

CLIMATE INVESTMENT FUNDS

FIP/SC.15/3/Rev.1
November 10, 2015

Meeting of the FIP Sub-Committee
Washington, DC
Thursday, November 12, 2015

Agenda Item 3

FIP SEMI-ANNUAL OPERATIONAL REPORT

PROPOSED DECISION

The FIP Sub-Committee reviewed the documents, FIP/SC.15/3/Rev.1, *FIP Semi-Annual Operational Report*, and FIP/SC.15/4 *FIP Results Report*, and welcomes the progress that has been made in advancing the work of the FIP in the pilot countries.

FIP Semi-Annual Operational Report:

The FIP Sub-Committee welcomes the progress made in new FIP countries in undertaking initial steps to develop the investment plans. In this regard, the FIP Sub-Committee invites the new FIP pilot countries and the MDBs to explore synergies between SCF programs in developing and implementing these investment plans, exploiting any programmatic and operational efficiencies that may exist.

The FIP Sub-Committee recognizes the resource concerns facing the new FIP countries in funding the investment plans being developed.

The FIP Sub-Committee thanks the Government of the Democratic Republic of Congo for hosting the FIP Pilot Countries Meeting in June 24-25 in Kinshasa, DRC and notes with appreciation the participation of new FIP countries and FIP observers in the meeting.

The FIP Sub-Committee welcomes the progress made on gender related issues and notes the updates provided in the report on gender-related issues in FIP investments, including the portfolio review results. The FIP Sub-Committee recognizes the efforts put in for gender-disaggregated data collection and reporting in the FIP, and encourages strengthening of such data systems and reporting going forward. The FIP Sub-Committee also welcomes development of sector-specific gender tools for sustainable forest management investments.

FIP Results Report:

The FIP Sub-Committee notes with appreciation the progress made in advancing FIP results reporting.

Based on the recommendations of the 2015 FIP Results Report, the FIP Sub-Committee encourages the FIP pilot countries in the next reporting cycle to fill any data gaps, and improve the quality of the reported data.

The FIP Sub-Committee requests the MDBs and the CIF Administrative Unit to prioritize efforts toward the harmonization of GHG emission baselines and targets to enable comparison and aggregation of results.

In particular, the FIP Sub-Committee encourages the FIP countries for the continued pursuit of stakeholder engagement for monitoring and reporting, including through participative scoring workshops, including attention to gender mainstreaming processes in these activities.

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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 **January 1 to June 30, 2015**.
2. Following the guidance of the FIP Sub-Committee, a new section updating gender-related issues has been included in the Semi-Annual Operational Report.

2 Strategic Issues

3. Since its inception in 2009, the FIP has grown from eight pilot countries to being active in a total of 23 developing countries. Fifteen of these countries joined in May 2015 and are now beginning the investment plan preparation process. The FIP expansion presents new opportunities for collaboration but also presents some challenges, particularly in terms of resource availability. As the implementation of endorsed and the preparation of new FIP investment plans progresses, three strategic issues are emerging in the current reporting period and are discussed herein:
 - a) Overview of strategic objectives of the FIP and its expected achievements
 - b) Resources availability in the FIP
 - c) Synergies across programs of the CIF
4. Based on these issues, the CIF Administrative Unit requests the FIP Sub-Committee to provide guidance on:
 - a) Mobilization of additional resources to fund new investment plans for the new FIP countries; and
 - b) Measures to enhance synergies between the programs of the Strategic Climate Fund (SCF) when countries participate in the FIP, Pilot Program for Climate Resilience (PPCR), and/or Scaling Up Renewable Energy in Low Income Countries Program (SREP), including a possible option of preparing one investment plan when a pilot country is participating in more than one CIF program and preparing investment plans under more than one program simultaneously.

2.1 Overview of Strategic Objectives of the FIP and its Expected Achievements

5. In 2010, the 16th Conference of the Parties of the UNFCCC decided on a phased approach to REDD+, “beginning with the development of national strategies or action plans, policies and measures, and capacity-building, followed by the implementation of

national policies and measures and national strategies or action plans that could involve further capacity-building, technology development and transfer and results-based demonstration activities, and evolving into results-based actions that should be fully measured, reported and verified”¹.

6. According to the FIP’s Design Document, the main purpose of the FIP is to support developing countries’ REDD+ efforts, providing up-front bridge financing or readiness reforms and public and private investments identified through national REDD+ readiness strategy-building efforts². The FIP is currently the largest global forestry investment fund with a focus on Phase 2 of the REDD+ financing architecture. The FIP offers strategic, scalable, and replicable financing in many of the Phase 2 areas, particularly capacity building and transferable demonstration activities (see Figure 6)³. FIP resources, provided as grants and near-zero interest credits for REDD+ implementation activities, provide a crucial pull by creating incentives for readiness activities and exert a push by supporting development of needed capacity and experience to allow countries to progress to results-based payments. FIP funding is therefore an important bridge between REDD+ readiness and results-based payments.
7. The USD 787 million⁴ FIP supports developing countries’ efforts to reduce emissions from deforestation and forest degradation and promote sustainable forest management and enhancement of forest carbon stocks (REDD+). The FIP has endorsed a total of USD 490.3 million for eight investment plans (USD 420 million), the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM, USD 50 million), and four projects funded under the private sector set-aside (USD 20.3 million). In May 2015 the FIP Sub-Committee invited an additional 15 countries to participate in the FIP with up to \$145 million available to fund investments and up to USD 30 million available for national DGM components in six new countries.
8. There is a great diversity of FIP-supported interventions addressing both direct and indirect drivers of deforestation and forest degradation. Hence, the FIP portfolio includes a mix of investments working on policy, regulation and institutional capacity, and implementing on-the-ground activities through communities, financial intermediaries and private sector operators. An innovation of the FIP, the DGM is the largest global REDD+ initiative created solely for and by indigenous peoples and local communities.

¹ 1/CP.16, Paragraph 73. Report of the Conference of the Parties on its sixteenth session, held in Cancun from 29 November to 10 December 2010. < <http://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf#page=2>>

² FIP Design Document, http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP_Design_Document_July_final.pdf

³ See section, “Sectoral Activities of the FIP”

⁴ Pledges/contributions are valued on the basis of exchange rate as of June 2015. The SCF funding includes a provisional amount from the UK pledge of November 2014.

9. The FIP is operationally designed to bring together various actors and coordinate multi-sectoral activities. At the national level, the FIP brings together various multilateral development banks and helps create coherence in their actions within one country. The FIP also coordinates with multiples sources of REDD+ financing, in particular the Forest Carbon Partnership Facility (FCPF) and the UN-REDD Programme, at the country and global levels to ensure that donor and international public finance is being used effectively and efficiently in achieving REDD+ outcomes⁵.
10. The FIP has also proven to be a unique instrument bringing together climate change mitigation, adaptation, poverty reduction, and forestry activities. The landscape approach, which “looks across large, connected geographic areas to understand natural resource conditions and trends, natural and human influences, and opportunities for resource conservation, restoration, and development⁶,” is piloted in several FIP pilot countries⁷. It is one of the many ways in which adaptation activities have been incorporated into mitigation and poverty reduction activities within the forestry sector with demonstrable success.

2.2 Resource Availability in the FIP

2.2.1 Review and Update

11. The FIP Sub-Committee at its May 2015 meeting, while considering the new concept proposals from the existing FIP pilot countries, requested the CIF Administrative Unit to review the resource availability in the FIP and provide the Sub-Committee with an update. The CIF Administrative Unit, working with the Trustee and the MDBs, conducted a thorough analysis of the resource availability in the FIP, which was sent to the FIP Sub-Committee in June 2015.
12. The CIF Administrative Unit has provided an update of the resource availability across all CIF programs in a separate information document (see Annex 2).
13. The FIP’s \$381 million funding requirements exceed the \$168 million resources available for programming by \$212 million (see Table 1 in Annex 2). These funding requirements include a pipeline of projects from endorsed investment plans, Dedicated Grant Mechanism (DGM) and Private Sector Set Aside (PSSA) which will be submitted for TFC approval.

⁵ Linkages between REDD+ readiness and the Forest Investment Program.

<<http://www.climateinvestmentfunds.org/cif/content/linkages-between-redd-readiness-and-forest-investment-program-0>>

⁶ Kutter, A & L. Westby. 2014. Managing rural landscapes in the context of a changing climate. *Development in Practice*, 24 (4).

⁷ For further examples of the application of the landscape approach in FIP pilot countries, see “Integrating Landscapes and Forests”, available: <http://www.climateinvestmentfunds.org/cif/content/integrating-landscapes-and-forests>

14. Additional funding decisions rendered at the May 2015 Sub-Committee meeting include:

- a. \$3.75 million investment plan preparation grant
- b. \$4.3 million country programming budget, of which \$0.46 million has been approved
- c. \$30 million DGM investment project
- d. \$145 million projected funding for the six additional countries under FIP

2.2.2 Resources Allocated for New Concept Proposals for the Existing Pilot Countries

15. Given the resource situation and progress in implementing endorsed investment plans in pilot countries that have submitted concept proposals for additional funding, the following concept proposals have been 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

16. The consideration of the concept proposals from Burkina Faso, Lao People's Democratic Republic (Lao PDR), and Democratic Republic of Congo (DRC) has been deferred until additional funds become available, and the proposal for the project *Brazil: Ecological Restoration Financing in the Cerrado Biome (IDB)* has been withdrawn.

17. This implies that the FIP is over-programmed, particularly in terms of its grant financing. The FIP Sub-Committee is requested to consider the implications of such a situation.

2.2.3 Resources Allocation for New Pilot Countries

18. At its meeting in May 2015, the FIP Sub-Committee approved six new pilot countries to be supported under the FIP: Congo Republic, Côte d'Ivoire, Ecuador, Guatemala, Mozambique, and Nepal. Up to USD 145 million was made available to the six new pilot countries to fund a number of the project concepts to be identified in their investment plans. A preparation grant of an additional USD 250,000 is available to each of these new pilot countries to develop their investment plans. These pilot countries are expected to submit their investment plans for endorsement within a two-year time frame.

19. Given the resources available, and noting that these resources would be insufficient to fund fully the investment plans of the new pilot countries, indicative grant and loan resources of up to USD 24 million per country have been allocated by the FIP Sub-

Committee to each of the six new pilot countries⁸ (see Table 1). The new pilot countries will be able to seek additional FIP grant resources beyond the minimum indicative grant allocation within the USD 24 million funding envelope on a competitive basis with other FIP pilot countries. See Annex 3 for the full decision text, which was approved by the FIP Sub-Committee in August 2015.

Table 1: Indicative Allocation of Grants and Loans to New FIP Pilot Countries

	Grants (USD M)	Loans (USD M)	Total (USD M)
Mozambique	\$10.8	\$13.2	\$24
Côte d'Ivoire	\$8.2	\$15.8	\$24
Congo Republic	\$6.1	\$17.9	\$24
Nepal	\$6.1	\$17.9	\$24
Guatemala	\$3.15	\$20.85	\$24
Ecuador	\$3.15	\$20.85	\$24

20. During the FIP pilot countries meeting held from June 23-25, 2015, in Kinshasa, Democratic Republic of Congo (DRC), representatives from the six new FIP pilot countries expressed their commitment to move expeditiously in the investment plan preparation process. They underlined the need for additional resources to achieve transformational impacts, maintain the programmatic approach, and fully implement projects identified under the investment plans. The government representatives and MDBs underlined challenges in seeking financial resources from other multilateral funds where operational modalities are still being defined.

