

CLIMATE INVESTMENT FUNDS

FIP/SC.14/3/Rev.1
May 27, 2015

Meeting of the FIP Sub-Committee
Washington, DC
Friday, May 15, 2015

Agenda Item 3

FIP SEMI-ANNUAL OPERATIONAL REPORT

PROPOSED DECISION

The FIP Sub-Committee reviewed document, FIP/SC.14/3, *FIP Semi-Annual Operational Report*, and welcomes the progress that has been made in advancing the work of the FIP in the pilot countries.

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I. INTRODUCTION

1. This document provides an update on the status of the Forest Investment Program (FIP), the portfolio of the FIP-funded programs and projects under the endorsed investment plans, and related activities. The report covers the period from October 1 to December 31, 2014.

2. The reporting period has been adjusted to reflect a biennial reporting framework. The Semi-Annual Reports will ^{report} on project approvals as of end December for the first semi-annual reporting and as of end June for the second one. The shortened reporting period for the current Semi-Annual Report is an effort to avoid double counting for project approvals, as the last report covered the period from April 1-September 30, 2014.

II. STRATEGIC ISSUES IN THE FIP

3. As the implementation of the FIP investment plans progresses, a number of strategic issues are emerging. For the current reporting period, four issues have been identified and are further discussed herein:

- a) **Expansion** of the FIP to new pilot countries and to new projects and programs in existing FIP pilot countries;
- b) **Private sector engagement** in the FIP;
- c) FIP in the wider **REDD plus architecture**;
- d) Progress and challenges in **project delivery**;
- e) Update on **monitoring and reporting**; and
- f) Update on **knowledge management**, including the upcoming FIP pilot countries meeting.

Expansion of the FIP

New pilot countries

4. At its last meeting in November 2014, the FIP Sub-Committee (SC) agreed that, in order to advance the consideration of new countries in the FIP (including the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities), the CIF Administrative Unit (AU) should invite countries eligible for FIP funding to submit an expression of interest in participating in the FIP.

5. With the confirmation of the role of the FIP in the phased approach to the REDD plus architecture and the need for substantial upfront technical assistance and investment resources, there is clear need for FIP resources. Three selection criteria for selecting new FIP pilot countries were proposed, aimed at ensuring that new pilot countries offer emissions reduction potential (through avoided deforestation/degradation, forest conservation, sustainable forest management, enhancement of carbon sinks and stocks, greenhouse gas substitution and other relevant interventions), enhanced co-benefits and potential for timely mobilization. In addition, an overarching goal is to maintain a balanced geographic distribution of pilot countries as well as a balanced distribution of biomes. The criteria, as approved by the FIP sub-Committee are:

- a) Potential to contribute to climate change mitigation (40%);
- b) Potential to generate enhanced development co-Benefits (30%); and
- c) Country readiness and capacity for implementation (30%).

6. The CIF AU invited countries eligible to the FIP to submit expressions of interest¹ in accordance with these criteria. A total of 36 countries submitted expressions of interest, which includes 14 from the Africa region, 3 from South Asia and 3 from South-East Asia/Pacific; 4 from Europe and Central Asia; 3 from the Mediterranean and North Africa; and 9 from Latin America and the Caribbean. These submissions underline a strong demand for financing from the FIP. This is a result of the rising importance of forests in climate finance, as well the confirmation of the role of the FIP in the phased approach to REDD+. An Expert Group was established to assess the expressions of interest submitted. The Expert Group prepared a report with its recommendations, FIP/SC.14/5, to be presented to the Sub-Committee.

7. Resources available to new countries include new contributions from the United Kingdom, announced during the Sub-Committee meeting in November 2014. When comparing the resource availability with the demand expressed by countries, there is a clear funding shortfall to advance investments in the eligible and suggested list of new FIP pilot countries.

New projects/programs in existing pilot countries

8. There is a high demand for additional resources in existing FIP pilot countries. As a result, the FIP Sub-Committee decided in November 2014 to make available previously unallocated resources to existing FIP pilot countries on a competitive basis.

9. Of the 8 pilot countries, 6 pilot countries (Brazil, Burkina Faso, DRC, Ghana, Lao PDR and Peru) have submitted project/program concept proposals. This further demonstrates that there is high demand for continuity in the FIP. Additional funding under the FIP in existing pilot countries allows for expansion of investments and maximizes the potential of existing programs and projects. An independent Expert Group has prepared a report with its recommendations, FIP/SC.14/6, to be presented to the FIP Sub-Committee.

10. The current amount of unallocated resources in the FIP is \$251 million², which includes the new contribution from the UK. Of this, there is \$56 million of unallocated resources and previously pledged resources for existing FIP pilot countries under the competitive allocation process. However, the Sub-Committee may decide to allocate additional resources for existing FIP pilot countries under the competitive allocation process.

Private sector engagement

11. The CIF AU, in collaboration with MDBs, is seeking to better understand ways to strengthen private sector engagement in the FIP. The CIF AU is co-funding a study with IBRD, *Stimulating private sector engagement in REDD+ sustainable forest management and landscape restoration efforts*. The objective of the study is to (a) broaden the understanding of how

¹ Drafts for these were presented in in Annex 3 of the *Further Elaboration of Options for the Use of Potentially New Funds under the Forest Investment* but will be edited based on the agreed upon criteria.

² Net of reserves and gross of administrative expenses.

productive uses of forests and forest products could significantly contribute to increased climate change mitigation outcomes; and (b) to identify options for enhanced private sector REDD+ sustainable forest value chain and landscape restoration investment efforts and engagement strategies. The terms of reference are being prepared and the necessary steps for launch of a competitive bidding process for the selection of a consulting firm.

12. Additionally, the CIF AU and the multilateral development banks (MDBs) have also proposed a Strategic Climate Fund (SCF) Private Sector Facility for consideration by the SCF Trust Fund Committee and each SCF program's Sub-Committee to enable a robust pipeline of innovative private sector projects and programs across the SCF. Its structure will follow a first come, first serve approach and will open eligibility to more countries. The Facility will also benefit from economies of scale and improved process efficiency through one pool of fungible money and a single facility avoiding separate program calls for proposals.

