

# CLIMATE INVESTMENT FUNDS

FIP/SC.16/4  
May 9, 2016

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Meeting of the FIP Sub-Committee  
Oaxaca, Mexico  
Thursday, June 16, 2016  
Agenda 4

## **FIP SEMI-ANNUAL OPERATIONAL REPORT**

**(SUMMARY)**

## **PROPOSED DECISION**

The FIP Sub-Committee reviewed the document, FIP/SC.16/4, *FIP Semi-Annual Operational Report*, and 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.

[The Sub-Committee may consider additional decision items based on the outcomes of the discussion of the CIF strategic directions at the Joint Meeting of the CTF-SCF Trust Fund Committees

## 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 July 1 to December 31, 2015.

## 2. Strategic Issue

2. The FIP is at an important juncture in its activities. It is in the process of transitioning from an initiative focused mainly on preparation and planning to one where implementation takes a more central role. Due to this evolution as well as the advent of new pilot countries, the FIP is simultaneously preparing, implementing, and reporting on plans and projects.
3. The Paris Agreement included the presentation of many Intended Nationally Determined Contributions (INDC), which identified forests and land use as important elements. While INDCs are high level strategic proposals, they show that countries prioritize forests and that the level of ambition is high to address the drivers of deforestation and forest degradation. INDCs may provide a key source of information when countries are developing their FIP investment plans.
4. Ongoing strategic discussions on the FIP have resulted in a range of items which are being developed, . and the CIF Administrative Unit is working on a CIF Strategic Paper to be presented in the June Meeting which will include a more detailed analysis of these options.
5. Investment Planning in New Pilot Countries: Investment plans for the fifteen new countries are expected to be developed in a manner that broadens the scope beyond solely FIP investment funds and incorporates other non-FIP finance sources. This presents a particular challenge to the 9 countries developing investment plans without FIP funding.
6. Most of the fifteen new countries have made progress in initiating process for developing their investment plans. Five countries (Cote d'Ivoire, Guatemala, Mozambique, Cameroon and Tunisia) have accessed the investment plan preparation grant and joint and scoping missions have been undertaken in ten of the fifteen countries. The Investment Plans for Mozambique and Ivory Coast will submitted for approval to the FIP Sub Committee in June 2016.
7. Resource Availability: The FIP program has USD 10.66 million available, resulting from a USD 21.32 million shortfall in grants and USD 31.98million surplus in loans. This implies that the countries developing investment programs will need to maintain the grant/loan levels

indicated in the Sub-Committee's funding decision. It also constrains existing investment programs and projects in their ability to switch finance from loan to grants.

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

#### **3.1 Overview and Trends**

8. The pledge amount to the FIP as of December 31, 2015 is USD 775.2 million, of which USD 555.2 million has been endorsed by the FIP Sub-Committee as indicative allocations to the participating countries. The Sub-Committee has approved USD 325.1 million (59 percent of endorsed funding) for a total of 22 projects and programs. The MDBs have approved 291.8 million (53 percent of endorsed funding) for a total of 18 projects and programs.
9. These resources aim to achieve greenhouse gas emissions on over 27 million hectares and improve the economic conditions and livelihoods of over 671,000 beneficiaries. Targets will increase as new projects are approved by MDBs in the next years. For example, with projects approved in 2015, the total number of beneficiaries is expected to increase in the next reporting period by nearly 158,000 people to a total of approximately 829,000 people.
10. The FIP portfolio currently contains a total of 47 projects and programs:
  - a) 27 projects and programs agreed in the endorsed investment plans
  - b) 16 projects in the Dedicated Grant Mechanism for Indigenous Peoples (DGM)
  - c) Four projects in the FIP private sector set-aside (PPSA)

#### **3.2 Portfolio Updates**

11. During the reporting period, two projects and programs were approved by the FIP Sub-Committee for a total of USD 26.3 million and three projects were approved by their respective MDB boards for a total of USD 42.5 million.
12. In addition 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
13. Dedicated Grant Mechanism: On October 2, 2015 the FIP Sub-Committee endorsed the indicative allocation of US \$30 million for national components of the DGM in six new FIP pilot countries— Congo, Cote d'Ivoire, Ecuador, Guatemala, Mozambique and Nepal— bringing the total number of countries with DGM funding to 14.

14. The first meeting of the Global Steering Committee for the DGM was held in Bali from July 25-27, where project activities, strategies, and procedures were approved.
15. In September 2015, the World Bank Board approved the DGM Country Project proposal in Peru to support Indigenous communities in their efforts to protect the Peruvian Amazon.
16. The National Steering Committee (NSC) was formally recognized by Brazil's ministries of environment and justice, and NSC membership was finalized on November 30, 2015.
17. The DGM Burkina Faso Local Forest Communities Support Project became active in November 2015 with IUCN selected as the National Executing Agency.