2.2.4 Resources Available for the Nine Additional Countries

21. Nine additional countries have been invited to prepare FIP investment plans: Tunisia, Bangladesh, Zambia, Cambodia, Cameroon, Guyana, Honduras, Rwanda, and Uganda. Up to USD 250,000 has been made available for each of these countries with the clear understanding that there are currently no FIP resources available for the implementation of these investment plans. For the full decision, see the co-chairs summary of the meeting of the Sub-Committee of the Forest Investment Program, May 2015⁹.

22. During the 2015 FIP pilot countries meeting, representatives from these nine additional countries also expressed a strong interest to move expeditiously in the investment plan preparation process. They stressed the need for financial resources to implement the projects identified in the investment plans and to keep the momentum on the ground. The MDB staff in these countries expressed concern that uncertainty over the funding

⁸ See *Proposed Allocation of Resources to the New FIP Pilot Countries*, http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Proposed%20allocation%20of%20resources%20for%20FIP%20countries_proposed_decision_June15_2015.pdf

⁹ http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP_co_chairs_summary_6_1_2015.pdf

may hamper the progress in investment plan preparation and in keeping countries engaged with the FIP. The government representatives and MDBs also underlined challenges in seeking financial resources from other multilateral funds where operational modalities are still being defined.

2.2.5 Resources Available for the DGM

23. Up to USD 30 million has been made available for the national components of the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) of the six new FIP pilot countries and global component. In accordance with the decision of the FIP Sub-Committee¹⁰, the DGM Global Steering Committee via the CIF Administrative Unit presented allocation of these resources to the FIP Sub-Committee for endorsement by mail.
24. During the 2015 FIP pilot countries meeting, representatives of indigenous peoples emphasized the need for financial resources to be provided to the nine additional FIP countries in order to initiate the DGM activities alongside the investment plan preparation processes. These needs were reiterated at the DGM Global Steering Committee held in Bali from July 25-27, 2015.
25. The Global Steering Committee of the DGM has recommended the following indicative allocations for the national components of the DGM in the six new FIP pilot countries and allocation of 10 percent (USD 3.0 million) of the new FIP funding for the global component of the DGM (see Table 2).

¹⁰http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Proposed%20allocation%20of%20resources%20for%20FIP%20countries_proposed_decision_June15_2015.pdf

Table 2: Indicative DGM Allocations in New FIP Pilot Countries

Country	USD millions
Congo	4.5
Cote d'Ivoire	4.5
Ecuador	4.5
Guatemala	4.5
Mozambique	4.5
Nepal	4.5
Global	3.0
Total	30.0

26. The IP observers to the FIP have underlined the need for providing resources for the national components of the DGM in the new nine countries. These nine countries have only been provided with resources for Investment Plan preparation so far.

2.3 Synergies across SCF Programs

27. Following the FIP and PPCR Sub-Committees' decisions in May 2015 to bring in new countries, three countries were invited to develop both FIP and PPCR investment plans: Honduras, Rwanda, and Uganda. These three countries present a unique opportunity for exploring synergies between PPCR and FIP investment plans. Options described herein include holding joint FIP and PPCR scoping and joint missions and creating a joint investment plan.

2.3.1 Joint Investment Planning Process

28. A joint process for developing investment plans could reduce transaction costs associated with organizing and holding scoping missions, joint missions, and stakeholder consultations and strengthen the programmatic approach across the two programs.

29. Following a series of discussions with the CIF Administrative Unit, the FIP and PPCR MDB Committees have agreed that as a first step, the MDBs would communicate with the coordinating ministry (finance, planning, or equivalent) and engage other ministries and stakeholders that may be of relevance to the FIP and PPCR. One of the participating MDBs would propose a scoping mission that will bring all the relevant entities together (government agencies and all implicated MDBs), including existing focal points of other relevant multilateral or national programs. This scoping mission would introduce a conversation on potential synergies between the national FIP and PPCR programs, as well as the SREP if there is an ongoing program or one in preparation.

30. Moreover, it was proposed to allow the host government decide, in consultation with the MDBs, during the scoping mission on the following topics:
- a) Whether there should be one process or two separate processes for investment plan preparation
 - b) Whether there would be a single investment plan prepared for the two programs
 - c) How investment plan preparation grants (IPPGs) would be treated (separately or jointly)
 - d) Which MDB would be the lead MDB, if not previously agreed
31. There are advantages and disadvantages of having one investment planning process and ultimately one investment plan with multiple programs. Benefits of a joint investment plan could potentially include reduced transaction costs, stronger ties between national adaptation and mitigation programs, and opportunities for leveraging funds. On the other hand, a joint investment plan preparation process could result in investment plans that are too broad and unfocused or dilute the principles of the FIP or the PPCR. However, these risks could be mitigated by a well-thought out process that engages all relevant stakeholders and involves all relevant ministries. The CIF Administrative Unit seeks guidance from the Sub-Committee on these issues.

2.3.2 Leveraging Countries' CIF Experience

32. Countries new to the FIP but experienced in other SCF (or CIF) programs can take advantage of systems and resources already in place. Such synergies can ease the learning curve for developing the FIP investment plan, as the teams responsible for the PPCR and/or the SREP would be able to provide guidance to the new FIP team. Alternatively, existing country coordinating agencies and systems could be tapped into for developing the new FIP investment plans.
33. Countries new to the FIP but not to the SCF are already exploiting such potential synergies. For instance, in Zambia, the focal point ministry for the PPCR will also be the FIP focal point ministry. Table 3 shows all new FIP countries and their participation in other SCF programs.

Table 3: SCF Programs in New FIP Countries

	FIP	PPCR	SREP
Honduras			
Rwanda			
Uganda			
Tunisia			
Bangladesh			
Zambia			
Cambodia			
Cameroon			
Guyana			
Cote d'Ivoire			
Congo			
Mozambique			
Nepal			
Ecuador			
Guatemala			

3 Status of the FIP

3.1 Overview and Trends

34. The pledge volume to the FIP as of December 31, 2014 is USD 787 million¹¹, of which USD 490.3 million has been endorsed. With these resources the pilot countries are targeting 27 million hectares, and improve the economic conditions and livelihoods of 671,000 beneficiaries.

35. Within the pledged resources, a total of USD 175 million has been made available to the six new FIP pilot countries and to the DGM national and global components in these new countries.

¹¹ Currency exchange rate as of June, 2015

Table 4: Overview of FIP Portfolio (USD million) (as of June 30th 2015)

	Endorsed Investment Plan (8)	Endorsed DGM Concepts	Endorsed FIP PSSA Concepts	Total Endorsed Funding	Approved Funding as of Last Reporting	Approvals (Jan-Jun2015)	Cancellations (Jan-Jun 2015)	Net Approved Funding (Jun 2015)	MDB Approved	Disbursed (as of Jun 2015)
USD million	420	50	20.3	490.3	296.6	17.3	15	298.9 61%	249.4 51%	24.2
Number of Projects and Programs	25	9	4	38	17	4	1	20	15	5

36. As depicted in Table 4, the FIP portfolio currently contains a total of 38 projects and programs:

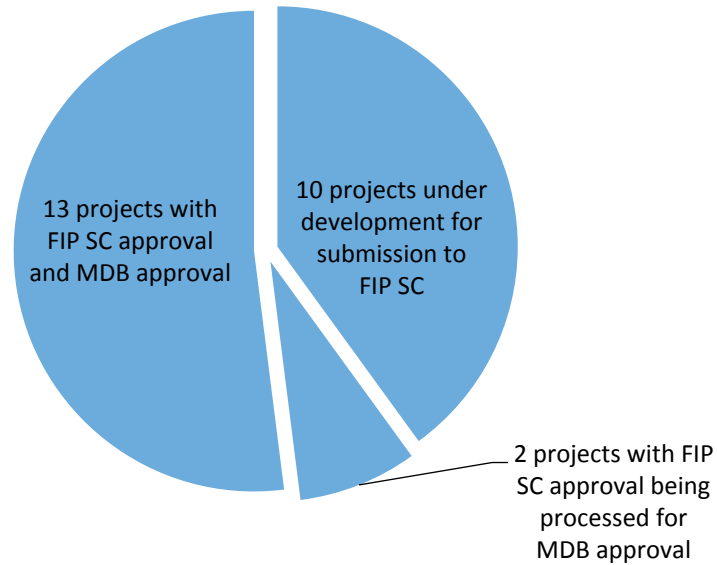
- a) 25 projects and programs agreed in the endorsed investment plans
- b) 9 DGM projects
- c) 4 projects supported under the FIP private sector set-aside

37. It is important to note that while a total of USD 17 million has been approved by the FIP Sub-Committee during the reporting period, the figure indicating approved funding by the FIP Sub-Committee in Table 4 has seemingly only increased by USD 2.3 million. This is because the approved funding reported in November 2015 includes the funding levels from May 2015 and approvals during the reporting period, minus the funding cancelled during the reporting period.

38. Approximately 61 percent of FIP funding for projects and programs in endorsed investment plans has been approved by the FIP Sub-Committee. Of these, 83 percent of projects and programs have also received MDB approval, suggesting a robust pipeline and approval process since endorsement of the investment plans.

39. Of the 25 projects under endorsed FIP investment plans, 20 have received FIP funding approval for a total of USD 298.9 million. Of these, 15 have received final project approval by the respective MDB for a total of USD 249.4 million.

Figure 1: FIP Investment Plan Project Approval Status
(as of July 2014)

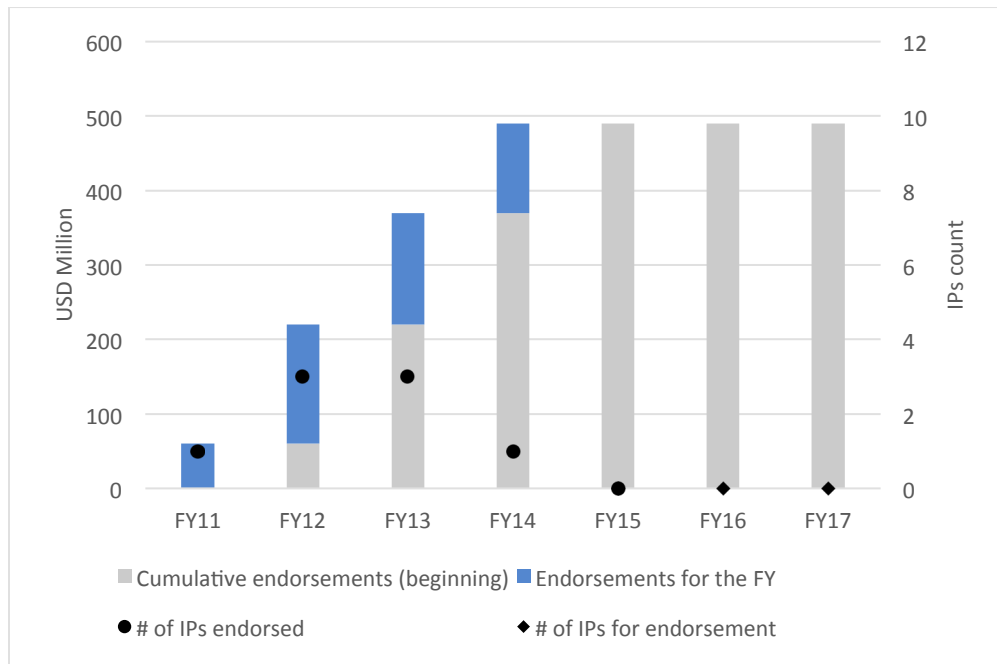


40. Of the nine projects endorsed for the DGM, five have received FIP funding approval for a total of USD 27.5 million (55 percent of FIP funding allocation for the DGM). Two projects have been approved by the IBRD board for a total of USD 11.5 million (23 percent of the FIP funding allocation for the DGM).