FIP in the wider REDD+ architecture

13. To better understand the FIP's relationship and position within the wider REDD+ architecture, the CIF AU has commissioned two studies on how the FIP links with the phases of REDD+:

- a) *Linkages between REDD+ Readiness and the Forest Investment Program*³
- b) *Linkages between the FIP and Performance based mechanisms*⁴

14. In June 2014, the FIP Sub-Committee requested the CIF Administrative Unit to prepare 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*.

15. The report is intended to assess and summarize the linkages between FIP investments and performance-based payments. Specifically the report intends to clarify the role of different forms of finance and how finance can be coordinated where multiple sources of finance are present in a given country.

16. Additionally, the CIF AU has been in discussion with the UN Standing Committee on Finance regarding Financing for Forests, in particular to share lessons learned in implementation for forests financing. The CIF AU participated in the SCF meeting in March 2015 and made a presentation on the FIP, and is exploring ways to contribute to the Forum on financing for forests to be organized in Sept 2015.

3 Climate Focus, B.V. 2014. Linkages between REDD+ Readiness and the Forest Investment Program, November 2014. Climate Investment Funds, Administrative Unit.
<https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Linkages_between_REDD_readiness_and_FIP_Nov2014.pdf>

4 Climate Focus, B.V. 2015. Linkages between FIP and Performance based mechanisms. Climate Investment Funds, Administrative Unit.

Progress and challenges in project delivery

Status of the DGM

17. The Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) is operational and progressing. In 2015, at least 2 of the remaining 7 DGM programs are expected to be approved by the FIP Sub-Committee:

- a) Peru: DGM for indigenous peoples and local communities: (IBRD);
- b) Indonesia: DGM for indigenous peoples and local communities: (IBRD).

18. Additionally, in March 2015, the 2 DGM projects that had been approved by the Sub-Committee were also approved by the MDB:

- a) Brazil: DGM for indigenous peoples and local communities: (IBRD);
- b) Global Component: DGM for indigenous peoples and local communities: (IBRD).

19. Under the Program Framework for the DGM, the *Global Learning and Knowledge Exchange Project* was also approved by the IBRD board.

20. Additionally, the expansion of the FIP is an opportunity to encourage countries to tie the DGM more closely with their investment plans. In selecting new countries, the Sub-Committee is requested to consider that adequate resources be reserved for financing the DGM projects in the new countries.

Progress in approval

21. Nearly 60% of FIP funding has been approved by the FIP Sub-Committee. At the time of the last Sub-Committee meeting, 53% of FIP funding had been approved by the FIP Sub-Committee. Five countries have received FIP funding approval for more than 50% of their allocated FIP resources (Brazil, Burkina Faso, DRC, Ghana, and Mexico). Of these, four have received FIP funding approval for more than 85% of their allocated FIP resources (Brazil, Burkina Faso, DRC, and Mexico). Three countries have received funding approval for the full indicative allocation at time of endorsement (Burkina Faso, DRC and Mexico). This important milestone suggests that these projects and programs have moved through the preparation process in a timely manner and are now either in or about to start implementation.

22. The delivery rate of projects for the other 40% of FIP funding still to be approved by the FIP Sub-Committee suggests continuous challenges. Only one project was submitted for funding approval during the reporting time. The project in Ghana, *Enhancing Natural Forest and Agro-forest Landscapes Project*, (IBRD), was approved in December 2014 for USD 29.50 million.

23. Currently, there are 10 projects which have been in the FIP pipeline for more than 16 months. A total of USD 140.9 million in FIP resources is affected by the delays (28% of committed FIP resources). In addition, the MDBs did not provide an estimated Sub-Committee approval submission date for 6 projects, totalling USD 39.1 million (7.8% of committed FIP resources).

24. Two countries, Indonesia and Peru, have less than 50% of their allocated resources approved by the FIP Sub-Committee. Based on feedback received from the MDBs implementing individual projects, reasons for these low approval rates include institutional reorganization and uncertainty leading to institutional arrangements for project implementation, delays in undertaking feasibility studies, and delays in recruitment of consultants.

25. The rate of approval of resources in Lao PDR is 50%. Its approval rate is lower due to various complex institutional issues, namely having both the Ministry of Natural Resources and Environment (MONRE) and the Ministry of Agriculture and Forestry (MAF) as executing agencies for the FIP.

Monitoring and reporting

26. FIP results reporting is now an integral part of the FIP operational cycle. It is a strategic achievement to have all eight FIP pilot countries reporting back annually to the Sub-Committee on progress implementing their investment plans.

27. FIP pilot countries reported for the first time to the FIP Sub-Committee at the November 2014 meeting using the agreed core indicator themes relevant for their FIP investment plan. The first report focused on baselines and targets for relevant indicator themes. From November 2014 onwards, FIP pilot countries are expected to report on progress towards achieving the indicated targets by indicator theme in the context of the objectives of their investment plan.

28. The first round of results reports submitted used a diverse range of methodologies for greenhouse gas (GHG) accounting. The 2014 FIP results report⁵ offers results and recommendations from a comparative analysis of the ex-ante GHG accounting methodologies presented for the IBRD's FIP projects. Only selected projects in Burkina, DRC, Ghana and Lao PDR submitted ex-ante GHG estimates with their project documents, so the analysis focuses on these four projects. Criteria to determine comparability among FIP projects are: timeframe, use of historic average to determine the baseline, scope of activities, land representation method, data tier for carbon stock rates, number of forest strata/carbon stock rates, carbon pools considered, and methodology used for calculation.

29. The report standardizes and compares the ex-ante GHG estimates and their cost efficiency to ten and thirty years. Given the differences in the data used for the ex-ante GHG estimates, the level of comparability among the analysed FIP projects is rather limited. Lack of standardized availability of high quality data in the analysed countries and different project timeframes used for calculations are the two main limiting factors for comparing results. The report also provides recommendations to establish a uniform methodology for ex-ante GHG estimates for all FIP projects that will improve comparability of results. Further, it offers suggestions to improve the GHG estimates at the measurement, reporting and verification (MRV) level.

