

# CLIMATE INVESTMENT FUNDS

FIP/SC.18/3  
May 17, 2017

---

Meeting of the FIP Sub-Committee  
Washington DC  
Friday, June 09, 2017

Agenda 3

**FIP SEMI-ANNUAL OPERATIONAL REPORT  
(SUMMARY)**

## **PROPOSED DECISION**

The FIP Sub-Committee, having reviewed the document, FIP/SC.18/3, *FIP Semi-Annual Operational Report*, welcomes the progress that has been made in advancing the work of the FIP in the pilot countries.

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 welcomes the progress made in new FIP countries in undertaking steps to develop the investment plans and encourages countries and MDBs to submit remaining investment plans in line with agreed deadlines.

## 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, 2016 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 July 1 to December 31, 2016<sup>1</sup>.

## 2. Strategic issues

2. As of December 31, 2016, USD 364 million have been approved by the MDBs and are supporting the implementation of 24 projects and programs. Of the 24 projects approved by the MDBs with USD 364 million in FIP-approved funding, 14 are reporting results that will lead to an estimated reduction or avoidance of greenhouse gasses (GHG) emission of 11.17 MtCO<sub>2</sub>e, more than 1.1 million people receiving livelihoods co-benefits, and an area coverage of 27.8 million hectares. Delivery has picked up significantly during recent years in terms of approvals as well as funds on the ground as is evident through increased rates of disbursements.
3. Strategic work on new Financing Modalities for the FIP: Forest Trends is supporting the FIP by conducting broad research into emerging public-private finance models which may be well suited to the unique operational structure of the FIP, particularly its channeling of finance through multilateral development banks (MDBs). This analysis will assess the feasibility of alternative financing models for the FIP that might include additional loans and/or other forms of direct investment (for a financial return) as a means to incentivize greater private investment in forests and REDD+. The work is ongoing with outreach to the MDBs and a range of private sector actors involved in the forest sector. A report is expected to be available mid-2017.
4. Resource Availability: As of March 31<sup>st</sup> 2017, the FIP funding envelope stands at USD 724.8 million, down from the previous value of USD 757.9 million on June 30, 2016. This reduction of the overall funding envelope during the reporting period is due to currency-related declines in the value of the FIP's unencashed GBP-denominated promissory notes held by the trustee.
5. As a result, the FIP program has a shortfall of USD 26.7 million. It will not be possible to fully support all existing indicative allocations. The Sub-Committee may wish to consider how to address the shortfall when approving project proposals in conjunction with implementation of the FIP Pipeline Management Policy.
6. New Pipeline Management Policy: According to the new Policy, new pilot countries that were accepted to the FIP in May 2015 are expected to submit their Investment Plans for endorsement no later than June 2017. Of the six countries with indicative allocations Mozambique and Ivory Coast submitted their IPs in June 2016, Guatemala will submit its IP in June 2017, and Ecuador, Congo Republic and Nepal have requested an extension of deadline to submit by December

---

<sup>1</sup> With additional updates to March 31, 2017 as a measure to facilitate discussion and decision-making during the upcoming Sub-Committee meeting.

2017.

7. Projects that have currently exceeded the submission deadline of 24 months are subject to cancellation in September 2017 unless granted an extension during the June 2017 Sub-Committee meeting. Annex 1 of the Semi Annual Report presents the list of delayed projects under this category.
8. Knowledge Management Highlights: As the FIP portfolio continues to mature, more projects are becoming effective and starting to report on their implementation achievement as well as challenges. This creates an opportunity for knowledge sharing within and between countries, as well as transfer of lessons learned to new pilot countries.
9. The FIP, in collaboration with the MDBs, is embarking on a comprehensive knowledge management and learning process using a range of evaluations, case studies, and south-south exchanges, to provide support to FIP countries towards improved results and increased efficiency of the FIP program.

### **3. Status of FIP**

#### **3.1 Overview and trends**

10. USD 603 million has been endorsed by the FIP Sub-Committee as indicative allocations to the participating countries. The Sub-Committee has approved USD 380.9 million for a total of 28 projects and programs. The MDBs have approved USD 364.1 million for a total of 24 projects and programs.
11. The FIP portfolio currently contains a total of 51 projects and programs:
  - a) 31 projects and programs agreed in the endorsed investment plans
  - b) 16 projects in the Dedicated Grant Mechanism for Indigenous Peoples (DGM)
  - c) 4 projects in the FIP private sector set-aside (PSSA)

#### **3.2 Portfolio updates**

12. During the reporting period, the FIP Sub-Committee endorsed the Investment Plan for Tunisia, and approved five projects and programs for a total of USD 42.8 million. Three projects were approved by their respective MDB boards for a total of USD 29.84 million.
13. Dedicated Grant Mechanism: The FIP Sub-Committee approved 2 new DGM projects: Ghana and Indonesia.

Out of the five DGM projects that are MDB approved:

  - a) DRC's National Steering Committee (NSC) validated a manual of administrative, financial, accounting, and procurement procedures and is ready to start implementation on the ground.
  - b) Brazil, Burkina Faso and Peru have already had their first call for sub-project proposals.

c) The DGM Global Learning and Knowledge Exchange project (DGM Global) facilitated the following knowledge sharing events: an African Regional Exchange (Burkina Faso, July 2016), a Global Exchange prior to the UNFCCC COP22 (Morocco, November 2016), and also two side events during the UNFCCC COP22.