41. Of the four endorsed private sector set-aside projects, one in Brazil had previously received FIP funding approval: *Commercial Reforestation of Modified Lands in Cerrado*, USD 15 million IFC. It has since then been cancelled.

42. Investment plans for the original group of eight FIP pilot countries were endorsed within a three-year timeframe of FIP pilot country selection. Most investment plans were endorsed by the end of 2014 (see Figure 2).

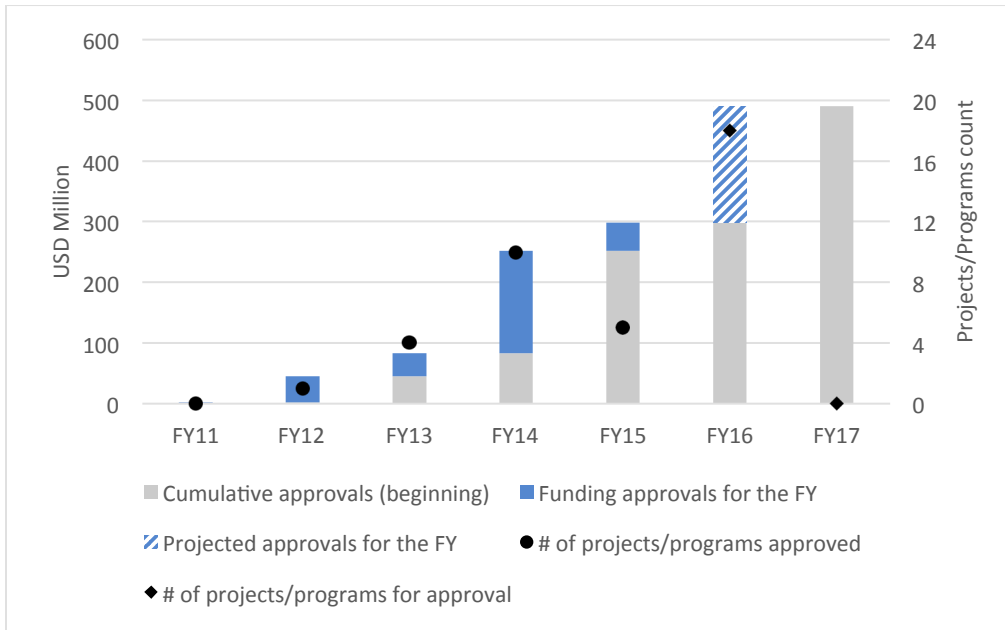
Figure 2: Tracking FIP Investment Plan Endorsement



43. The six new FIP pilot countries are expected to submit their investment plans within a two year time frame from invitation to participate in the FIP. Should there be delays, countries from the additional nine will be invited to present their investment plans to the FIP Sub-Committee in order of ranking by the FIP Expert Group¹².
44. Figure 3 shows FIP funding approvals by the Sub-Committee (including FY16 and FY17 projections). The figure shows that cumulative funding approvals have risen steadily since endorsement of FIP investment plans, private sector set-aside concepts, and the DGM.

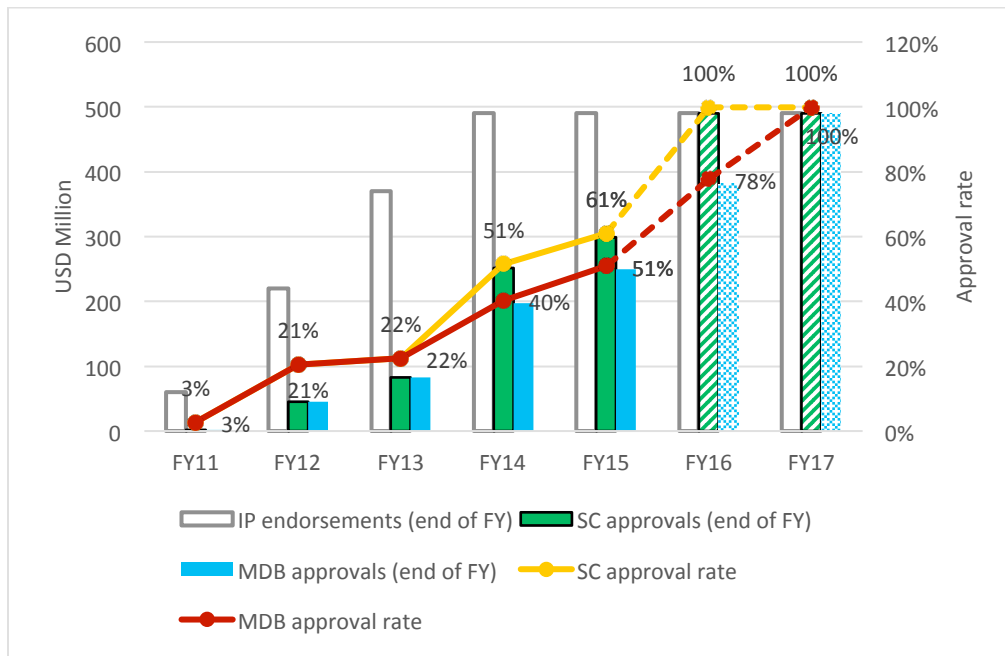
¹²http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP_14_5_Report_of_the_Expert_Group_to_the_FIP_Sub_Committee_on_selection_of_new_pilot_countries.pdf

Figure 3: Funding Approvals by FIP Sub-Committee by Fiscal Year



45. Figure 4 shows the rate of approvals by the FIP Sub-Committee, including the projections for FY16 and FY17. It is apparent that the FIP has increased its approvals.

Figure 4: FIP Funding Approval Rates by Fiscal Year



*Checked columns and dotted lines illustrate projections

46. Graphs tracking investment plan endorsements, FIP funding approvals, and FIP approval rates on a semi-annual basis are in Annex 5.

3.2 Portfolio Updates

3.2.1 Investment Plans

47. Scoping missions have occurred in the following countries after the reporting period:

- a) Mozambique, involving IBRD, AfDB and IFC, took place on July 27 via video conference.
- b) Cameroon, involving the AfDB and IBRD, from September 21 to 25, 2015
- c) Côte d'Ivoire, involving IBRD and AfDB, from September 28-29 via video conference
- d) Tunisia, involving the AfDB, IBRD, and EBRD, from September 28–30, 2015
- e) Republic of Congo, involving the AfDB and IBRD, from October 6 – 9, 2015
- f) Uganda, involving the AfDB, IBRD, from October 19 to 23, 2015. This scoping mission will also include preparations for Uganda's Strategic Plan for Climate Resilience under the PPCR.

48. Joint Missions have taken place in the following countries after the reporting period,

- a) Mozambique, involving IFC, IBRD and AfDB, took place from September 28-October 2, 2015.

3.2.2 Trust Fund Committee Approvals

49. During the reporting period, four projects and programs were approved by the FIP Sub-Committee for a total of USD 17 million (see Table 5).

Table 5: FIP Sub-Committee Approved Projects and Programs
(January 1 to June 30, 2015)

Country	Project Title	MDB	FIP Funding (USD M)	Approval Date
Brazil	Brazil Investment Plan Coordination Project	IBRD	1.0	March 2015
DRC	DGM for Indigenous Peoples and Local Communities-Forest-Dependent Community Support	IBRD	6.0	June 2015)
Peru	DGM for Peru	IBRD	5.5	June 2015
Burkina Faso	DGM for Indigenous Peoples and Local Communities	IBRD	4.5	June 2015
		Total	17.0	

50. Since the end of the reporting period, the following projects and programs have been approved by the Sub-Committee for a total of 26.25 million:

- a) Indonesia: *Promoting Sustainable Community Based Natural Resource Management and Institutional Development* (World Bank) for USD 17 million
- b) Brazil: *Development of Systems to Prevent Forest Fires and Monitor Vegetation Cover in the Brazilian Cerrado* (World Bank) for USD 9.25 million

3.2.3 MDB Approvals

51. Three projects were approved by their respective MDB boards during the reporting period for a total of USD 41 million (see Table 6).

Table 6: FIP Sub-Committee Approved Projects and Programs
(January 1 to June 30, 2015)

Country	Project Title	MDB	FIP Funding (USD M)	Approval Date
Brazil	DGM for indigenous peoples and local communities	IBRD	6.5	March 2015
Global Component	DGM Global Learning and Knowledge Exchange Project	IBRD	5.0	March 2015
Ghana	Enhancing Natural Forest and Agro-forest Landscapes Project	IBRD	29.5	February 2015
		Total	41.0	

52. Since the end of the reporting period, the following project was approved by the MDB board:

- a) Brazil: *Environmental Regularization of Rural Lands(based upon the CAR)* (IBRD), for USD 32.48 million (July 2015).

3.2.4 Dedicated Grant Mechanism

53. There were significant steps in advancing the DGM portfolio, with the approval by the IBRD board of the Global Component, and the Brazil DGM; as well as the approval by the Sub-Committee of several country components: Peru, Burkina Faso and DRC.

54. In addition, the DGM Global Steering Committee met for the first time in Bali, Indonesia, on July 25-27, 2015 to begin implementation of the program. Among others,

the rules and procedures of the GSC meetings, the five-year business plan, the yearly budget, a draft grievance and redress mechanism, and a communications plan were agreed upon for the DGM Global Component.

3.2.5 Private Sector Set-Asides

55. For the private sector set-asides, the project *Brazil: Commercial Reforestation of Modified Lands in Cerrado (IFC)* (USD 15 million) was cancelled and removed from the pipeline.
56. Additionally, the FIP Sub-Committee endorsed the following concept proposals in September 2015, following the decision of May 2015¹³ to endorse concept notes for additional funding under the FIP for existing FIP pilot countries:
 - a) *Brazil: Integrated Landscape Management in the Cerrado Biome* (IBRD), taking note of the request for a total of USD 25 million in grant financing.
 - b) *Ghana: Reducing Degradation and Deforestation due to Mining in Forest Landscapes* (IBRD), taking note of the request for a total of USD 10 million in grant financing
57. In collaboration with MDBs, Brazil and Ghana have been invited to submit fully-developed project proposals, for FIP funding approval, taking account of the decision of the Sub-Committee in November 2014¹⁴ that approval will be given once existing unallocated FIP resources, as well as previously pledged resources, become available.

3.3 Cross-cutting Themes

3.3.1 Update on Knowledge Management

58. The FIP Pilot Countries Meeting took place in Kinshasa, DRC, from June 23-25, 2015, and brought together representatives from the first round of FIP pilot countries as well as representatives from the newly accepted FIP countries. The agenda for the meeting is provided in Annex 4 and for further information, including the presentations given during the meeting, please visit the Pilot Countries Meeting webpage¹⁵.