⁵ FIP/SC.13/Inf.4, 2014 FIP Results Report (Baselines and Targets)

30. In furthering this goal, the CIF AU has commissioned a study to conduct a comparative analysis of the ex-ante GHG emission reduction accounting methodologies used in FIP projects. The recommendations from this study are expected to help harmonize ex-ante and MRV GHG emission reduction accounting for FIP projects.

31. The CIF AU has recently acquired greater capacity in order to support country results reporting beyond the support provided by MDBs and has already agreed to support Lao PDR. The type and scope of support to be provided in other countries will be determined.

Knowledge management

32. Planning continues for the upcoming FIP Pilot Countries Meeting in Kinshasa, DRC in June 2015, in conjunction with the Government of DRC. Country representatives will soon be invited and a field visit confirmed. The two days of discussions will explore themes of particular import to the FIP countries including the orientation of new countries, forest landscapes, country ownership, forest-based science and technology and engaging the private sector.

III. STATUS OF THE FIP

33. The pledge volume to the FIP as of December 31, 2014 is USD 785 million⁶, of which USD 501.3 million have been endorsed.

34. Investment plans for all eight FIP pilot countries have been endorsed. 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 as of December 31, 2014. Nine additional projects will implement the DGM. The call for proposals under the FIP private sector set-aside in 2013 resulted in five 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).

35. As of December 31, 2014, FIP funding for a total of 17 projects and programs has been approved by the FIP Sub-Committee totalling USD 296.6 million⁷ (59% of total endorsed funding of which USD 220.96 million is in grants and USD 75.62 million is in near-zero interest credits). These resources are expected to leverage a total of USD 740.50 million in co-financing, a ratio of 1:2.5. Funding for 12 projects and programs has been approved by respective MDB boards totalling USD 208.4 million (42% of total endorsed funding and 70% of Sub-Committee approved funding). FIP projects in Lao PDR and Mexico are currently under implementation and disbursing FIP resources.

Update since last semi-annual report

36. During the reporting period (October 1 to December 31, 2014), the Sub-Committee reviewed and approved FIP funding for the project in Ghana: *Enhancing Natural Forest and Agro-forest Landscapes Project*, (IBRD) in December 2014, for a total of USD 30 million.

⁶ Currency exchange rate as of December, 2014

⁷ Without Project Preparation Grants (PPGs)

IV. FIP PORTFOLIO OVERVIEW AND ANALYSIS

37. Details on the projects and programs agreed on for each FIP pilot country as part of their investment plan, the DGM and the FIP private sector set-aside are provided in information document FIP/SC.14/Inf.2, *FIP Pilot Country Portfolios*.

Portfolio overview by milestones

38. Table 1 provides an overview of the FIP portfolio in terms of approvals throughout the CIF project cycle. The portfolio contains a total of 38 projects and programs:

- a) 25 projects and programs agreed in the endorsed investment plans,
- b) 9 DGM projects; and
- c) 4 projects supported under the FIP private sector set-aside.

Table 1: Overview of FIP Portfolio (Amounts expressed in USD million)

	Endorsed investment plans (8)	Endorsed DGM concepts	Endorsed FIP PSSA ⁸ concepts	Total endorsed	Approved FIP funding ⁹	MDB approved	Disbursing (June, 2014) ¹⁰
USD million	420	50	31.3	501.3	296.6 (59% ¹¹)	208.4 (42% ¹²)	13.9
Number of projects and programs ¹³	25	9	4	38	17	12	5

39. Approximately 59% of FIP funding for projects and programs in endorsed investment plans has been approved by the FIP Sub-Committee. 70% of these projects and programs have also received MDB approval, suggesting a robust pipeline and approval process since the endorsement of the investment plans.

40. The program framework for the DGM and a notional allocation of USD 50 million in FIP grant resources were endorsed in June 2014. At the same time, two DGM projects received FIP funding approval for a total of USD 11.5 million (23% of the FIP funding allocation for the DGM). In March 2015, these two projects also received MDB board approval.

41. One project supported under the FIP private sector set-aside had previously received FIP funding approval in the amount of USD 15 million. Three projects with a total allocation of USD 16.0 million are still awaiting FIP funding approval (52% of FIP funding endorsed under the FIP private sector set-aside totalling USD 31.30 million).

⁸ FIP PSSA – FIP Private Sector Set-Aside

⁹ The figure includes preparatory grants for the development of investment projects and programs.

¹⁰ Project-level disbursement figures are available for public sector projects only and include project preparation grants.

¹¹ Percentage of total endorsed funding

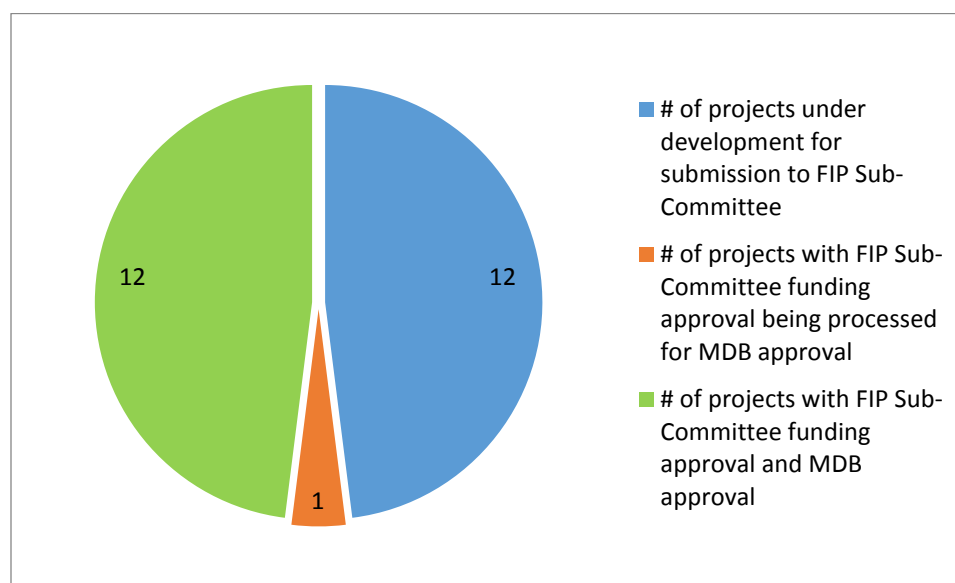
¹² Percentage of total endorsed funding

¹³ Endorsed projects only

Tracking project delivery

42. Of the 25 projects and programs under endorsed investment plans in the FIP portfolio:
- a) 14 projects and programs have approved FIP funding; 12 of those projects and programs have also received final project approval by the respective MDB; and
 - b) 11 projects and programs are under preparation for submission to the FIP Sub-Committee for funding approval (see Figure 1).

