

CLIMATE INVESTMENT FUNDS

FIP/SC.13/3/Rev.1
November 5, 2014

Meeting of the FIP Sub-Committee
Washington, D.C.
November 19, 2014

Agenda Item 3

FIP SEMI-ANNUAL OPERATIONAL REPORT

(SUMMARY)

PROPOSED DECISION

The FIP Sub-Committee reviewed document, FIP/SC.13/3/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.

I. INTRODUCTION

1. This document 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. *The report covers the period from April 1, 2014 to September 30, 2014.*

II. STRATEGIC ISSUES IN THE FIP

Completion of FIP Country Programming Process and Advances in the Approval Process

2. By the end of 2014, with the endorsement of all FIP investment plans by the FIP Sub-Committee all eight FIP pilot countries had completed their programming process. The endorsement of Peru's investment plan in November 2013 was the final and symbolic milestone in concluding the efforts of FIP pilot countries to discuss and agree in an inclusive and transparent manner how allocated FIP resources would be used to address REDD+ priorities in their countries.

3. More than 50% of FIP funding has been approved by the FIP Sub-Committee and the MDBs. Four FIP countries (Brazil, Burkina Faso, DRC and Mexico) have received FIP funding approval for more than 85% of their allocated FIP resources. This important milestone suggests that these countries and projects and programs have moved through the preparation process in a timely manner and are now either in or about to start implementation.

Progress with the implementation of the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities – a unique grant mechanism under the FIP

4. After an inclusive consultative process led by representatives from indigenous peoples and local communities in the FIP pilot countries, the DGM is finally becoming operational, with the endorsement of the DGM programming framework and the approval of FIP funding for the global DGM component and the Brazil DGM country program in June 2014.

5. A meeting of the Transitional Committee (TC) of the DGM took place on September 17-19, 2014 in Washington DC, allowing the the Global Executing Agency (Conservation International) to present the initial work plan for the DGM Global Component to be discussed and agreed on by the Committee. The meeting also provided an opportunity for members from National Steering Committees (NSC) to discuss the status of the DGM program in their countries and share lessons and experiences on the process.

6. Discussion has now also started on how to operationalize the link between the DGM country programs and the global DGM component as well as the projects and programs supported through the FIP investment plans.

Emerging Findings from Study on Linkages between the Forest Investment Program and REDD+ Performance-based Mechanisms

7. In June 2014, the FIP Sub-Committee requested the CIF Administrative Unit, in consultation with the Sub-Committee members, FIP pilot countries, MDBs, and relevant international entities, to prepare for consideration at its next meeting, a paper providing guidance on the link between FIP investment funding and REDD+ performance-based mechanisms, taking into account the international REDD+ architecture and, in particular, the *Warsaw Framework for REDD-plus*.¹

8. The approach, methodology, interviewed stakeholders and more detailed emerging findings of the study *Linkages between the Forest Investment Program and REDD+ Performance-based Mechanisms* will be presented during the upcoming meeting of the FIP Sub-Committee. The study is expected to be finalized in January 2015.

9. Emerging findings include: the views on using upfront ODA financing for REDD+ activities which result in assets eligible for performance-based payments are diverse; currently available funding for REDD+ does not meet the demands for addressing all drivers of deforestation and forest degradation, sustainable management of forests and enhancements of forest carbon stocks; transparency on the use and link of upfront and results-based payments is necessary to make informed decisions on FIP project and programmatic funding; because of weak institutional capacities, enabling conditions and technical infrastructure many REDD+ countries have encountered challenges to create or sustain forest-related assets; Poor rural and forest dependent communities often do not have the means to effectively participate in REDD+ process and to receive payments for their forest stewardship.

Understanding and improving the delivery rates for FIP funding approval for the remaining projects and programs

10. Currently, there are 12 projects which have been in the FIP pipeline for more than 18 months. In addition, for 5 projects, MDBs did not provide an estimate by what date FIP funding approval would be requested. Reasons for the delays include finalizing project implementation arrangements at both national and provincial levels, uncertainties and delays in counterpart staff and budget allocations, prolonged stakeholder consultations, changes in FIP focal points, national elections and delays in consultant recruitment. Three countries: Ghana, Indonesia and Peru have less than 50% of their allocated resources approved by the FIP Sub-Committee.

FIP reporting agenda in implementation - first reports on baseline and targets provided by the FIP pilot countries for the agreed FIP indicator themes have been submitted

11. It was agreed that FIP pilot countries will report the first time to the FIP Sub-Committee at the meeting in November 2014 using the agreed core indicator themes relevant for their FIP investment plan. The first report focusses on baselines and targets for relevant indicator themes. From November 2015 onwards, FIP pilot countries are expected to report on progress towards achieving the indicated targets by indicator theme in the context of the objective of their investment plan.

¹ <https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FINAL%20FIP%20Sub-Committee%20Summary%20of%20the%20Co-Chairs%20June%202014.pdf>

12. As of September 30, 2014, five FIP countries have submitted their FY14 results reports: Brazil, Burkina Faso, DRC, Indonesia and Peru. Three of the five FIP pilot countries that have reported have projects under implementation (Brazil, Burkina Faso and the Democratic Republic of Congo).

13. Preliminary results include: *Brazil* targets 7.8 million hectares of total land area where sustainable land management practices will be adopted. *Burkina Faso* aims to achieve 13.8 million tons of CO₂e of GHG emission reductions over the lifetime of the projects under its investment plan in 1,285,000 hectares of Sudano-Sahelian dry forest. The *Democratic Republic of Congo (DRC)* aims at reducing over 18 million tons of GHG emissions over 30 years. *Indonesia* aims at 130.5 million tons of CO₂e to be reduced or avoided after the financial closure of the last project or program supported under the investment plan. *Peru* indicated a reference emission level of 61.5 million t of CO₂e and the fact that 4.2 million hectares of tropical mountain forests and wetland forests would be part of their FIP investments.

Status on pledges, investment plan endorsement, funding approvals and implementation

14. As of September 30, 2014, investment plans for all eight FIP pilot countries were endorsed, for a total indicative allocation of USD 501.3 million. During the reporting period, the FIP pilot countries, in collaboration with the relevant MDBs, have continued preparing and implementing 25 projects and programs to address REDD+ priorities described in the investment plans. 9 additional projects will implement the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM). The call for proposals under the FIP private sector set-aside resulted in 5 endorsed concept notes which will further enhance private sector engagement in REDD+ activities (one private sector set-aside concept has since then been removed from the portfolio as it was decided it would no longer be pursued). FIP funding for a total of 16 projects and programs has been approved by the FIP Sub-Committee totalling USD 267.2 million (USD 191.5 million in grants and USD 75.62 million in near-zero interest credits). These resources are expected to leverage a total of USD 843.9 million in co-financing, a ratio of 1:3.2. The pledge volume to the FIP as of September 30, 2014 is USD 602.1 million, of which USD 518.8 million have been committed.

15. During the reporting period, the Sub-Committee reviewed and approved FIP funding for 2 new projects in Brazil, the DGM for Indigenous Peoples and Local Communities for Brazil and the Global Component for the DGM for Indigenous Peoples and Local Communities. As of June 30, 2014, the cumulative disbursement for FIP projects and programs stands at USD 11.6 million.