¹³http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP_co_chairs_summary_6_1_2015.pdf

¹⁴http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP_co_chairs_summary_final_3_12_2014_0.pdf

¹⁵ For more information on the Pilot Countries Meeting, including access to the presentations given, visit the following webpage: <http://www.climateinvestmentfunds.org/cif/content/fip-pilot-country-meetings>

3.3.2 Update on Gender

59. **Gender Review of Portfolio:** A full portfolio review was undertaken in the first half of 2015 across all four CIF programs at investment plan and project levels to identify baseline and program progress figures on gender “quality at entry” at design stage. Presence of three “scorecard” indicators were reviewed in each investment plan and project: a) sector-specific gender analysis; b) gender-disaggregated indicators at core, co-benefit, or additional “non-CIF” levels; and c) women-specific activities. The portfolio was analyzed in relation to two different time periods: from inception in 2008 until December 31, 2014; and the most recent period under review July 1-December 31, 2014. Baseline figures as of June 30, 2014 were also identified to allow for analysis of program performance on gender over time.
60. Historically, FIP performed least well among SCF programs at both investment plan and project level in terms of presence of gender analysis. However, FIP performance on this and other gender indicators in the July 1-December 31, 2014 period improved, with the FIP project approved in this period scoring positively on all three indicators. Key findings include the following:
- a) For the portfolio as a whole, 50 percent of FIP investment plans and 29 percent of projects since inception to December 31, 2014 had sector-specific gender analysis, compared to SCF averages of 60 percent and 35 percent respectively¹⁶
 - c) Three-quarters of investment plans since inception hosted gender-disaggregated indicators at investment plan level, however, the figure dropped to just 35 percent at the project level
 - d) 53 percent of FIP projects and 13 percent of FIP investment plans since inception host women-specific activities. By comparison, SREP and PPCR investment plans score 45 percent and 70 percent respectively in this category.
 - e) The FIP project approved during July 1-December 31, 2014¹⁷ scored positively regarding presence of gender analysis, women-specific activities, and gender-disaggregated indicators. Thus compared to a June 30, 2014 baseline of 25 percent, 50 percent, and 31 percent respectively on these indicators for the FIP project portfolio as a whole, the period-specific performance of projects approved July 1- December 31, 2014 was 100 percent on all three indicators
61. **Learning and Knowledge Management:** A session on “Gender Considerations in Forest Governance and Forest-Based Livelihoods” was organized as part of the 2015 FIP Pilot Countries Meeting¹⁸. The session featured recent empirical findings from the Center for International Forestry Research (CIFOR) on gender, forest management, resource access, and market development in the Sudano-Sahelian region. The session discussed

¹⁶ Figures reported under items a) through c) are for the portfolios from inception through December 31, 2014.

¹⁷ No FIP IP was approved in the July 1-December 31, 2014 period.

¹⁸ Gender presentations available at <http://climateinvestmentfunds.org/cif/node/5815>

lessons learned from FIP pilot country Mexico, which is trying to mainstream gender in its FIP program in response to national policy goals, including support for expanding women's participation in local forest governance in *ejidos*.

62. **Gender in FIP Monitoring and Reporting:** By design, FIP pilot countries report on mandatory Category 1 themes (akin to core indicators) and Category 2 Co-Benefit themes (where these align with investment plan themes). Countries have some flexibility to identify their preferred indicators. Overall, CIF-mandated FIP results indicators are still not well disaggregated by gender, with fewer requirements for gender-disaggregation compared to other CIF programs. Notably, FIP program beneficiary numbers are not required to be disaggregated by gender in CIF monitoring. In practice, some countries have opted nonetheless to identify livelihood co-benefit indicators (and targets) by gender. These countries are DRC, Burkina Faso, Lao PDR, and Mexico.¹⁹

3.3.3 Update on Monitoring and Reporting

63. The 2015 FIP Results Report²⁰ outlines the baselines, targets, and achieved results for the FIP pilot countries. Implementation of endorsed FIP investment plan is still at an early stage. At the end of 2014, FIP project activities had only started in Brazil, Lao PDR and Mexico, which explains why only these two countries reported achieved results.
64. The total targeted area to be covered by FIP projects is 27 million hectares, equivalent to the size of Burkina Faso. The total target of FIP livelihood co-benefits beneficiaries is approximately 671,000, equivalent to the population of Montenegro. Targets will increase as new projects are approved by MDBs in the coming years. Each FIP country calculated the baseline and targets following their own methodology. Whenever possible, targets were built on the national system for reference emission levels and monitoring, reporting, and verification (MRV). Relying on country-specific methodologies has advantages as it allows for country annual results tracking, provided that the same methodology is used. However, the differences among countries mean that accurate cross-country aggregation or comparison is not possible.
65. Lessons can be learned from early FIP implementation. In Mexico, implemented sustainable forest management techniques promoted by the FIP translate into a better productive use. Through techniques such as thinning and pruning, forest harvest has doubled. Forest communities are also able to receive credits, which they use as a working capital for other small business, thus creating job opportunities.

¹⁹ See FIP/SC.15/4, 2015 FIP Results Report.

²⁰ FIP/SC.15/4, 2015 FIP Results Report.

66. In Lao People’s Democratic Republic (Lao PDR), during the first two years of project implementation, teams have carried out forest inventories of almost 0.5 million hectares (ha) and have developed forest management plans for 25 production forests (not covered under previous projects) and village development plans for 350 additional villages. In addition, work is ongoing to pilot village forestry and forest landscape management.

4 Portfolio Analysis

4.1 Project Delivery Tracking

67. As shown in Table 7, of the 18 projects and programs in the FIP pipeline being prepared for FIP funding approval by the Sub-Committee, ten projects have been in the pipeline for more than 24 months, five have been in the pipeline for more than 16 months, and no projects for less than 16 months. The MDBs could not provide a date for possible Sub-Committee approval for three projects.

Table 7: Status of Projects and Programs in Preparation for FIP Funding Approval

	Less than 16 months	16+ months	24+ months	No data
Number of projects and programs	0	5	10	3
FIP resources (USD M)	0	54.2	125.1	16.0
By region	-	LAC: 3 Africa: 1 Asia & Pacific: 1	LAC: 4 Africa: 2 Asia & Pacific: 4	LAC: 1 Africa: 1 Asia & Pacific: 1
By MDB	-	AfDB: 1 IBRD: 1 IDB: 3	ADB: 2 AfDB: 1 IBRD: 3 IFC: 2 IDB: 2	IBRD: 3

68. As per last updates by the MDBs, ten projects are likely to exceed the agreed benchmark by 24 months or more without receiving FIP funding approval (see Table 8).

Table 8: FIP Projects in Preparation for FIP Funding Approval (as of June 30, 2015)
 (Projects which have been in the pipeline for over 25 months)

Country	Project	MDB	Project funding (USD M)	IP endorsed	SC approval
Lao PDR	Protecting Forests for Sustainable Ecosystem Services	ADB	13.34	Jan-12	Q2/15
Brazil	Implementation of Early Warning System for Preventing Forest Fires and a System for monitoring the Vegetation Cover ²¹	IBRD	9.15	May-12	Jul-15
Ghana	Engaging the Private Sector in REDD+	IFC	10.00	Nov-12	Apr-16
Indonesia	Community-Focused Investments to Address Deforestation and Forest Degradation(CFI-ADD+)	ADB	17.50	Nov-12	Sep-15
Indonesia	Promoting Sustainable Community-Based Natural Resource Management and Institutional Development	IBRD	17.50	Nov-12	Q2/15
Indonesia	Strengthening Forest Enterprises to Mitigate Carbon Emissions	IFC	35.00	Nov-12	Feb-16
Peru	Integrated Land management in Atalaya, Ucayali Region	IBRD	12.60	Oct-13	Jun-16
Brazil	Macauba Palm Oil in Silvicultural System	IDB	3.00	Nov-13	Feb-16
Burkina Faso	Climate change mitigation and poverty reduction through the development of the cashew sector in Burkina Faso (Wouol project)	AfDB	4.00	Nov-13	Jun-16
Mexico	Guarantee Fund for financing low carbon forestry investments	IDB	3.00	Nov-13	Feb-16

²¹ Please note this project was approved after the reporting period.

69. The reasons for the delays are as follows:

- a) **Lao PDR (ADB):** The PFSES project is at an advanced stage of processing. Initial delays in processing were due to disruptions in institutional arrangements when the Department of Forestry was split between Ministry of Agriculture and Forestry and the Ministry of Natural Resources and Environment. The project design also encountered challenges due to initial start-up delays of the Biodiversity Conservation Corridors (BCC) Project, to which the PFSES is attached as additional financing. ADB undertook additional due diligence assessments as part of the mid-term review of the BCC Project in November 2014. The team concluded that the BCC project is capable of handling the PFSES additional financing. ADB expects to submit the project documents for the FIP SC review in November 2015.
- b) **Brazil (IDB):** The project characteristics have required a change in the financing approach; while the project was originally intended to be financed through a local financial intermediary, FIP financing is now planned to be provided directly to the project through IDB's Multilateral Investment Fund (MIF). This has required adjustments in the process as well as the in the due diligence plan, now underway. The equity base for the project has been secured; and IDB, through its Structured and Corporate Finance (SCF) department, has also secured debt resources from another climate finance source to co-finance the project. Due diligence is expected to be completed over the next three months. The detailed proposal for the FIP will be prepared and submitted concurrently during that period or right after due diligence completion, as soon as the key elements of the FIP financing have been defined. MDB approval is expected for Q1 2016.
- c) **Brazil (IBRD):** The project implementation is under discussion. The Bank hopes to move on to negotiations before the end of 2015 and approval in early 2016. Please note this project was approved after the reporting period.
- d) **Ghana (IFC):** For the last six months, IFC is in discussions on two potential projects that meet FIP Ghana investment plan objectives. These discussions have been prolonged given the complexities of meeting several required criteria (both for FIP and IFC). If current discussions are not able to reach a successful outcome, IFC will inform the government of Ghana and the FIP Sub-Committee and seek guidance on next steps.
- e) **Indonesia (ADB):** The CFI-ADD+ project is at an advanced stage of processing. Initial delays in processing the project preparatory technical assistance were associated with delays in getting approval from various ministries, and a long

period of stakeholder consultations during project design. As in Lao PDR, additional delays in processing were related to changes in institutional arrangements, including realignments of various divisions following the merger of two Ministries – Ministry of Forestry and Ministry of Environment – into a single Ministry of Environment and Forestry in October 2014. The division that was administering the implementation of project preparatory technical assistance was dissolved in May 2015. ADB completed due diligence assessments and finalized implementation arrangements for the ensuing project in September 2015. Following internal review, ADB expects to submit the project documents for FIP SC review in December 2015.