Figure 1: FIP Project Approval Status (as of December 31, 2014)



43. As of December 31, 2014, 1 project was submitted for FIP funding approval during the reporting period¹⁴.
- a) The project, Ghana: Enhancing Natural Forest and Agroforest Landscapes Project, (IBRD), was approved by the FIP Sub-Committee in December 2014 for USD 29.50 million.

44. Of the 21 overall projects and programs being prepared for FIP funding approval by the Sub-Committee, 10 projects have been in the pipeline for more than 24 months; 5 have been in the pipeline for more than 16 months and no projects for less than 16 months. For 6 projects, the MDBs did not provide a date for possible Sub-Committee approval. The table below provides an overview of the status of projects and programs in preparation for FIP funding approval:

¹⁴October 1-December 31, 2014

Table 2: Status of Projects and Programs in Preparation for FIP Funding Approval

	Green Light - (16 months or less after investment plan endorsement)	Yellow Light – (16 - 24 months after investment plan endorsement)	Red Light – (24 months or more after investment plan endorsement)	No data provided
Number of projects and programs	0	5	10	6
FIP resources (USD millions)	0	28.3	140.9	39.1
Number of projects and programs by region	-	LAC: 3 Africa: 1 Asia and Pacific: 1	LAC: 5 Africa: 1 Asia and Pacific: 4	LAC: 2 Africa: 3 Asia and Pacific: 1
Number of projects and programs by MDB	-	AfDB: 1 IBRD: 2 IDB: 2	ADB: 2 IBRD: 3 IFC: 2 IDB: 3	IBRD: 6

45. Between the end of the reporting period and the date of publication of this report, the following projects have received funding approval by the FIP Sub-Committee:

- a) One Project Preparation Grant for the project, Ghana: Public-Private Partnership for restoration of degraded forest reserve through VCS and FSC certified plantations, (AfDB), supported under the FIP private sector set-aside, received funding approval in the amount of USD 0.3 million in January 2015.
- b) The project Brazil: Brazil Forest Investment Plan (BIP) Management, (IBRD), was approved for USD 1 million in February 2015.

46. Additionally, three projects have been approved by their respective MDB boards:

- a) Brazil: DGM for indigenous peoples and local communities, (IBRD) for USD 6.5 million (March 2015);
- b) Global Component: DGM for indigenous peoples and local communities, (IBRD) for USD 5 million (March 2015); and
- c) Ghana: Enhancing Natural Forest and Agro-forest Landscapes Project, (IBRD), for USD 29.50 million (February 2015).

47. As per last estimates by the MDBs, the following 10 projects are likely to exceed the agreed benchmark by 24 months or more.

- a) Brazil: Implementation of Early Warning System for Preventing Forest Fires and a System for monitoring the Vegetation Cover (IBRD), USD 9.15 million;
- b) Brazil: Brazil Forest Investment Plan (BIP) Management (IBRD), USD 1 million;
- c) Ghana: Engaging the Private Sector in REDD+ (IFC), USD 10 million;
- d) Indonesia: Community-Focused Investments to Address Deforestation and Forest Degradation (CFI-ADD+) (ADB), USD 17.5 million;
- e) Indonesia: Promoting Sustainable Community-Based Natural Resource Management and Institutional Development (IBRD), USD 17.5 million;
- f) Indonesia: Strengthening Forest Enterprises to Mitigate Carbon Emissions (IFC), USD 35 million;
- g) Lao PDR: Protecting Forests for Sustainable Ecosystem Services (ADB), USD 13.34 million;
- h) Peru: Integrated Forest Landscape Management Along the Main Route Between Tarapoto and Yurimaguas in the Regions of San Martin and Loreto (IDB), USD 12.57 million;
- i) Peru: Integrated Landscape Management Along the Main Route Between Puerto Maldonado and Inapari and in the Amarakaeri Communal Reserve (IDB), USD 12.6 million; and
- j) Peru: Strengthening National Forest Governance and Innovation (IDB), USD 12.46 million.

Projected funding approvals: FY15 and FY16 outlook

48. For the remaining FY15, there are currently (as of March 2015) 9 projects in the pipeline with a total of USD 117.24 million due for Sub-Committee approval, including 1 project for USD 10 million under the private sector set-aside and 1 project for USD 5.50 million under the DGM. By the end of FY15, there should be a total of 26 projects approved with a total funding of \$413.19 million (or 82% of total endorsed funding).

49. Looking ahead to FY16, six projects and programs are scheduled for FIP funding approval by the Sub-Committee, including one project (USD 6.3 million) under the DGM and two projects (USD 6 million) under the private sector set-aside. These projects and programs are expected to request USD 48.63 million in FIP funding, of which USD 25.83 million (53.1%) will be grants and USD 22.8 million (46.9%) will be near-zero interest credits.

Portfolio breakdown analysis

Linking FIP with other REDD+ Mechanisms

50. Of the eight FIP pilot countries, seven are receiving support for readiness activities supported by the FCPF Readiness Fund and the UN-REDD Programme. Brazil is not participating in any readiness program financed by multilateral development partners.

51. Six FIP pilot countries (Burkina Faso, DRC, Ghana, Indonesia, Mexico and Peru) have expressed the intent to link FIP-supported activities with performance-based mechanism such as the FCPF Carbon Fund and Payments for Environmental Services (PES).

52. Table 3 below provides an overview of the participation of the eight FIP pilot countries in the FCPF Readiness Fund (RF) and Carbon Fund (CF), the UN-REDD Programme and other mechanisms disaggregated by REDD+ phase, in an effort to identify further areas of collaboration between existing REDD+ initiatives and the FIP.

