increase in line with the projected disbursement rates, marking an increase of 38 percent from USD 36.1 million reported in the last period. It is expected that as the pipeline matures in the following years, disbursement rates will continue to pick up.
24. Seven projects reported disbursement delays, three of them due to Government Approval Processes, or Government Restructuring, one due to challenges in establishing the Project Management Unit, and another due to procurement and bidding issues.

4 Results reporting

25. This results reporting period covers 14 projects with FIP funding of USD 266.36 million as of December 31, 2015. The previous reporting period covered 12 projects with a total FIP funding of USD 203.85 million as of December 31, 2014.
26. Category 1 'Common Themes'. One of the milestones of this year's FIP report is that GHG reductions were reported for the first time (Theme 1.1). The IBRD project Improved Forested

Landscape Management in DRC achieved a reduction of 6,502 tCO2e.

27. For Theme 1.2, this year three countries (Mexico, Lao PDR, and Ghana) reported results for a total of 64,946 beneficiaries.

Figure 1: Global overview of FIP Category 1 targets and actual results

	<i>Actual (2015)</i>	<i>Target</i>	<i>Progress towards target %</i>
Theme 1.1 GHG emission reductions or avoidance/enhancement of carbon stock (MtCO_{2e})	0.0065	11.17	0.06
Theme 1.1 Area covered²⁵ (ha)		27,841,647	
Theme 1.2 Livelihood co-benefits (thousands of beneficiaries)	64.94	1,102.6	5.89

28. Category 2 Other relevant co-benefit themes. Scores of reporting themes in this category show a slight general increase in 2015 compared to 2014 in the two FIP pilot countries that conducted scoring workshops in the two reporting years: Lao PDR and Mexico. In Mexico, the most significant increase corresponds to capacity development, and Lao PDR to tenure, rights and access.
29. FIP pilot countries' efforts on biodiversity focused on the reduction of forest loss, as the main driver of biodiversity decrease and work conducted by FIP pilot countries on governance focused on strengthening decision making processes, ensuring participation of all stakeholders and enhancing forest law enforcement.