- f) **Indonesia (IFC):** IFC is following the plan of preparation activities to develop an IFC-FIP program proposal as agreed with the Government of Indonesia in 2014. The primary activity in the plan is the ongoing search for suitable private sector enterprises that are interested in FIP investment and advisory support, and can comply with IFC's social, environmental, and financial requirements, as well as with FIP investment criteria and requirements. The team is in semi advanced stages of investment and advisory discussions with five firms. IFC has determined that at least two firms should be identified as investable in order to proceed to the program proposal stage. Recent organizational changes in the Government of Indonesia in early 2015 (e.g., merging forestry and environment ministries) have led to some delays in the coordination process, which has consequently impacted public consultations and the date for proposal endorsement and submission to the FIP Sub-Committee for approval, which is now anticipated from late 2015 to early 2016.
- g) **Indonesia (IBRD):** The project preparation has picked up significantly since April to make up for delays that resulted from a change in Government in October, which include the merging of two ministries – Ministry of Environment and Ministry of Forestry, and a significant institutional restructuring that resulted in the appointment of several new Director Generals and a new Secretary General for the new Ministry of Environment and Forestry. The Bank team is carrying out the appraisal of the project. Following the finalization of a few pending issues, the team aims to advance to negotiation by the end of the calendar year with Board submission in the first quarter of 2016.
- h) **Peru (IDB):** As previously presented to the FIP Sub-Committee, Peruvian law requires all public sector loans to go through the National Public Investment System (SNIP in Spanish) process, before being presented for approval to the FIP and the Banks. This is the main reason for delay. IDB approved the technical cooperation in February 2015 to provide support to the Government of Peru for the preparation of the FIP investment projects (project preparation grant). These projects will be prepared according to the National Public Investment System (SNIP in Spanish) guideline. The SNIP requires the preparation of pre-investment

studies at the profile and feasibility levels. Thereby, FIP will have three investment projects prepared at the profile and feasibility levels, and one overarching program to be developed at the profile and feasibility levels.

- i) **Peru (IBRD):** Internal discussions have continued between the Ministries of Environment (MINAM) and Finance (MEF) for the revision and initial approval of the Peru FIP Program in the National System of Public Investment (SNIP). Recently, MEF has agreed on the contents of a Program concept note prepared by MINAM, and indicated its intention to approve it at the profile stage. MINAM has also notified the Bank of their preference to have the Project Preparation Grant (PPG) of US 400,000 be executed by the Bank. The Bank team is currently processing this request to make funds available and formally initiate project preparation. In parallel, IDB has started a hiring process of a consulting firm to prepare the other three projects of the Program. The Bank will coordinate preparation activities with the GoP and IDB to ensure consistency and synergies of the four projects.

Update of activities

The Ministry of the Environment (MINAM), through its National Forest Conservation Program (PNCF) and Public Investment Office (OPI), prepared a first draft of the FIP Program at the profile level, which was submitted at the beginning of the year to the Public Investment General Office (DGIP) of the Ministry of Economy and Finance (MEF) for its approval. DGIP has provided a set of comments to the document, which MINAM has addressed. MEF has also requested MINAM to present a “concept document”, which defines the overall scope of FIP, including the thematic and geographical areas of focus, in order to ensure that the FIP projects do not overlap other REDD initiatives that are currently being funded by various sources of international cooperation. The concept document defines the following thematic areas that MINAM and MEF have agreed upon:

- Governance and land use planning (including forest monitoring).
- Land rights recognition.
- Recovery of degraded areas
- Valuing ecosystem services within the forests.
- Public policies and financial instruments for innovation.

The concept document also defines that FIP activities will be primarily focused on forests adjacent to deforested areas and degraded areas adjacent to forests. IDB has initiated the procurement process for the pre-investment studies, including a call for expressions of interests that runs until the end of October.

- j) **Mexico (IDB):** The main reason for delay is related to the need of finalizing inputs for the preparation of the project focusing on a) market study for a guarantee instrument and b) the design of the financial instrument. These are

key inputs in order to prepare a high quality project proposal. All the process is conducted in close collaboration with Conafor. It is expected that those studies will be finalized by the end of December.

4.2 Outlook for Projected Submissions

70. If projections for the rest of FY16 hold true, the current schedule indicates that an additional four countries (Lao PDR, Brazil, Ghana, and Peru) 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) by the end of the fiscal year. Additionally, four private sector set-asides (USD 20 million) and four additional DGM national components (USD 22.5 million) are scheduled for FIP funding approval by the end of the fiscal year. Projected approvals for the rest of the fiscal year total USD 177.8 million.

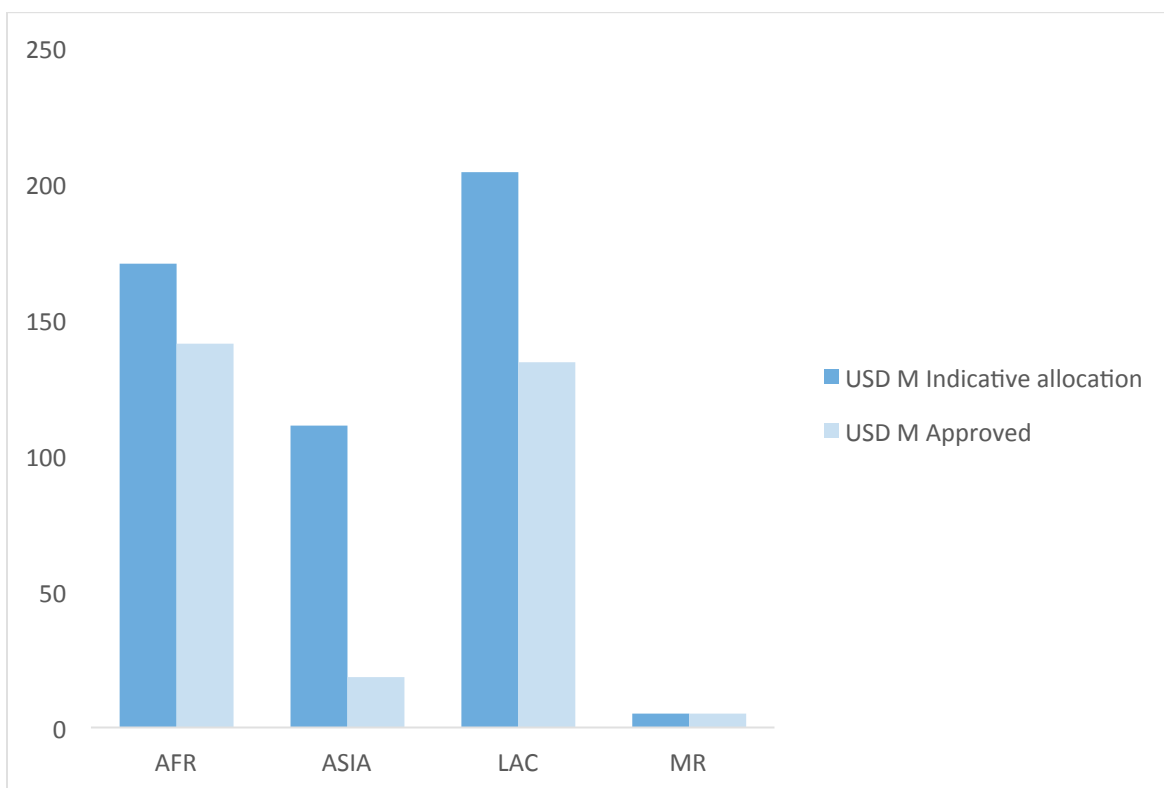
4.3 Portfolio Breakdown Analysis

4.3.1 Portfolio by Region

71. Figure 5 shows the FIP funding distribution across regions. The three countries in Latin America and the Caribbean region and the three countries in Africa are well advanced in terms of funding approvals of their total indicative allocations. FIP funding approval is 66 percent for the Latin America and the Caribbean countries and 83 percent for the countries in Africa. The countries in Asia have encountered challenges with preparing projects and programs for funding approval; hence the approval rate of FIP funding remains low: 22 percent of endorsed resources, totaling USD 18.6 million.

Figure 5: Indicative Allocation of FIP Funding and Approvals by Region²²

(Includes investment plans, DGM and PSSA)



72. With the additional allocations to new FIP pilot countries, each region’s total indicative allocations will change (see Table 9).

Table 9: New FIP Allocations per Region (USD M)

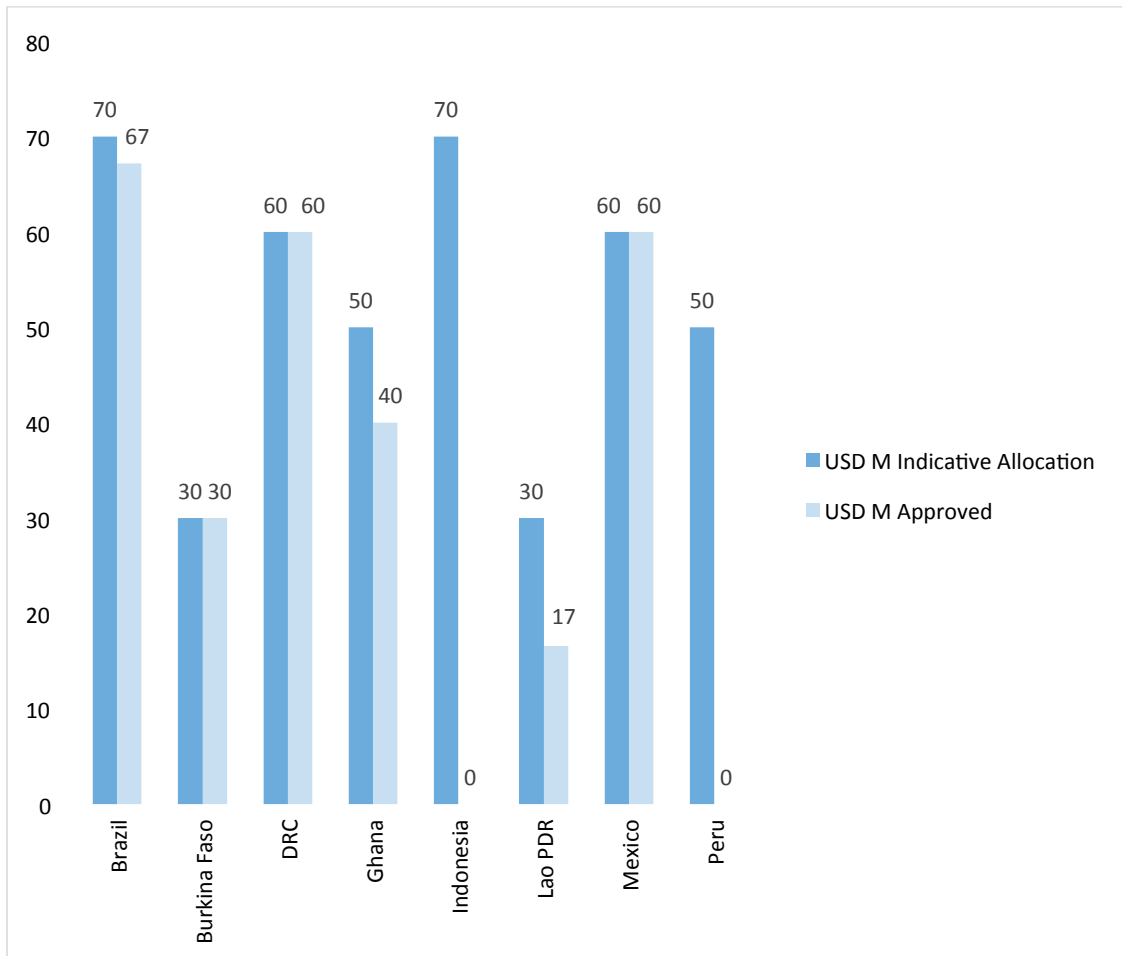
Region	Allocation (USD M)	Allocation (%)
Africa	242.3	33%
Asia	234.95	32%
LAC	251.9	34%

²² AFR: Africa; ASIA: Asia; LAC: Latin America-Caribbean; MR: Global Component of the DGM, implemented by IBRD

4.3.2 Portfolio Breakdown by Country

73. Figure 6 compares the indicative allocation of FIP funding by pilot country at the time of FIP investment plan endorsement and the total FIP funding that has been approved by the Sub-Committee at the end of the reporting period.