Table 3: FIP pilot countries across the REDD+ phased approach

FIP pilot country	Readiness	Results/Performance-based payments	Comments
Brazil	-	-	-
Burkina Faso	FCPF RF, UN REDD	PES ¹⁵	-
DRC	FCPF RF, UN-REDD National Programme	FCPF CF; PES ¹⁶	ER-PIN ¹⁷ presented; LOI ¹⁸ signed
Ghana	FCPF RF, UN-REDD	FCPF CF	ER-PIN presented; LOI signed
Indonesia	FCPF RF, UN-REDD National Programme	-	ER-PIN being resubmitted; BioCF ISFL program under consideration
Lao PDR	FCPF RF, UN-REDD	FCPF CF	ER-PIN presented
Mexico	FCPF RF, UN-REDD	FCPF CF	ER-PIN presented; LOI signed
Peru	FCPF RF, UN-REDD	FCPF CF	ER-PIN presented

¹⁵ These mechanisms will channel FIP resources to local communities. Currently, there are no resources secured for results-based payments in these projects.

¹⁶ *Ibid.*

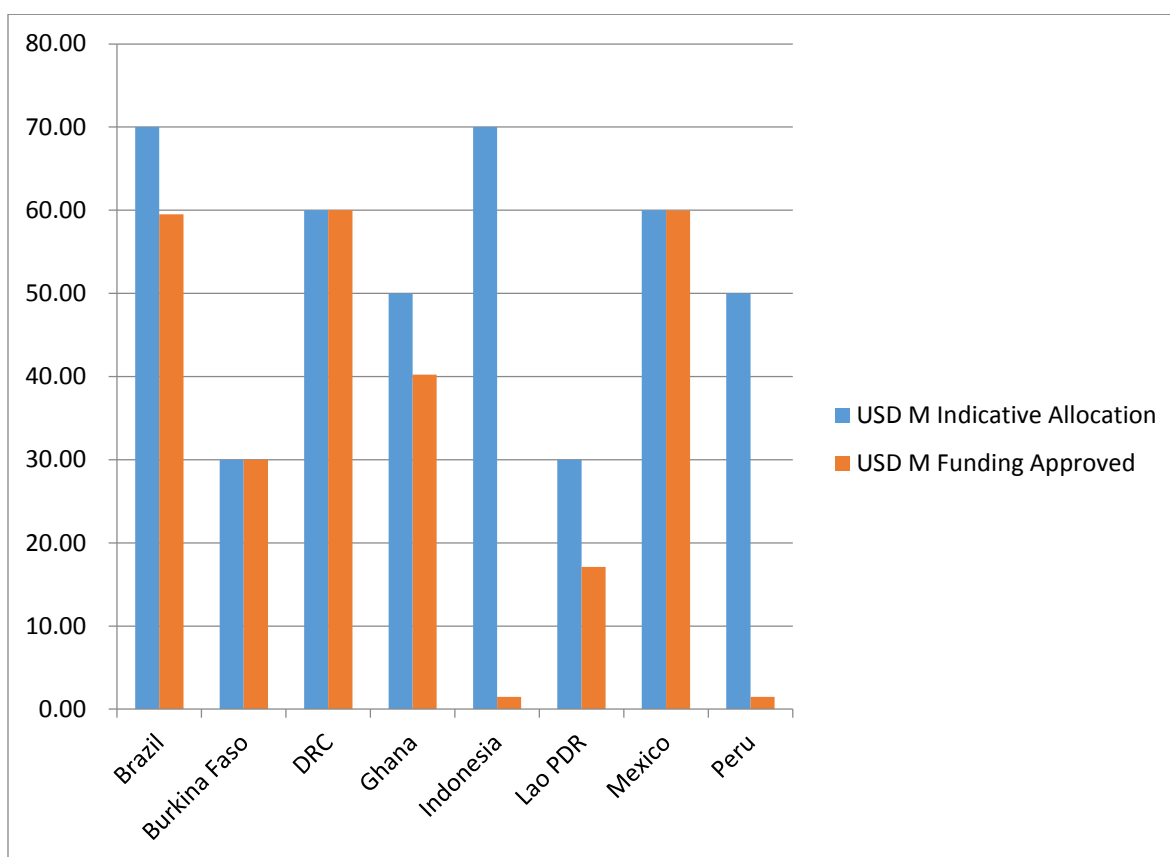
¹⁷ An ER-PIN, Emission Reductions Program Idea Note (ER-PIN), is prepared by a country participating in the FCPF Carbon Fund. Countries submit an Emission Reductions Program (ER Program) for consideration for a potential Emission Reductions Payment Agreement (ERPA) under the FCPF Carbon Fund. The purpose of this document is to provide some of the necessary information for this consideration. The ER-PIN template will be used as a basis for the selection of ER Programs into the Carbon Fund by the Carbon Fund Participants.

¹⁸ Letter of Intent

Portfolio by pilot country

53. Figure 2 provides information on the indicative allocation of FIP funding by pilot country at the time of FIP investment plan endorsement and the total FIP funding which has been approved at the end of the reporting period.

Figure 2 Indicative Allocation of FIP Funding and Approvals by Country Investment Plan (USD Millions)¹⁹



54. Six countries (Brazil, Burkina Faso, DRC, Ghana, Mexico and Lao PDR) are well advanced in terms of FIP funding approval by the Sub-Committee, with three countries (Burkina Faso, DRC and Mexico) having received FIP funding approval for the full indicative allocation at time of endorsement. Mexico, DRC and Burkina Faso have received not only Sub-Committee funding approval for all their projects but also MDB approval.

