

CLIMATE INVESTMENT FUNDS

FIP/SC.21/3
January 15, 2019

Meeting of the FIP Sub-Committee
Ouarzazate, Morocco
Saturday, February 2, 2019

Agenda Item 3

FIP OPERATIONAL AND RESULTS REPORT (SUMMARY)

PROPOSED DECISION

The FIP Sub-Committee, having reviewed the document, FIP/SC.21/3, *FIP Semi-Annual Operational and Results Report*, welcomes the progress that has been made in advancing the work of FIP in the pilot countries.

1 Introduction

1. The Operations and Results Report (ORR) of the Forest Investment Program (FIP), identifies key strategic issues, highlights key decisions taken inter-sessionally by the FIP Sub-Committee, and provides an update on the status of FIP-funded programs and projects under the endorsed investment plans and related activities. This report also includes projections on future approvals and provides an update on the results achieved by the FIP pilot countries.
2. This report provides an update of the entire FIP portfolio for the period January 1 to June 30, 2018 (with additional updates to September 30, 2018 on Resource Availability as a measure to facilitate discussion and decision-making during the January 2019 FIP Sub-Committee meeting), as well as results of projects under implementation for the period January 1 to December 31, 2017.

2 Strategic issues

3. FIP is a USD 749.9 million¹ fund established in 2008 to provide scaled-up financing to help countries address the drivers of deforestation and forest degradation. It started out working in eight countries (Brazil, Burkina Faso, Democratic Republic of Congo (DRC), Ghana, Indonesia, Lao People's Democratic Republic (Lao PDR), Mexico, and Peru), and in 2015 it added six new countries (Congo Republic, Côte d'Ivoire, Ecuador, Guatemala, Mozambique, and Nepal), with an indicative envelope of resources of USD 24 million each and nine additional countries with no funding envelope (Bangladesh, Cambodia, Cameroon, Guyana, Honduras, Rwanda, Tunisia, Uganda, and Zambia).

2.1 Resource availability in the FIP

4. As of September 2018, the 14 projects from the FIP pipeline are still under development and yet to be submitted for FIP Sub-Committee approval requiring a total of USD 162.91 million², USD 52.81 million³ of which in grants and USD 110.1 million in non-grant resources.
5. FIP has a forecasted shortfall of USD 15.6 million⁴ (USD 19.7 million shortfall in grants and USD 4.1 million surplus in loans), vis a vis anticipated future commitments (including projects not yet approved by the FIP Sub-Committee). If this shortfall is realized, it would not be possible to fully support all existing indicative allocations within endorsed investment plans.

¹ As of September 30th, 2018, including contributions and pledges. The total amount of FIP resources varies as it has GBP 179.6 million in unencashed promissory notes, which are exposed to currency exchange fluctuations.

² Including funding for MDB Project Implementation and Supervision services (MPIS)

³ Including USD 44.81 million for projects and USD 8.0 million for MPIS.

⁴ Amount reported in the Resource Availability Section of the Risk Report of the FIP does not consider the Potential Future Resources (Currency Risk Reserves and Pledges).

Table 1: FIP Resource Availability Schedule Summary – September 2018 (in USD million)

	TOTAL	Capital	Grant
Unrestricted Fund Balance	123.4	88.7	34.7
Future Programming Reserves			
<i>Admin Expenses-Reserve for FY19-28</i>	(11.6)	-	(11.6)
Unrestricted Fund Balance After Reserves (i)	111.8	88.7	23.1
Anticipated Commitments (ii) Program/project funding and MPIS costs	162.9	110.1	52.8
Available Resources (i - ii)	(51.1)	(21.4)	(29.7)
Total Potential Future Resources (FY19-FY21) (iii)	35.5	25.6	9.9
Pledges	0.3	-	0.3
Release of currency risk reserves	35.1	25.6	9.6
Potential Available Resources (i-ii+iii)	(15.6)	4.1	(19.7)

6. It is important to provide a clear assessment of the effect a shortfall would have on the FIP pipeline. While the GBP-denominated promissory notes remain unencashed, they will continue to be exposed to currency exchange fluctuations and the shortfall may decrease or increase correspondingly with a commensurate effect on the FIP pipeline⁵. Until all promissory notes are encashed, the magnitude of the shortfall and its effect on the FIP pipeline will remain uncertain.
7. As FIP maintains a first-come-first-served approach to resource programming, and taking into account current expected approval dates, projects with submission dates for FIP Sub-Committee approval after July 2019 are at risk of falling outside the existing resource envelope. The shortfall is most acute in grant resources which will be the limiting factor in future programming.

2.2 Pipeline management update

8. FIP has endorsed all expected investment plans with indicative allocated funding. During the reporting period, following the lifting of the pause in processing initiated by the SCF Trust Fund Committee decision during its December 2017 meeting, the FIP Sub-Committee approved three of four outstanding projects in Peru, Brazil, and Ghana.
9. It is notable that there were reductions in requested funding of USD 4 million in grant resources from the Brazil project (Integrated Landscape Management in the Cerrado Biome), and USD 0.5 million from the Ghana project (Additional Financing for Ghana Forest Investment Program - Enhancing Natural Forest and Agroforest Landscapes⁶). These resources were subsequently made available to service of the remaining FIP pipeline. Additional efficiencies in programming were realized through the merging of proposed

⁵ As of September 30, 2018 the unencashed promissory notes comprise of USD 170.4 million in capital funds and USD 63.9 million in grants.