### **3.3 Project pipeline tracking**

14. On average, the 24 projects that are currently under implementation have taken 29 months between the investment plan endorsement and the approval by the MDB (24 months between investment plan endorsement and FIP Sub-Committee approval, and 5 months between FIP Sub-Committee approval and MDB approval). As per last updates by the MDBs, 10 projects have exceeded the agreed benchmark of 24 months or more without receiving FIP Sub-Committee approval. They include 2 projects from the DGM, 2 from the PSSA, 2 private sector projects from IFC, and the 4 projects endorsed in Peru's investment plan.

### **3.4 Portfolio breakdown analysis**

15. By region and country: The Latin America and Caribbean and the African regions each receive 40 percent of the entire FIP allocation, followed by Asia with 19 percent.

16. Currently only DRC and Burkina Faso have achieved 100% FIP Sub-Committee approval of all their indicative funding. On the other hand, Peru and Indonesia are the countries that have experienced more delays in project preparation and approval, reaching only 12.6 percent and 46.8 percent approval by FIP Sub-Committee, respectively.

17. By Thematic Focus: Analysis provided is based on the MDB-approved projects. The largest portion of FIP funding (40%) focuses on Landscape Approaches, which gives an accurate reflection of the demand for on-the-ground investments that address the main drivers of deforestation within a wider landscape (outside forests). This is followed by Capacity Building which represents 23% of the funds under implementation.

18. By Sector: USD 533.9 million (88.5 percent) of FIP allocated funds are for the public sector of which 68.2 percent has already been approved by the FIP Sub-Committee. Of the total public sector funding, USD 418.9million are in grants and USD 115 million are in loans.

19. The private sector FIP portfolio totals USD 69.1 million, of which 82.9percent (USD 57.3 million) are loans.

### **3.5 Co-financing**

20. The projected co-financing of the endorsed FIP portfolio is USD 983.45 million, which compared to the total FIP funding gives a co-finance ratio of 1:1.6. It is important to highlight that one project, Mexico - Forests and Climate Change Project, has a co-financing of USD 683 million, representing approximately 70 percent of the co-finance of the entire FIP portfolio.

21. When analyzing the whole portfolio, MDBs and Government are the main sources of co-financing to the FIP, adding to more than 88 percent for the FIP pipeline.

### 3.6 Disbursements

22. Disbursements by MDBs continue to increase, totaling USD 79.05 million, including USD 2.1 million of Investment Plan Preparation Grants (IPPGs). The other USD 76.95 million corresponds to disbursements of 19 projects under implementation, including Project Preparation Grants (PPGs).
23. As a percentage of the MDB approved funding, the level of disbursement (22 percent) has increased significantly compared to last fiscal year.

## 4. Cross-Cutting Themes

24. Gender: The single FIP Investment Plan approved during the period under review included sector-specific gender analysis, activities specifically targeted at women, and sex-disaggregated indicators (compared to baseline values of 50 percent, 53 percent and 75 percent, respectively). A full 100 percent of the FIP projects approved during this period scored positively on having sector-specific gender analysis (baseline 29 percent). Eighty percent of projects had specific activities targeted at women (baseline 13 percent). Sixty percent of projects had sex-disaggregated indicators (baseline 35 percent).
25. Knowledge Management: FIP is increasing its focus on generating different knowledge products. The CIFs newly launched Learning and Evaluation Initiative is funding two major Learning Partnerships focused on FIP issues: the Learning Partnership on the Dedicated Grant Mechanism for Indigenous People and Local Communities (DGM), and the Learning Partnership on Financing Forest-Related Enterprises.
26. In addition, the CIF-AU is partnering with the Development Impact Evaluation (DIME) in the Research Group of the WB to fund adaptive evaluation and learning activities in support of Burkina Faso FIP projects; and collaborated with the WB and PROFOR to produce the publication "Harnessing the Potential of Private Sector Engagement in Productive Forests for Green Growth".
27. Monitoring and Reporting: After three years of M&R toolkit implementation, the CIF is undertaking a stocktaking review of the FIP M&R system during the first half of 2017. The review examines how to enhance the effectiveness and usefulness of the system and addresses the issues identified in the implementation over the last three years. The main issues noted are related to consistency and reliability of data. Some indicators have also proven difficult to measure on an annual basis. The revised FIP M&R system will be presented to the FIP Sub-Committee meeting in June 2017.
28. Risk Management: In December 2016, the CIF Administrative Unit circulated a Risk Report highlighting the impacts of currency risk exposures on available resources for each program/subprogram. In May 2017, the CIF Administrative Unit posted a Risk Report updating the Trust Fund Committee and Subcommittees on the key risk exposures.

29. The CIF Administrative Unit, working with the MDBs and the Trustee, developed and operationalized Risk Dashboards for the three SCF subprograms, launching the dashboards in May 2017, to facilitate risk exposure monitoring and reporting. Information on this reporting platform is updated on a monthly basis.
  
30. Synergies with other REDD+ funding mechanisms: Synergies with other REDD+ funding mechanisms continue to be developed. The Nepal investment plan workshop in October 2016 included participation of Forest Carbon Partnership Facility (FCPF) representatives identifying readiness links as well as Food and Agriculture Organization (FAO) staff considering links with a proposed Green Climate Fund (GCF) funding proposal. The Tunisian investment plan endorsed by the Sub-Committee in December identified the GCF as a potential source of REDD+ funding for 3 project concepts.