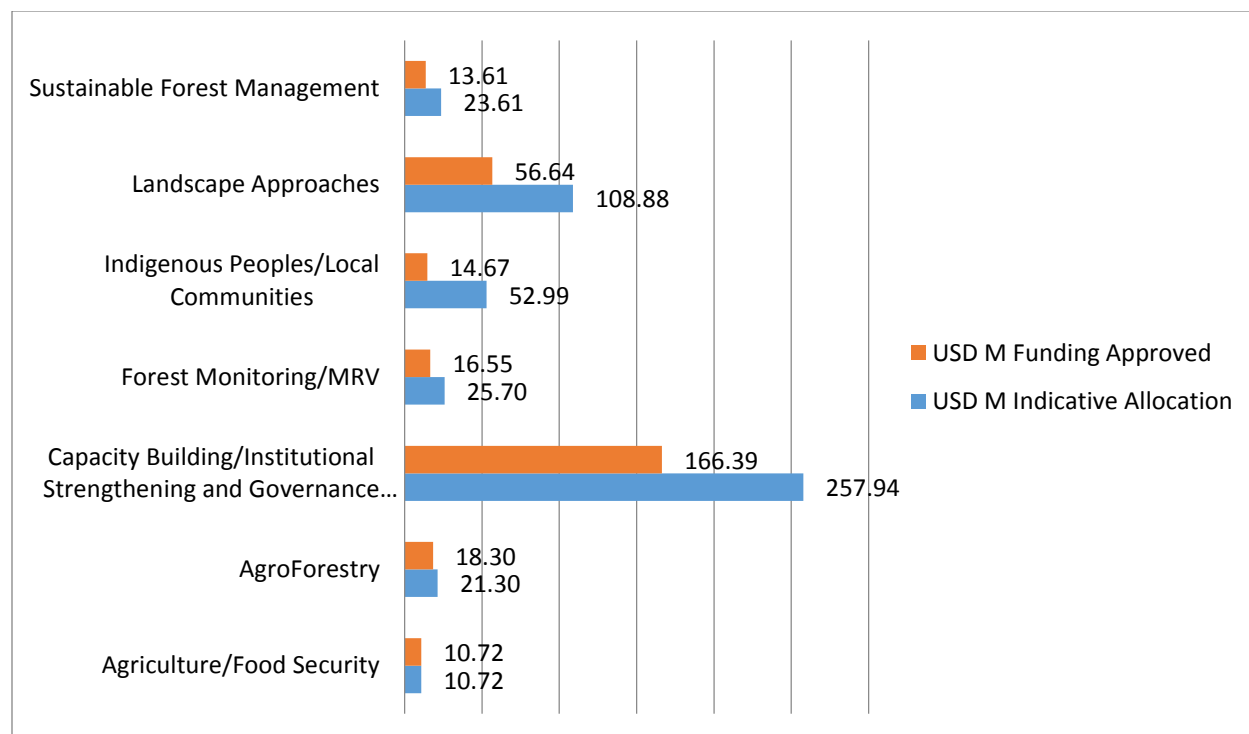
55. If projections for FY15 hold true, the current schedule indicates that an additional 4 countries (Lao PDR, Indonesia, Ghana and Brazil) will have received FIP funding approval for all projects and programs endorsed under their country investment plans (excluding DGM and private sector set-asides projects) within the next reporting period (Q3 and Q4 of FY15, or January 1 to June 30, 2015).

¹⁹ Approved funding and indicative allocation in table do not include DGM and Private Sector Set-Aside that have been endorsed or approved.

Portfolio by sectoral focus

56. Figure 3 provides information on the use of endorsed FIP resources by sectoral focus.

Figure 3: Indicative Allocation of FIP Funding and Approvals by Sectoral Focus (includes investment plans, DGM and PSSA)



57. Figure 3 shows that more than 50% of resources for FIP investments are allocated for building capacity, reforming institutions and strengthening governance mechanisms; enhancing the enabling environment for forest landscape management and conservation and enhancing forest monitoring (phase 1). The other nearly 50%²⁰ of FIP resources are allocated to site-specific (phase 2-type) investments.

58. In terms of approved funding, Figure 3 shows that 56% of FIP resources were approved for building capacity, reforming institutions and strengthening governance mechanisms; enhancing the enabling environment for forest landscape management and conservation and enhancing forest monitoring (phase 1), and 44% of FIP resources were approved for site-specific (phase 2-type) investments.

59. Since the last Semi-Annual Report, there has been an increase of USD 29.5 million funding approved for Landscape Approaches.

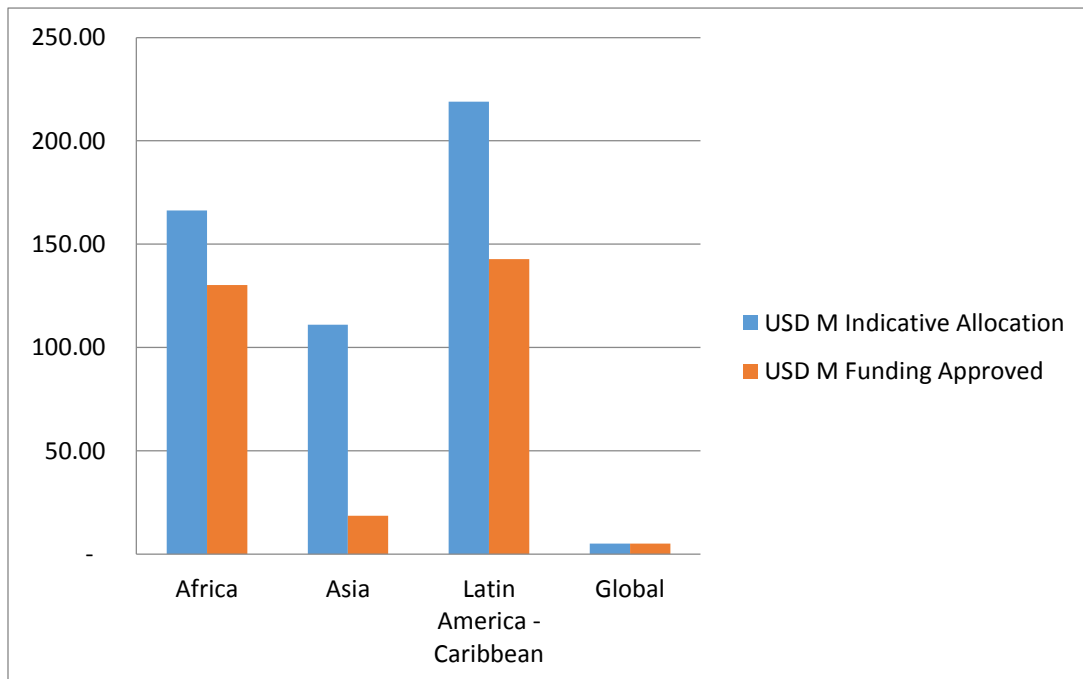
²⁰ Actual percentage of FIP resources allocated to site-specific investments: 48.5%.