⁶ This project merged two previously endorsed concepts: Reducing Degradation and Deforestation due to Mining in Forest Landscapes (World Bank, USD 10 million); and Engaging the Private Sector in REDD+ (IFC, USD 10 million)

projects in Nepal (five proposals into one) and Ecuador (two proposals into one) ⁷.

2.3 Knowledge management highlights

10. The year 2018 marks the 10-year anniversary of the establishment of the CIF, and as such, the CIF Administrative Unit is undertaking several activities related to knowledge management to highlight achievements and promote learning among different stakeholders.
11. The FIP is engaged in ongoing activities related to case studies, including a GDI case study in Ghana; learning partnerships and studies as part of the CIF Evaluation and Learning Initiative; an impact evaluation in Burkina Faso in partnership with DIME; and collaboration with forest knowledge initiatives, such as the World Bank’s Program on Forests (PROFOR).
12. Section 4.1 of the report include detailed information of this initiatives and activities.

3 Status of the FIP

13. Table 2 provides information of the status of the FIP portfolio, which has an endorsed indicative FIP funding of USD 686.94 million.

Table 2: Overview of FIP Portfolio (USD million)⁸

	Indicative Portfolio Allocation				Approved Funding		Disbursement (cumulative)**
	TOTAL	IP	DGM	PSSA	Committee	MDB	
FIP Amount (in USD M)	686.94	594.14	75.5	17.3	523.03	434.14	183
Number of projects	53	35	15	3	38	34	30

14. During the reporting period three projects were approved by the FIP Sub-Committee for a total of USD 52.59 million, and one project was approved by the World Bank Board for a total of USD 15 million.
15. As of June 2018, only the private sector Indonesia IFC project in the pipeline has exceeded the agreed benchmark of 24 months or more without receiving FIP Sub-Committee approval.
16. In February 2018 the Forests and Climate Change project in Mexico (World Bank) was the first project from the FIP portfolio to close. The overall implementation progress and progress towards achievement of the project’s development objectives were both rated as satisfactory.⁹
17. DGM is under implementation in eight countries and the Global Learning and Exchange project. Of the five country DGM projects yet to be approved, Côte d’Ivoire and Republic of Congo have already selected a National Steering Committee (NSC), Guatemala and Nepal

⁷ Merging of projects is expected to result in a small reduction in MDB Project Implementation Services (MPIS) charges.

⁸ Includes PPG and, for disbursements, also IPPGs.

⁹ World Bank Implementation Status Report from December 2017.

have selected an interim NSC, and Ecuador has yet to start this process.

4 Results

18. The information presented in this section of the report covers a total of 30 FIP and DGM projects accounting for USD 390.43 million in FIP funding, including 21 FIP projects and 9 DGM ones.
19. The [FIP M&R toolkit](#) was updated accordingly and republished in 2018. All FIP countries and MDBs were made aware of the new reporting requirements and the new FIP M&R toolkit. This is the first reporting exercise in which all FIP countries were required to report their results following the revised FIP M&R system¹⁰.
20. The overarching expected results for projects currently under implementation include an estimated reduction or avoidance of greenhouse gasses (GHG) emission of 15.66MtCO_{2e}, more than 1.3 million people receiving livelihoods co-benefits, and a coverage area of 36 million hectares.

	Targets	RY2017 results	RY2017 progress towards target (%)	Cumulative results	Cumulative progress towards target (%)
Theme 1.1: GHG emission reductions or avoidance/ enhancement of carbon stock (MtCO _{2e})	15.66	N/A	N/A	N/A	N/A
Theme 1.1: Area covered (ha)	36,058,540	5,943,278	17.48%	9,437,831	26.17%
Theme 1.2: Livelihood co-benefits (people)	1,304,442	214,515	16.44%	551,006	42.23%

21. Aggregating targets and results for the reporting theme **GHG emission reductions/avoidance/enhancement of carbon stocks** is challenging because FIP countries use their own preferred calculations and methodologies. FIP countries will report progress on this theme as FIP projects reach mid-point and completion.
22. On **biodiversity**, DRC has promoted a PES scheme with successful results in the first year. On **forest governance**, Mozambique has organized two multi-stakeholder landscape forums to ensure wide participation in decision making. On **tenure**, Burkina Faso has supported the elaboration with local communities of local rules on managing classified forests. And on **capacity development** Brazil is focusing on the construction of data systems, as well as the collection of primary data related to deforestation, fires, assets and liabilities in rural properties, botanical information, and GHG emissions from the forest.
23. As of the end of 2017, a total of 129 subprojects in Brazil, Burkina Faso, and Peru received DGM funding approval for a collective value of USD 4.93 million. Other activities supported by DGM include validation visits for subproject proposals, training for grassroots organizations, and title registration.

¹⁰ Some countries already voluntarily reported last year following the new model.