



RISK REPORT

FOREST INVESTMENT PLAN (FIP)

FEBRUARY 2, 2019

OUARZAZATE

MOROCCO





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Highlights

- Implementation risk for FIP is **Medium**.
 - Three projects representing USD 54 million of approved funding flagged for this risk.
- Currency risk for FIP is **High**.
 - The GBP depreciated against the USD by 7 percent during the period March 31 to September 30, 2018, causing the unrealized decline in the value of FIP's uncashed promissory to reach USD 43 million.
- Resource availability risk for FIP is **High**.
 - The shortfall in available grant resources remained at USD 30 million, but the shortfall in available capital resources increased to USD 21 million as of September 30.
- FIP's Risk Appetite Statement was approved in January.

Implementation Risk

- “The risk that, after a project becomes effective, it is not implemented in a timely manner”
 - The CIF AU flags a project for implementation risk if the project meets at least one of the following two criteria.
 - The project has been Effective for 36 months, but has disbursed < 20% of approved funds.
 - The project is within 15 months of Closing (i.e. the date by which all of the CIF program’s funds are to be disbursed), but has disbursed < 50% of approved funds.
- Program-level risk vs. Project-level risk

Implementation Risk - Projects Flagged Under First Criterion

- Changes from December 31, 2017, to June 30, 2018:
 - 2 projects vs. 2 as of December 31, 2017
 - USD 38M vs. USD 33M as of December 31, 2017
 - Of the 2 projects flagged as of December 31, 1 is still flagged now (highlighted in orange) and the other project which had been flagged in December is no longer flagged because it has increased disbursements >20% of MDB approved funding.

Project Title	Country	MDB	Funding Approved by MDB	Cumulative Disbursement (as of June 30, 2018)	Disbursement ratio (as of June 30, 2018)	Effectiveness Date	Months Since effectiveness date	MDB Co-financing (USD millions)
Decentralized Forest and Woodland Management	Burkina Faso	IBRD	16.5	2.3	14%	9/1/2014	47	-
Integrated REDD+ Project in the Mbuji-Mayi/Kananga and Kisangani Basins	DRC	AfDB	21.5	4.0	19%	2/20/2015	41	-

Implementation Risk - Projects Flagged Under Second Criterion

- Changes from December 31, 2017, to June 30, 2018:
 - 1 projects vs. 2 as of December 31, 2017
 - USD 16M vs. USD 28M as of December 31, 2017
 - *The Gazetted Forests Participatory Management Project for REDD+ (PGFC/REDD+) - Burkina Faso* project is no longer flagged because its closure date was extended to December 2019.

Project Title	Country	MDB	Funding Approved by MDB	Cumulative Disbursement (as of June 30, 2018)	Disbursement ratio (as of June 30, 2018)	Financial Closure	Months Until Financial Closure	MDB Co-financing (USD)
Forest Information to Support Public and Private Sectors in Management Initiatives	Brazil	IDB	16.5	3.5	21%	12/18/2018	5.7	-

Currency Risk via Promissory Notes

- Currency risk via promissory notes is the risk that fluctuations in currency exchange rates will cause the value of the foreign currency in which a promissory note is denominated to decline.
- FIP's exposure to currency risk is now **High**.
 - There have been no further encashments since March 31, 2018, and GBP 180 million of promissory notes remained outstanding as of September 30, 2018.
 - Since March 31, 2018, the value of the GBP has decreased by approximately 7 percent.
 - The unrealized decline in the value of the outstanding promissory notes has increased to USD 43 million from USD 25 million as reported at March 31, 2018.

Currency Risk Exposure (Millions) as of September 30, 2018							
Program/ Subprogram	Original Amount Pledged/ Received	Pledged Amount Outstanding/ Unencashed	Realized Currency Gain/ (Loss)	Unrealized Currency Gain/ (Loss)	Risk Likelihood	Risk Severity	Risk Score
FIP	£223.00	£179.60	\$1.47	(\$43.36)	Very Likely	Severe	High

Resource Availability Risk

- Resource availability risk is the risk that the Trustee will not have sufficient resources to commit to fund all projects in a CIF program pipeline.
- During the period from March 31, 2018 to September 30, 2018, FIP's deficit in available resources increased from USD 40 million to USD 51 million.
 - shortfall in available grant resources remained at USD 30 million
 - shortfall in available capital resources increased to USD 21 million from USD 10 million

Available Resources as of September 30, 2018				
Program	Available Resources for Projects/Programs (\$Million)*	Risk Likelihood	Risk Severity	Risk Score
FIP Grant	(\$29.7)	Very Likely	Severe	High
FIP Capital	(\$21.4)			

*Available Resources for Projects/Programs represent Unrestricted Fund Balance for Project/Program Commitments less Total Anticipated Commitments, as reflected in Annex A.

Fraud Risk Update

- 4 MDBs have agreed to report this information.
- No instances of fraud or credible allegations of fraud have been reported by 2 of these MDBs, and the other two 2 MDBs are currently following up to confirm whether this is the case.

Sexual Exploitation and Abuse (SEA)

At the June 2018 Committee meetings the members requested the CIFAU examine the potential for reporting on incidents of SEA.

- MDBs acknowledge the importance systematically addressing this issue and 10 IFIs signed a joint statement outlining principles addressing this issue at the DFID summit in October 2018.
- The MDBs are at varying stages of progress towards developing formal policies and procedures for addressing SEA (i.e. developing guidance and good practice notes, training staff, establishing/clarifying internal reporting channels, refining grievance redress mechanisms, and other preventive and detective measures)

Next Steps

- Continue to work with the MDBs to report private sector implementation risk.
- Assess, monitor, and report credit risk exposures for each Strategic Climate Fund (SCF) program, now that the SCF programs are relying on reflows to cover administrative costs, by end of FY2019.



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