60. Across the eight FIP pilot countries there are differences in the use of FIP resources. Countries that are more advanced in their readiness activities tend to use FIP resources for site-specific activities (e.g., Brazil and Mexico). Countries that face challenges in terms of the enabling environment (i.e., lack the institutional capacity to address the drivers of deforestation and forest degradation and to support sustainable forest management) use FIP resources for readiness-type activities (e.g. Burkina Faso and Indonesia).

Portfolio by region

61. Figure 4 below shows the FIP funding distribution across regions. The three countries in Latin America are receiving the highest amount of FIP resources (44% of total endorsed resources, USD 501.3 million). The three LAC countries have also received FIP funding approval for 48% of *total approved FIP resources* (USD 208.4 million). Additionally, 65% of the endorsed funding in the region (USD 218.9 million) has been approved. The three African countries are also advanced in receiving FIP funding approval: 79% of the endorsed funding in the region (USD 166.3 million) has been approved by the FIP Sub-Committee. The countries in Asia have encountered challenges with preparing projects and programs for funding approval; hence the approval rate of FIP funding remains low (17% of endorsed resources, totalling USD 110.9 million, have been approved).

Figure 4: Indicative Allocation of FIP Funding and Approvals by Region ²¹
(includes investment plans, DGM and PSSA)



²¹ “Global” FIP funding refers to the Global Component of the DGM, implemented by IBRD.

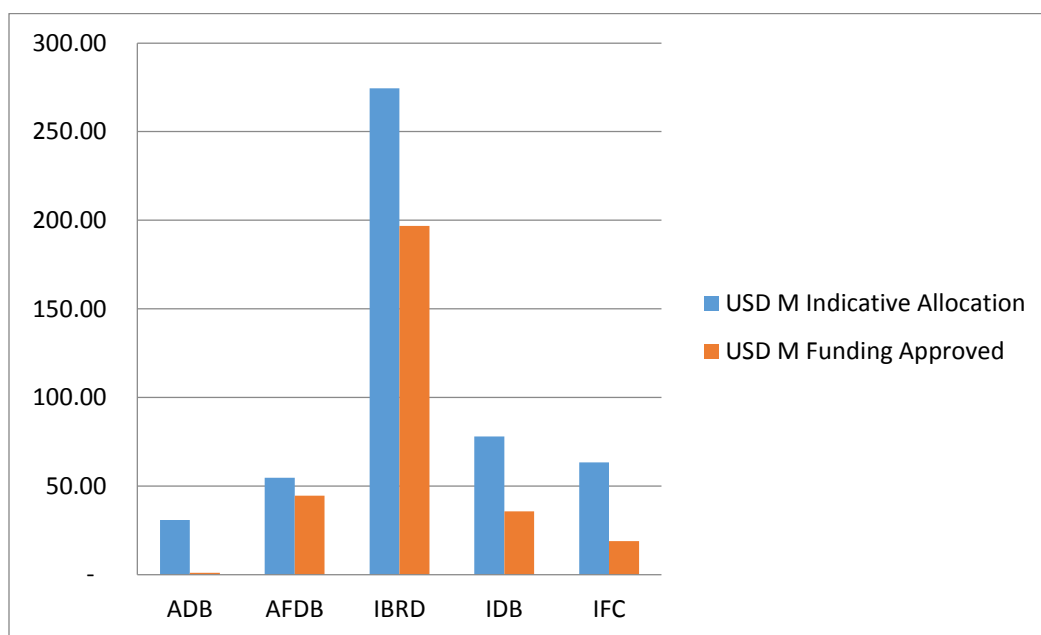
**Table 4: Indicative Allocation of FIP Funding and Approvals by Region
(includes investment plans, DGM and PSSA)**

	Africa	Asia	LAC	Global
USD million FIP funding endorsed	166.3	110.95	218.89	5
USD million funding approved	130.25	18.58	142.74	5
% of FIP funding approved	79%	17%	65%	100%

Portfolio by MDB

62. Figure 5 presents the allocation and approval status of FIP funding by MDB. AfDB and IBRD are well advanced in terms of receiving FIP funding approval: 81% of AfDB and 72% of IBRD endorsed funding has been approved by the FIP Sub-Committee.

**Figure 5: Indicative Allocation of FIP Funding and Approvals by MDB
(includes investment plans, DGM and PSSA)**



63. ADB is the implementing agency for two FIP projects in Indonesia and Lao PDR. A total of USD 30.84 million has been allocated for these projects. However, none has received FIP funding approval after more than 24 months in the FIP pipeline.

64. Much of the delay in processing FIP projects by ADB has been associated with finalizing institutional arrangements and recruitment of consultants. The project documents for Lao PDR are now under review for submission to FIP Sub-Committee in Q4 of FY15, and those for

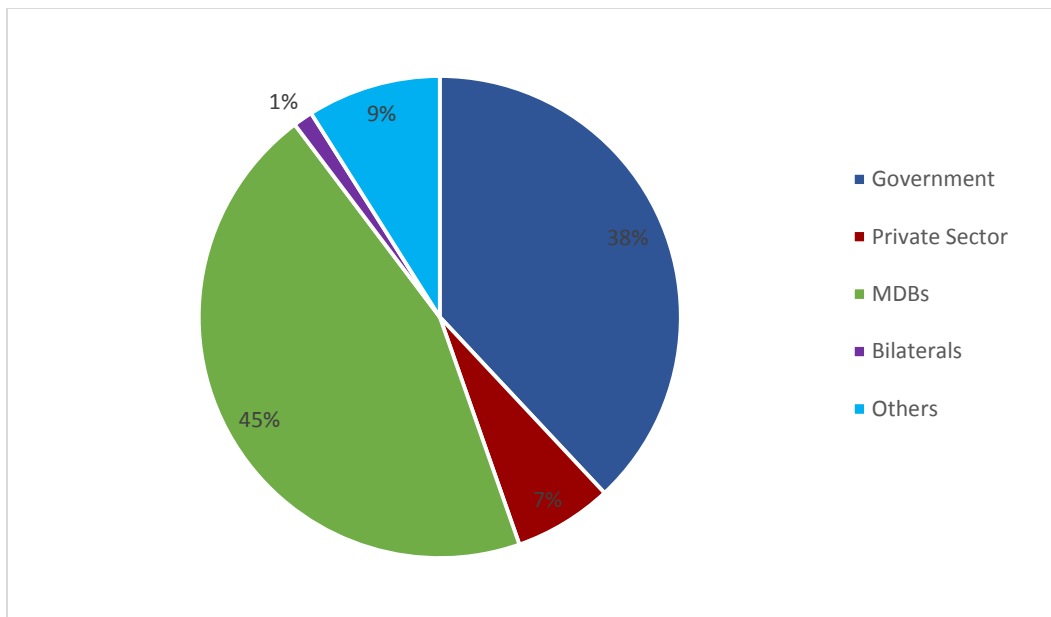
Indonesia are also expected to be submitted in Q4 of FY15. The document FIP/SC.14/Inf.3, *FIP Pilot Country Portfolios* provides further information on project statuses.