Figure 6: Indicative Allocation of FIP Funding and Approvals by Country Investment Plan
(Does not include DGM and PSSA)



74. Six countries (Brazil, Burkina Faso, DRC, Ghana, Mexico, and Lao PDR) are well advanced in terms of FIP funding approval by the Sub-Committee of their indicative allocation at the time of endorsement of their investment plans²³. Two countries, Ghana and Brazil, have received more than 75 percent of their indicative allocations. Three countries, Burkina Faso, DRC, and Mexico, have received FIP funding approval for the full indicative allocation at time of endorsement, as well as MDB approval for all their projects.

²³ Excluding DGM and Private sector set-asides

75. If projections for the rest of FY16 hold true, the current schedule indicates that an additional two countries, Lao PDR and Brazil, will receive FIP funding approval for all projects and programs endorsed under their investment plans (excluding DGM and private sector set-asides projects) within the next reporting period (Q1 and Q2 of FY16, or July 1 to December 31, 2015).

4.3.3 REDD+ Activities in FIP Pilot Countries

76. In parallel with tracking FIP funding, it is important to take stock of FIP countries' participation in other REDD+ initiatives as opportunities for collaboration exist. The FIP was designed to coordinate with multiples sources of REDD+ financing, in particular the Forest Carbon Partnership Facility (FCPF) and the UN-REDD Programme, at the country and global levels to ensure that donor and international public finance is being used effectively and efficiently in achieving REDD+ outcomes²⁴.

77. Of the 14 FIP pilot countries, thirteen are receiving support for readiness activities supported by the FCPF Readiness Fund and/or the UN-REDD Programme. Brazil is not participating in any readiness program financed by multilateral development partners.

78. Eleven FIP pilot countries (Burkina Faso, Republic of Congo, Côte d'Ivoire, DRC, Ghana, Guatemala, Indonesia Lao PDR, Mexico, Mozambique, Nepal, and Peru) have made strides in linking FIP-supported activities with performance-based mechanism activities such as the FCPF Carbon Fund and international payments for environmental services (PES) schemes. Each country is at various stages of participating in such a scheme, with some having signed Letters of Intent with the Carbon Fund, others having presented Emissions Reductions Program Idea Notes (ER-PIN) and still others having signed an Emission Reductions Payment Agreement (ERPA).

79. Table 10 lists all 23 countries participating in the FIP and their involvement in the FCPF Readiness Fund (RF) and Carbon Fund (CF), the UN-REDD Programme, and other mechanisms disaggregated by REDD+ phase.

²⁴ Linkages between REDD+ readiness and the Forest Investment Program.

<http://www.climateinvestmentfunds.org/cif/content/linkages-between-redd-readiness-and-forest-investment-program-0>

Table 10: Status of FIP in other REDD+ mechanisms

FIP country	Readiness	Results/Performance-based payments	Comments
Bangladesh	UN-REDD National Programme		
Brazil	-	-	-
Burkina Faso	FCPF RF, UN-REDD	PES ²⁵	-
Cambodia	FCPF RF, UN-REDD National Programme		
Cameroon	FCPF RF, UN-REDD		ER-PIN ²⁶ will be presented in October 2015
Congo Republic	FCPF RF; UN-REDD National Programme	FCPF CF pipeline	ER-PIN presented; LOI ²⁷ signed; ERPD ²⁸ design phase ongoing
Cote d'Ivoire	FCPF RF; UN-REDD National Programme		ER-PIN will be presented in October 2015
DRC	FCPF RF, UN-REDD National Programme (completed)	FCPF CF pipeline; PES	ER-PIN presented; LOI signed; ERPD design phase ongoing
Ecuador	UN-REDD National Programme (completed)	-	-
Ghana	FCPF RF, UN-REDD	FCPF CF pipeline	ER-PIN presented; LOI signed; ERPD design phase ongoing
Guatemala	FCPF RF; UN-REDD	FCPF CF pipeline	ER-PIN presented
Guyana	FCPF RF; UN-REDD		ER-PIN presented
Honduras	FCPF RF; UN-REDD National Programme		
Indonesia	FCPF RF, UN-REDD National Programme (completed)	-	ER-PIN to be resubmitted; BioCF ISFL program under consideration
Lao PDR	FCPF RF, UN-REDD	FCPF CF pipeline	ER-PIN presented
Mexico	FCPF RF, UN-REDD	FCPF CF pipeline	ER-PIN presented
Mozambique	FCPF RF	FCPF CF pipeline	ER-PIN presented
Nepal	FCPF RF; UN-REDD	FCPF CF pipeline	ER-PIN presented
Peru	FCPF RF, UN-REDD	FCPF CF pipeline	ER-PIN presented
Rwanda			
Tunisia	UN-REDD		
Uganda	FCPF RF; UN-REDD National Programme		
Zambia	UN-REDD National Programme (completed)		

²⁵ These mechanisms will channel FIP resources to local communities. Currently, there are no resources secured for results-based payments in these projects.

²⁶ 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.

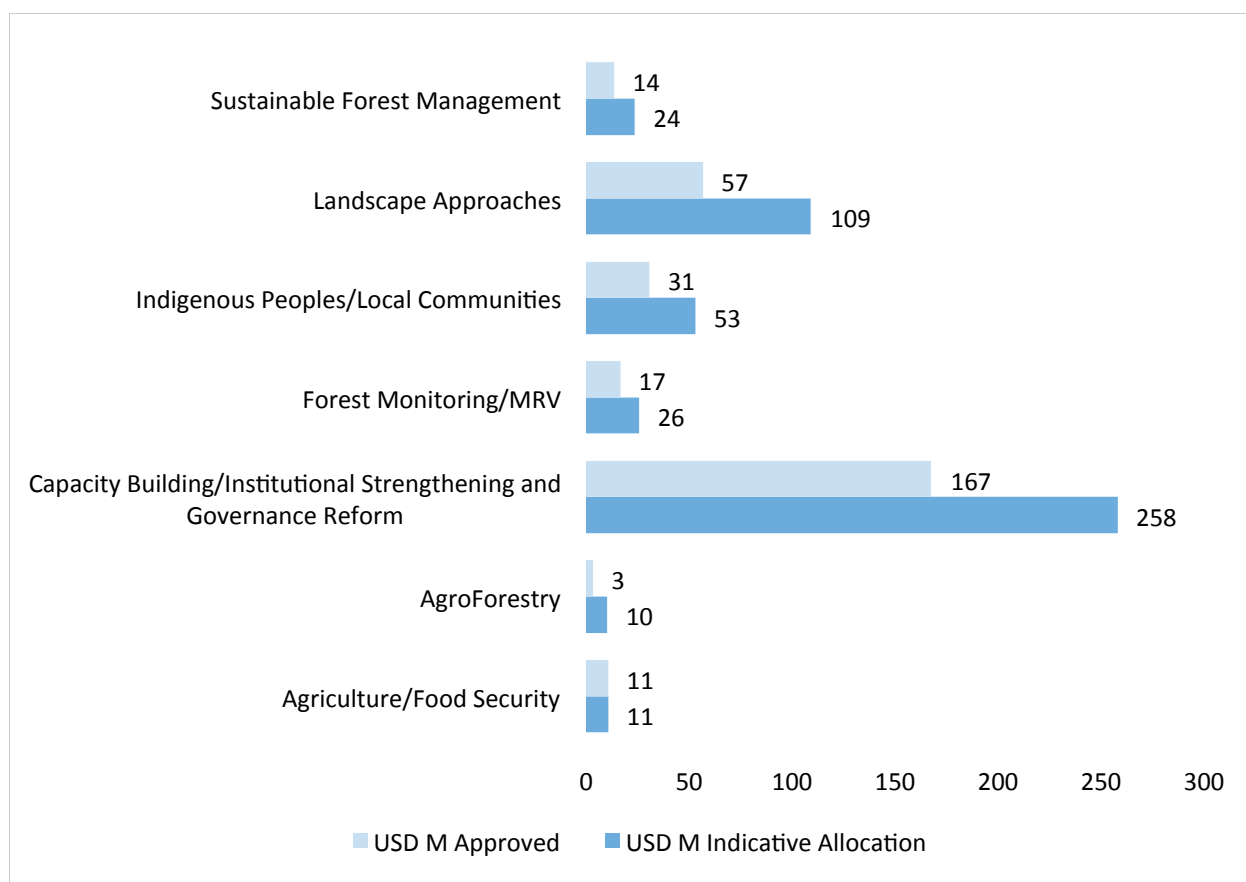
²⁷ Letter of Intent

²⁸ Emissions Reductions Program Document

4.3.4 Portfolio Breakdown by Sector

80. Figure 7 shows that more than 50 percent 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 percent²⁹ of FIP resources are allocated to site-specific (Phase 2-type) investments.

Figure 7: Indicative Allocation of FIP Funding and Approvals by Sector
(includes investment plans, DGM and PSSA)



81. Given that half of FIP resources go into capacity building, and 13 out of 14 FIP countries participate in a readiness fund, such as the UN-REDD Programme and/or FCPF Readiness Fund (see Table 9), it is clear that there are huge opportunities for collaboration.

²⁹ Actual percentage of FIP resources allocated to site-specific investments: 47.4%.

82. Examples of strong coordination exist throughout the FIP portfolio. For instance, Burkina Faso developed its Readiness Preparation Proposal (R-PP) for the FCPF Readiness Fund and FIP investment plan in parallel. In fact, the FIP partly funded Burkina Faso's R-PP to help enhance conditions for REDD+ and strengthen links between FCPF and FIP activities. Burkina Faso had previously developed several successful pilot projects on forest conservation. The country's FIP strategy focuses on reducing deforestation through improved governance, local socio- economic development, and sustainable management of forest resources and wooded areas.
83. Burkina Faso's case is not isolated. Other FIP pilot countries have emphasized the importance of coordination among the FIP portfolio. Further examples may be found in the studies the FIP has commissioned on the relationship between the FIP in REDD+ phases³⁰.
84. Examples such as the above show the importance of the FIP in providing readiness financing. In addition, FIP financing for site-specific demonstration activities allow FIP pilot countries to bridge the gap between readiness and performance-based mechanisms, if that is a goal.
85. Across the eight FIP pilot countries with endorsed investment plans, 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, such as 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. Burkina Faso and Indonesia fall into this category. This may have implications on the sorts of activities envisioned in the new FIP pilot countries.

