

CLIMATE INVESTMENT FUNDS

FIP/SC.12/3/Rev.1

June 12, 2014

Meeting of the FIP Sub-Committee

Montego Bay, Jamaica

June 28, 2014

Agenda Item 3

FIP SEMI-ANNUAL OPERATIONAL REPORT (SUMMARY)

PROPOSED DECISION

The FIP Sub-Committee reviewed document, FIP/SC.12/3/Rev.1, *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 requests the CIF Administrative Unit, in collaboration with the MDBs, to prepare for review and approval at its next meeting, a paper providing guidance on the link between FIP investment funding and REDD+ performance-based mechanisms.

1. *The report covers the period from September 1, 2013 to March 31, 2014* and provides an update on the status of the Forest Investment Program (FIP), the portfolio of FIP-funded projects and programs under endorsed investment plans, and related activities.
2. Investment plans for the eight FIP pilot countries have been endorsed, concluding the programming phase for the current FIP pilot countries. The pilot countries, in collaboration with the relevant MDBs, are now preparing and implementing projects and programs to address REDD+ priorities described in the investment plans.
3. As of March 31, 2014, FIP funding for a total of 11 projects and programs has been approved by the FIP Sub-Committee totalling USD 197.4 million (USD 169.26 million in grants and USD 28.14 million in near-zero interest credits). These resources are expected to leverage a total of USD 741.42 million in co-financing (ratio of 1: 3.8).
4. Two FIP projects (Lao PDR and Mexico) are currently under implementation and disbursing FIP resources.
5. The actual cumulative disbursement of FIP resources has increased from USD 4.5 million at the end of June 2013 to USD 8.5 million at the end of December 2013.
6. The portfolio contains a total of 38 projects and programs: 24 projects and programs agreed in the endorsed investment plans; 9 DGM projects; and 5 projects supported under the FIP private sector set-aside.
7. Approximately 47% of FIP funding for projects and programs in endorsed investment plans has been approved by the FIP Sub-Committee. 79% of these projects and programs have also received MDB approval, suggesting a robust pipeline and approval process since the endorsement of the investment plans.
8. Based on the most recent pipeline update, 9 projects and programs are expected to be submitted to the FIP Sub-Committee for review and funding approval during the upcoming reporting period and 4 projects are expected to receive final project approval by the respective MDBs.
9. Looking at the FIP portfolio as a whole (24 projects under investment plans, 9 DGM projects and 5 private sector set-aside projects) a total of 9 projects are explicitly targeting the private sector.
10. Three strategic issues that are emerging from the FIP: (1) the link between FIP investment funding and performance-based payment mechanisms; (2) the need to better understand, and to improve, slow disbursement rates in the FIP; and (3) the need for regular meetings at the country level to take stock on progress with the implementation of the FIP investment plans and identify actions to overcome challenges.
11. Linking FIP investments to performance-based payment mechanisms raises several key concerns and questions: (a) to what extent the sustainability of FIP results should depend on

future carbon payments that may or may not materialize; (b) the challenge of ascribing GHG emission reductions achieved with FIP finance to be included in payments for performance through other REDD+ programs – the issue of “double funding”; and (c) contributor concerns around financing the same results in the FIP that would be reported in a performance-based mechanism as their results – the issue of double results reporting.

12. Given these concerns and the expressed intention of other FIP pilot countries to link FIP investments with performance-based programs for REDD+, particularly the FCPF’s Carbon Fund, the FIP Sub-Committee may need to agree on clear guidance on how this link can be addressed in a transparent and acceptable way.

13. Disbursements in the FIP have been increasing during the reporting period but remain low and far below projections. Reasons for the slower pace of developing projects and programs include the complexity of the FIP projects due to the multi-sectoral focus, engagement and, in some cases, direct involvement, of different actors such as indigenous people and local communities, limited government capacities, lack of experience of local financial institutions in sustainable forestry investments and unexpected difficulties in moving activities forward (e.g. temporary shift in priorities; need for redefining activities).

14. The FIP promotes a programmatic and partnership-based approach to FIP resources planning and implementation. To maintain the programmatic approach in the FIP pilot countries throughout the implementation of the investment plan through projects and programs, stakeholder meetings should be held on an annual or biennial basis to reflect on the progress with the implementation of the investment plan. FIP resources have been allocated under one or several projects to finance these targeted activities, and resources have been made available to the MDBs through the CIF Administrative Budget to enable the MDBs to assist the governments in organizing these meetings.

15. In March 2014, the CIF Administrative Unit finalized a first draft of a *FIP Monitoring and Reporting Tool Kit* which provides detailed guidance on the reporting requirement for each category and a common format for reporting. The draft was shared with three independent reviewers for comment and feedback, revised and circulated to MDBs and pilot countries for their comments and inputs.

16. On May 14 and 15, 2014, the CIF Administrative Unit hosted a consultative workshop for the FIP pilot countries in Washington, DC to discuss the draft toolkit and common format. The meeting concluded with modification to the draft toolkit to reflect the various country circumstances, including technical and human resources capacities for monitoring and reporting.

17. It was agreed that FIP pilot countries will, as a first step, develop a work plan for FIP monitoring and reporting which will capture detailed next steps, deadlines, roles and responsibilities and needs for technical and financial assistance. Countries are expected to report the first time on the reporting themes relevant for their FIP investment plan, identify baselines for relevant indicators for each theme and targets, if applicable. The submission deadline for these reports is August 15, 2014.

18. As of March 31, 2014, two of the four private sector projects and programs under the endorsed investment plans and a further one private sector project of the five projects under the FIP Private Sector Set Aside have received FIP funding approval.
19. A review of the FIP private sector set-aside, the process and effectiveness to generate innovative ideas how the private sector can get engaged in REDD+ will be part of a larger review of the set-asides piloted in the three SCF targeted programs. The review will be discussed at the meeting of the FIP Sub-Committee in November 2014.
20. During the reporting period, IBRD led the process for the finalization of the *DGM Framework Operational Guidelines* seeking inputs from the *Global DGM Transitional Committee of Indigenous Peoples and Local Communities and FIP Focal Points* ("Transitional Committee"). In September 2103, the guidelines were endorsed by the Co-Chairs of the Transitional Committee.
21. The guidelines provide the basic framework for the DGM program, on the structure as well as institutional roles and responsibilities of various DGM actors. There has been much progress since the finalization of the *DGM Framework Operational Guidelines*. As of March 31, 2014, IBRD has requested funding to initiate preparatory work in six countries: Brazil, Ghana, Burkina Faso, DRC, Indonesia and Peru. The preparation of the global component has advanced as well.
22. IBRD facilitated the selection of the global executing agency for the global component of the DGM through an international competitive selection process. The process was concluded in December 2013 with Conservation International, USA being selected for the task of global executing agency.
23. Conservation International has had preliminary discussions with the transitional committee co-chairs and developed a work plan, and it will organize a meeting of the transitional committee towards the end of 2014.