Co-financing summary

65. The projected cofinancing ratio at the time of the endorsement of the FIP investment plans was 1: 2.2. The ratio of total FIP funding to co-financing based on the most updated information available for approved projects is 1:2.8 suggesting the projections at the time of the endorsement of the FIP investment plans were rather conservative.

66. Figure 6 provides a breakdown of co-financing sources at the time of project and program endorsement. These co-financing figures confirm a strong support by countries and development partners to REDD+ priorities in the FIP pilot countries. The strong leverage of MDB resources is consistent with the principle of the CIF to build on existing MDB pipelines and operations.

Figure 6: Indicative FIP Co-financing Breakdown by Source (USD million)²²



67. Main co-financing partners in FIP projects and programs apart from the governments and the MDBs include the European Commission; the Agence Francaise de Development (AFD); the Global Environment Facility (GEF); JICA; the Forest Carbon Partnership Facility (FCPF); KFW; and the Moore Foundation.

Actual and projected disbursements

68. As of December 31, 2014, the cumulative disbursement for FIP projects and programs stands at USD 13.9 million. This represents a 63% increase from the cumulative disbursement of

²² Based on projections and actuals.

USD 8.5 million at the end of 2013. See information document, *CIF Disbursement Report*, for further information.

Table 5: Actual Disbursements by Country as of December 31, 2015 (USD Million)²³

COUNTRY	Approved by SC	Approved by MDB	Actual cumulative disbursement as of December 31, 2014	Actual cumulative disbursement as of June 30, 2014
Brazil	94.4	81.2	0.4	0.4
Burkina Faso	34.5	30	0.5	0.5
DRC	66.0	60	2.1	1.5
Ghana	65.8	40.6	0.8	0.5
Indonesia	44.0	1.5	0.7	0.5
Lao PDR	34.5	17.1	4.1	3.6
Mexico	37.9	59.9	4.7	4.4
Peru	55.5	1.5	0.3	0.3
Global Component	5.0	5.0	0.3	-
Total	501.3	296.6	13.9	11.6

²³ Figures based on entire FIP portfolio

ANNEX 1: CALENDAR OF SCHEDULED SUBMISSIONS OF PROJECTS AND PROGRAMS FOR FIP FUNDING APPROVAL (FY15 AND FY16)

COUNTRY	PROJECT TITLE	MDB	Public/Private	Grant	Concessional Loan	Total FIP Funding
FY15 Q3						
Brazil	Brazil Forest Investment Plan(BIP) Management	IBRD	Public	1.00	-	1.00
Lao PDR	Protecting Forests for Sustainable Ecosystem Services	ADB	Public	12.84	-	12.84
FY15 Q4						
Ghana	Public-Private Partnership for restoration of degraded forest reserve through VCS and FSC certified plantations	AfDB	Private	-	10.00	10.00
Peru	DGM for Indigenous Peoples and Local Communities	IBRD	Public	5.50	-	5.50
Brazil	Implementation of Early Warning System for Preventing Forest Fires and a System for monitoring the Vegetation Cover	IBRD	Public	9.15	-	9.15
Ghana	Engaging the Private Sector in REDD+	IFC	Private	2.75	7.00	9.75
Indonesia	Community-Focused Investments to Address Deforestation and Forest Degradation(CFI-ADD+)	ADB	Public	17.00	-	17.00
Indonesia	Strengthening Forest Enterprises to Mitigate Carbon Emissions	IFC	Private	2.20	32.50	34.70
Indonesia	Promoting Sustainable Community-Based Natural Resource Management and Institutional Development	IBRD	Public	17.00	-	17.00
FY16 Q1						
Brazil	Macauba Palm Oil in Silvicultural System	IDB	Private	-	3.00	3.00
Mexico	Guarantee Fund for financing low carbon forestry investments	IDB	Private	-	3.00	3.00
FY16 Q2						
Indonesia	DGM for Indigenous Peoples and Local Communities	IBRD	Public	6.33	-	6.33

Peru	Integrated Forest Landscape Management Along the Main Route Between Tarapoto and Yurimaguas in the Regions of San Martin and Loreto	IDB	Public	7.80	4.40	12.20
Peru	Integrated Landscape Management Along the Main Route Between Puerto Maldonado and Inapari and in the Amaraeri Communal Reserve	IDB	Public	5.30	6.70	12.00
Peru	Strengthening National Forest Governance and Innovation	IDB	Public	6.40	5.70	12.10
TBD						
Peru	Integrated Land management in Atalaya, Ucayali Region	IBRD	Public	5.80	6.40	12.20
Burkina Faso	DGM for Indigenous Peoples and Local Communities	IBRD	Public	4.50	-	4.50
DRC	DGM for Indigenous Peoples and Local Communities	IBRD	Public	6.00	-	6.00
Ghana	DGM for Indigenous Peoples and Local Communities	IBRD	Public	5.50	-	5.50
Lao PDR	DGM for Indigenous Peoples and Local Communities	IBRD	Public	4.50	-	4.50
Mexico	DGM for Indigenous Peoples and Local Communities	IBRD	Public	6.00	-	6.00