4.4 Co-financing

86. The projected co-financing ratio at the time of the endorsement of the FIP investment plans was 1: 1.9. The ratio of total FIP funding to co-financing based on the most updated information available for approved projects is 1:2.5 suggesting the projections at the time of the endorsement of the FIP investment plans were close yet slightly conservative.
87. Figure 8 provides a breakdown of co-financing sources at the time of project and program approval. These co-financing figures confirm countries and development partners support REDD+ priorities in the FIP pilot countries. The strong leverage of

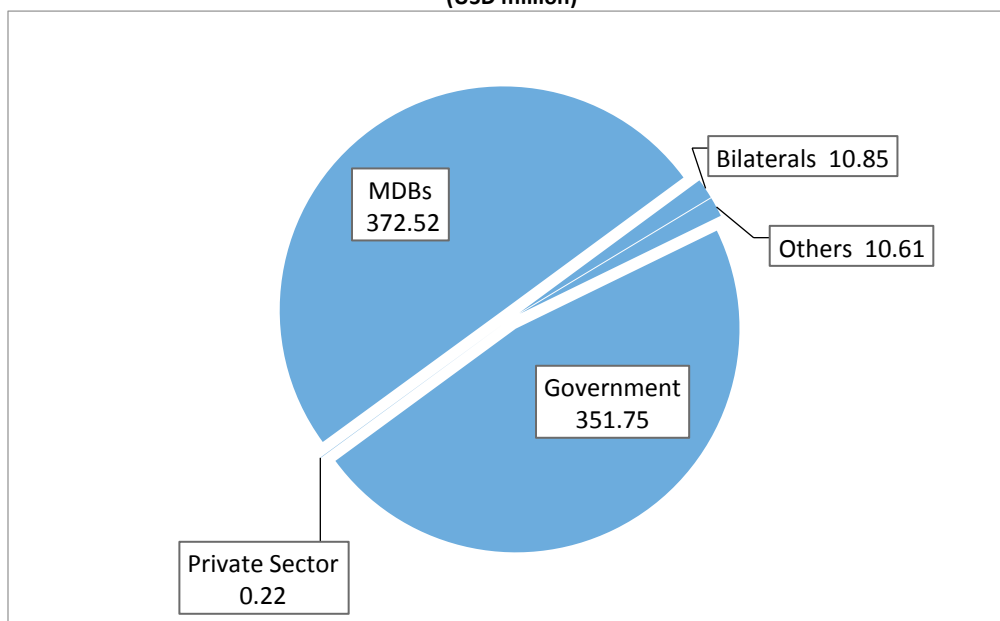
³⁰CIF Learning: Linkages between REDD+ readiness and the Forest Investment Program, http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Linkages_between_REDD_readiness_and_FIP_Nov2014.pdf

MDB resources is consistent with the principle of the CIF to build on existing MDB pipelines and operations.

88. Co-financing partners other than recipient governments and the MDBs (projected and actual) include *Agence Française de Développement* (ADF) and the European Commission, Sustainable Natural Resource Management and Productivity Enhancement Project (SNRMPEP/BCC), the Forest Carbon Partnership Facility (FCPF), Kfw, Moore Foundation, JICA (Japan International Cooperation Agency) and other development organizations.

89. Based on approved projects, co-financing currently totals USD 745.94 million.

Figure 8: Indicative FIP Co-Financing Breakdown by Source on Approved Projects
(USD million)



4.5 Disbursements

90. The *FIP Results Report*³¹ presents detailed information on the projects which have been approved by the MDBs, and in particular those which are under implementation. Only 12 projects out of a total of 38 projects in the FIP portfolio were covered by the results report. Five of those 12 projects are located in Lao PDR and Mexico and were in a more advanced stage of implementation. These five projects are:

- a. Mexico: *Mexico Forests and Climate Change Project*, (IBRD)
- b. Mexico: *Financing Low Carbon Strategies in Forest Landscapes*, (IDB)

³¹ FIP/SC.15/4 FIP Results Report

- c. Mexico: *Support for Forest Related Micro-Small and Medium-sized Enterprises (MSMEs) in Ejido*, (IDB)
 - d. Lao PDR: *Scaling-Up Participatory Sustainable Forest Management (PSFM)*, (IBRD)
 - e. Lao PDR: *Smallholder Forestry Project (Technical Assistance)*, (IFC)
91. The seven other projects, located in Brazil, Burkina Faso, Ghana, and DRC, were under preparation for implementation: preparatory studies were being conducted, preparations of MRV systems were underway, and client engagements were being pursued.
92. This limited progress in terms project implementation is also linked to the low disbursements, which as of June 2015, stood at USD 24.2 million (see Table 11).

Table 11: Disbursements in the FIP by Reporting Period and Fiscal Year

Reporting Period	Cumulative Disbursement (USD M)		Disbursement by FY	
	FIP	CIF overall	FIP	CIF overall
Jun-15	24.2	1,450.8	12.60	533.0
Dec-14	13.9	1,257.7		
Jun-14	11.6	917.8	7.1	306.7
Dec-13	8.5	683.6		
Jun-13	4.5	611.1	3.7	342.6
Dec-12	1.3	383.2		
Jun-12	0.8	268.5	0.8	94.8
Dec-11	0.2	216.3		
Jun-11	-	173.7	-	173.7
Dec-10	-	116.5		

Annex 1: Project Approvals for FY16 (as of June 30, 2015)³²

Country	Project	MDB	PPG	Grant	Concessional Loan	Total Endorsed	SC Approval Date	MDB Board Approval
Brazil	Implementation of Early Warning System for Preventing Forest Fires and a System for monitoring the Vegetation Cover ³³	IBRD	-	9.15	-	9.15	Q1	
Ghana	Public-Private Partnership for restoration of degraded forest reserve through VCS and FSC certified plantations	AfDB	0.30	-	10.00	10.30	Q1	Q2
Lao PDR	Protecting Forests for Sustainable Ecosystem Services	ADB	0.50	12.84	-	13.34	Q2	Q3
Indonesia	Community-Focused Investments to Address Deforestation and Forest Degradation(CFI-ADD+)	ADB	0.50	17.00	-	17.50	Q2	Q3
Brazil	Macauba Palm Oil in Silvicultural System	IDB	-	-	3.00	3.00	Q2	Q3
Indonesia	Strengthening Forest Enterprises to Mitigate Carbon Emissions	IFC	0.30	2.20	32.50	35.00	Q3	Q1/FY17
Indonesia	DGM for Indigenous Peoples and Local Communities	IBRD	0.18	6.33	-	6.50	Q3	
Mexico	Guarantee Fund for financing low carbon forestry investments	IDB	-	-	3.00	3.00	Q4	Q1/FY17
Peru	Integrated Forest Landscape Management Along the Main Route Between Tarapoto and Yurimaguas in the Regions of San Martin and Loreto	IDB	0.37	7.80	4.40	12.57	Q4	Q2/FY17
Peru	Integrated Landscape Management Along the Main Route Between Puerto Maldonado and Inapari and in the Amarakaeri Communal Reserve	IDB	0.37	5.30	6.70	12.37	Q4	Q2/FY17
Peru	Strengthening National Forest Governance and Innovation	IDB	0.36	6.40	5.70	12.46	Q4	Q2/FY17
Ghana	Engaging the Private Sector in REDD+	IFC	0.25	2.75	7.00	10.00	Q4	Q1/FY17
Peru	Integrated Land management in Atalaya, Ucayali Region	IBRD	0.40	5.80	6.40	12.60	Q4	
Ghana	DGM for Indigenous Peoples and Local Communities	IBRD	-	5.50	-	5.50	Q4	
Lao PDR	DGM for Indigenous Peoples and Local Communities	IBRD	-	4.50	-	4.50	Q4	
Mexico	DGM for Indigenous Peoples and Local Communities	IBRD	-	6.00	-	6.00	Q4	
Burkina Faso	Climate change mitigation and poverty reduction through the development of the cashew sector in Burkina Faso (Wouol project)	AfDB	-	-	4.00	4.00	Q4	Q2

³² Note the corresponding dates: FY16 (July 1, 2015 – June 30, 2016)

Q1: July, August, September 2015

Q2: October, November, December 2015

Q3: January, February, March 2016

Q4: April, May, June 2016

³³ This project was approved in July 2015.

Annex 2: Resource Availability in the Forest Investment Program (FIP)

September 2015

The FIP's \$381 million funding requirements exceed the \$168 million resources available for programming by \$212 million (see Table 1). These funding requirements include a pipeline of projects from endorsed investment plans, Dedicated Grant Mechanism (DGM) and Private Sector Set Aside (PSSA) which will be submitted for TFC approval.

Table 1: FIP Resource Availability

FIP RESOURCE AVAILABILITY - as of September 30, 2015

Funding Classification	Commitment Items	FIP
Unrestricted Funds in Hand	Cash and Investments	333.49
	Unrestricted & Unencashed Promissory Notes	73.14
	Total Unrestricted Funds in Hand	406.63
Outstanding Commitments ^{1/}	Outstanding Project and program commitments	224.00
	Outstanding Fee commitments	0.08
	Total Outstanding Commitments Not Yet Transferred	224.07
	Uncommitted Funds	182.56
Pending and Projected Commitments ^{2/}	Administrative Budget Pending Commitment	(0.19)
	Projected Administrative Budget (FY17-FY21) ^{3/}	(14.20)
	Pending and Projected Commitments	(14.38)
	Funds Available to support CIF Programming - End Sept. 2015	168.18
Pipeline	Program/Project Funding (<i>October 2015 onwards</i>) ^{4/}	(182.12)
	MDB Project Implementation and Supervision Services (MPIS/fees) ^{5/} - <i>See schedule 2</i>	(15.92)
	Funding Decisions (May 2015) - <i>See Schedule 1</i>	(182.60)
	Total Planned Pipeline	(380.63)
	Programming Surplus/(Shortfall)	(212.45)
Future Funding	Receivables - UK Contribution	29.93
	Pledges ^{6/}	60.00
	UK Contribution - Provisional Account	144.19
	Total future funding	234.12
	Programming Surplus/(Shortfall) - exclusive of restricted funds	21.67
	Restricted Funds ^{7/}	38.35
	Programming Surplus/(Shortfall) - inclusive of restricted funds	60.02

1/ Outstanding commitments are legally binding obligations which have been recorded in the Trustee's ledger.

2/ Represents amounts recently approved by the committee but not yet recorded by the Trustee as a legal obligation.

3/ Projection for administrative budget includes resources for administrative services provided by the CIF AU, Trustee and MDBs.

4/ Projects/programs for submission to committee for approval based on recent updates from MDBs.

5/ Fee balances from existing projects and projected fees for new countries and for DGM additional funding.

6/ This represents an indication of potential appropriation from U.S. Congress.

7/ This is to cover exchange rate fluctuations on the value of the outstanding promissory notes.