### **3.3 Cross-cutting Themes**

18. Gender: A review of FIP projects approved by the Sub-Committee from January to December 2015 regarding gender 'quality at entry' of investment plans and project design, revealed that while current performance had improved relative to the FIP historical baseline, they performed below the SCF average on all three gender scorecard indicators. In order to improve this situation, the FIP Monitoring and Reporting Toolkit will be revised to include gender-disaggregated results for all relevant indicators.
19. Monitoring and Reporting: The FIP 2015 Results Report was published and presented during the FIP Sub-Committee meeting on November 12 2015, using the agreed core indicator themes relevant for their FIP investment plan. Some of the highlighted findings of the FIP 2015 Results Report were: i) The FIP monitoring framework could include more ways to capture the efficacy of readiness funding; ii) lack of harmonization of GHG accounting does not allow to aggregate or compare results across the FIP portfolio; iii) opportunities to strengthen gender-responsive approaches in FIP should be tapped.
20. Risk Management: The CIF enterprise risk management (ERM) framework was established to identify, assess, and report on the CIF's material risk exposures relative to corresponding tolerances. When fully operationalized later this fiscal year, the FIP Risk Dashboard will report risk assessments of approximately 15 Tier 1 and Tier 2 Risks, classifying them into the following five risk categories to facilitate TFC-level monitoring of the FIP's risk exposures.
21. REDD+ Activities in FIP Pilot Countries: Of the 23 FIP Pilot Countries 21 are participating in either or both FCPF and UN-REDD. Within the reporting period Honduras presented its ER-PIN to the Carbon Fund and signed its National Program Document within UN-REDD, Cote d'Ivoire signed an additional Readiness Grant, and DRC submitted its draft R-Package.

#### 4. Portfolio Analysis

22. Pipeline Tracking: On average, the 18 projects that are currently under implementation have taken 22.7 months between the investment plan endorsement and the approval by the MDB (19.2 months between investment plan endorsement and FIP Sub-Committee approval, and 3.5 months between FIP Sub-Committee approval and MDB approval). As per last updates by the MDBs, 16 projects have exceeded the agreed benchmark of 24 months or more without receiving FIP Sub-Committee approval. They include four projects from the DGM, four from the PPSA, and the four projects endorsed in Peru's investment plan.
23. By region: The Latin America and Caribbean Regions receives the most FIP funding with 42.8 percent of the entire FIP allocation, followed by Africa with 34.9 percent, and Asia with 20.8 percent.
24. By Thematic Focus: More than 46 percent of FIP funds focus on capacity building activities. The concentration of funds in capacity building reflects the position within many participating countries of long-term under-investment and reduced capacity in the forestry sector, as well as the range and complexity of issues faced as part of the development of national plans. Support for these foundational stages has often been overlooked, yet they are essential for countries to be able to propose and implement transformational investments. Issues such as inter-ministerial dialogues, stakeholder engagement, improved policies and regulations, and land tenure constitute the foundation of a good level of governance that is needed to achieve country readiness and offer no-regrets investments with benefits reaching beyond the forest sector.
25. By Sector: USD 487.6 million (87.2 percent) of FIP allocated funds are for the public sector of which 65 percent has already been approved by the FIP Sub-Committee. Of the total public sector funding, USD 401.6 million are in grants and USD 86 million are in loans.
26. The private sector FIP portfolio totals USD 67.6 million, of which 84.7 percent (USD 57.3 million) is non-grants. USD 7.1 million has been MDB-approved for the private sector, corresponding to two projects under implementation.
27. Co-financing: The projected co-financing of the endorsed FIP portfolio is USD 970.5 million, which compared to the total FIP funding gives a co-finance ratio of 1:1.75. It is important to highlight that one project, Mexico - Forests and Climate Change Project, has a co-financing of USD 683 million (a ratio of 1:16.20), representing approximately 70 percent of the co-finance of the entire FIP portfolio.
28. When analyzing the whole portfolio, MDBs and Government are the main sources of co-financing to the FIP (46 percent and 41 percent respectively).

29. Disbursements: Although actual disbursements continue its upward trend, disbursement rates remain low, totaling USD 36.1 million, or 12 percent of the MDB approved funding. This pattern is common among new funds, reflecting the pattern shown in other CIF funds such as the PPCR.