Additional funding decisions rendered at the May 2015 Sub-Committee meeting include:

- a. \$3.75 million investment plan preparation grant
- b. \$4.3 million country programming budget, of which \$0.46 million has been approved
- c. \$30 million DGM investment project
- d. \$145 million projected funding for the six additional countries under FIP

Table 2: Schedule for Reconciling with FIP Semi-Annual Operational Report

Schedule 1

Funding Decisions during the May 2015 Meetings (in \$M)	
IPPG for New Countries (\$250K * 6)	1.50
IPPG for Additional Countries (\$250K * 9)	2.25
Admin Budget Item	
Country Programming for New Countries (\$430K * 10)	4.30
Funding Requirement	8.05
<i>DGM additional funding</i>	<i>30.00</i>
<i>Total target project funding for the 6 new countries (up to)</i>	<i>145.00</i>
Total Funding Requirement	183.05
Less: Approvals (Jul-Sept 2015)	-0.455
Net Allocation for Approval	182.60

Schedule 2 - MDB Project Implementation and Supervision Services(MPIS)

MPIS - existing pipeline	
Balance from IP Projects	3.66
MPIS - new funding decisions	
MPIS for new countries (\$634K * 6 * 2 projects)	7.61
MPIS for DGM additional funding (\$775K * 6)	4.65
Total MPIS/Fees	15.92

Annex 3: Proposed Allocation of Resources to the New FIP Pilot Countries, Sub-Committee Decision; June 15, 2015

The FIP Sub-Committee reviewed the document entitled, Proposal for allocation of resources to new FIP pilot countries, which proposes an allocation of FIP resources to new six FIP pilot countries. The FIP Sub-Committee agrees on the following principles and allocation of resources to FIP pilot countries:

1. All allocation amounts are indicative for planning purposes. Approval of funding will be on the basis of high quality investment strategies and associated project and program proposals.
2. Taking into account the current pledges to the FIP (total USD 145.0 million, including the grant and capital resources) and recognizing that the currently available resources are insufficient to catalyze transformative change, indicative equal allocations of up to USD 24.0 million should be provided for each new pilot country. Countries are encouraged to prepare investment plans that exceed the FIP funding envelope with the understanding that these pilot countries will actively seek resources from other bilateral or multilateral sources. The above current pledged resources to the FIP may be utilized for implementation of activities identified under the investment plan as a first phase of funding. A second phase of funding would be linked to additional resources, which may come from the FIP should additional resources become available, or from other sources of funding.
3. Given that the DGM is led by Indigenous Peoples and Local Communities, the funding envelope of USD 30.0 million should be allocated in accordance with DGM design rules and implementation arrangements, for the global component and national components, by indigenous peoples and local communities. The global component could receive up to 10% (or USD 3.0 million) of the newly allocated resources to the DGM. The funding envelopes will be presented to the FIP Sub- Committee for endorsement by mail.

Annex 4: Agenda for Pilot Countries Meeting, Kinshasa, DRC, June 2015

FIP Pilot Countries Meeting **Pullman Grand Hotel** **Kinshasa, Democratic Republic of Congo** **June 23-26, 2015**

Objective: To share knowledge and experience between existing and new FIP countries on the Investment Plan (IP) preparation process, and on forestry topics relevant to FIP project design and implementation.

Agenda

Tuesday, June 23, 2015 – Day 1 - Orientation for Newly-Selected Countries: Introduction to the FIP and Investment Planning Process

8:30 – 9:00 **Registration**

9:00 – 10:30 **FIP Fundamentals: Context, Practice and IP Preparation**

Using brief overview presentations and sufficient time for discussion, this session will outline the broader context in which the FIP operates and the fundamentals of program operation, including: the programmatic approach; resource allocation, the phased approach and the Dedicated Grant Mechanism (DGM).

10:30 – 12:00 **FIP Investment Planning Process**

This session will allow speakers to share 3-5 key pieces of learning in the context of: experience of working collaboratively to develop investment plans, the country experience of investment planning and how observers contribute to the preparation of investment plans

12:00 – 1:00 **Lunch**

1:00 – 3:00 **Country Exchange and Sharing of Lessons Learned**

Small group discussion between existing and new countries, to exchange knowledge on: lessons on effective IP preparation; priority areas for investment and challenges encountered; integration of FIP into existing national forest strategies; inter-sectoral collaboration. Outcomes of group discussions will be summarized on flip charts and reported back by each group in a 30-minute plenary session.

3:00 – 3:30 **Coffee Break**

3:30 – 4:15 **Country Ownership: Stakeholder Engagement**

Recognizing FIP's inclusive and participatory approach to investment plan preparation and implementation, this session will introduce three key country

ownership themes: lessons learned from key stakeholders; government coordination with external actors; and the role of observers.

- 4:15 – 5:00 **Understanding the Dedicated Grant Mechanism**
This session will elaborate on the earlier intervention regarding the DGM to further explain its fundamental role in the FIP and its unique structure.
- 5:00 **Closing remarks and wrap-up**

Wednesday, June 24, 2015 – Day 2 – FIP Pilot Country Updates & Discussions

- 8:30 – 9:00 **Registration**
- 9:00 – 9:30 **Welcome from the DRC Government and CIF Administrative Unit**
- 9:30 – 10:00 **Charting Progress: An Update on the FIP Portfolio**
This session will provide a rapid-fire portfolio-level overview of the FIP, outlining updates and advancements since the last Pilot Countries Meeting.
- 10:00 – 11:30 **FIP at Work – In-Depth Country Update from DRC**
This session will feature presentations from the Government of DRC detailing their work with the FIP, including history, key challenges, accomplishments and thematic areas.
- 11:30 – 11:45 **Coffee break**
- 11:45 – 1:00 **FIP Country Updates**
Existing pilot countries will deliver a brief narrative describing the most recent developments in their national FIP portfolio, including state of implementation, challenges, successes and impact.
- 1:00 – 2:00 **Lunch**
- 2:00 – 3:30 **Integrating Forests and Landscapes**
This session will allow countries to explore and discuss the evolving topic of landscape approaches. Specifically, how the landscape approach is understood and adopted in different countries, specific forest-based examples, a regional approach to landscapes and incentive schemes that can promote the integration of forests and landscapes.
- 3:30 - 3:45 **Coffee break**
- 3:30 – 5:15 **Gender Considerations in Forest Governance and Forest-Based Livelihoods**
This session will introduce key gender considerations arising in FIP program and project design and implementation, with particular focus on gender issues in forest governance and management, livelihood use rights, and value chain development (incl. non-timber forest products, agro-forestry and cash crops, e.g., cocoa). Key entry points for improved gender outcomes in projects will be examined, e.g., support to women’s forest-based enterprises; participation in benefit-sharing approaches; and attention to women’s tenure security amidst forest reforms and investments.

- 4:00 – 4:30 **Recap and Wrap Up of Day 2**
 4:30 – 5:00 **Group Picture**
 7:00 – 9:30 ***Dinner reception hosted by the Government of the Democratic Republic of Congo***

Thursday, June 25, 2015 – Day 3

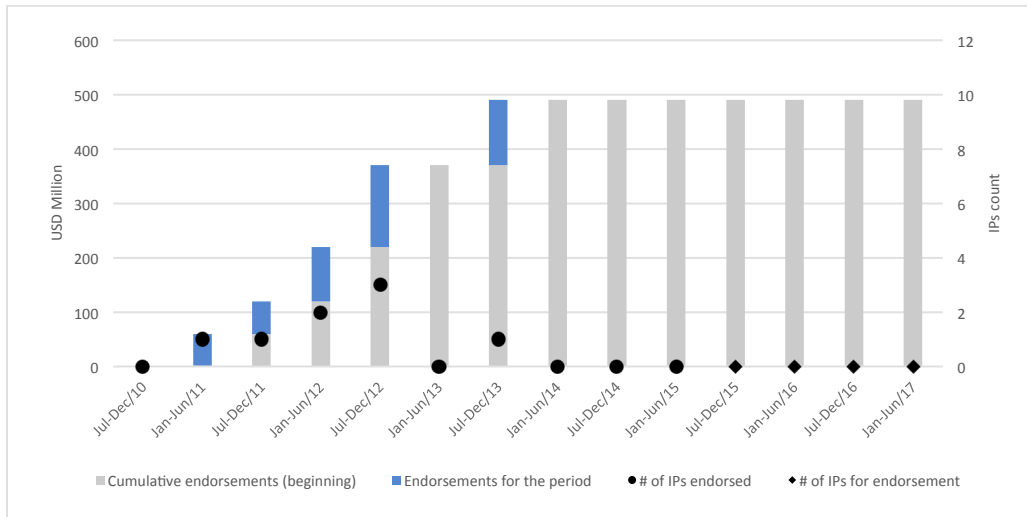
- 9:00 – 9:15 **Welcome Back, Recap of Day 2 and Overview of Day’s Program**
 9:15 – 11:00 **Monitoring, Evaluation and Results Reporting**
 This session, using country experiences, working documents and targeted presentations will introduce and generate discussion on: country level monitoring and reporting, integration of CIF M&E into the country system and increased stakeholder participation in M&E
 11:00 – 12:00 **Comparative Analysis of GHG Accounting**
 This session will present recent research exploring the topic of greenhouse gas accounting, including the rationale for the research, its broader importance, country-level examples and will elicit feedback from pilot countries.
 12:00 – 1:00 ***Lunch***
 1:00 – 2:30 **Private Sector Investments in Forests**
 Session description: This session will tackle two main topics: (a) How does the private sector contribute to FIP goals and how is FIP supporting private sector activities – some early experiences from FIP Indonesia, Laos, and Ghana, including the importance of safeguards and certifications for the private sector; and (b) Innovative investment and business models for sustainable forest management – an introduction to sustainable supply chains, certified commodities, and forest carbon offset.
 2:30 – 3:00 ***Coffee break***
 3:00 – 5:00 **Financing Mechanisms for Forests, including the GCF & REDD+**
 This session, opening with a presentation from the GCF outlining its approach to forest investment and procedures for becoming a National Designated Authority. This will be followed by a panel discussion and roundtable discussions to enable participants to explore the coherence and complementarity that exists among forest financing mechanisms (FIP, FCPF, UNREDD, GCF, Congo Basin Forest Fund) and other options available for forest financing, specifically Linkages Between FIP Investments and REDD+ Performance-based Mechanisms (study) and Payment for Environmental Services
 5:00 – 5:30 **Wrap up and Closing**

Friday, June 26, 2015 – Day 4 – Site Visit to Ibi Village

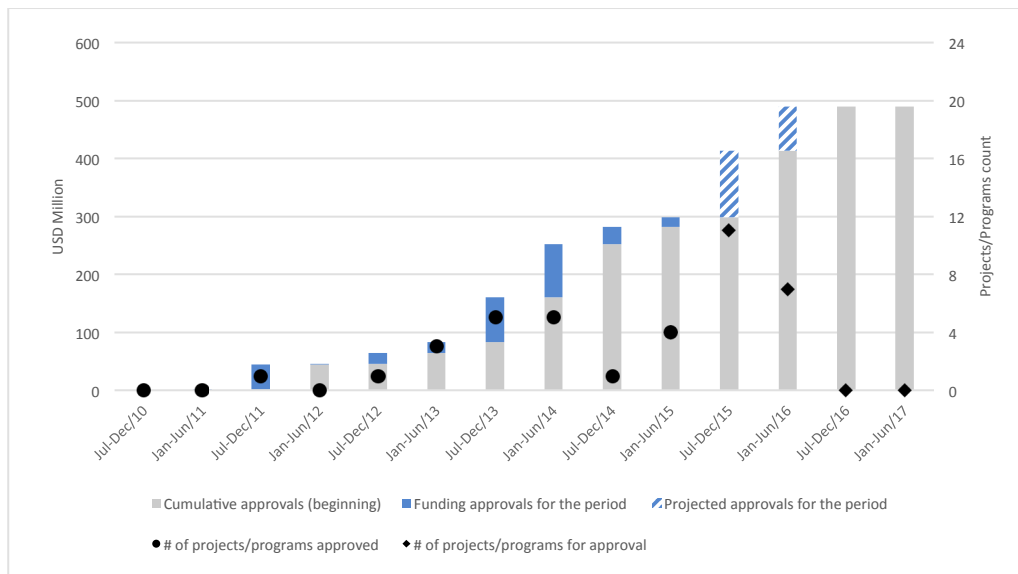
- 07:30 – 5:30 Visit to Ibi Bateke agroforestry project organized by the Government of Democratic Republic of Congo.

Annex 5: Tracking FIP Endorsements and Approvals

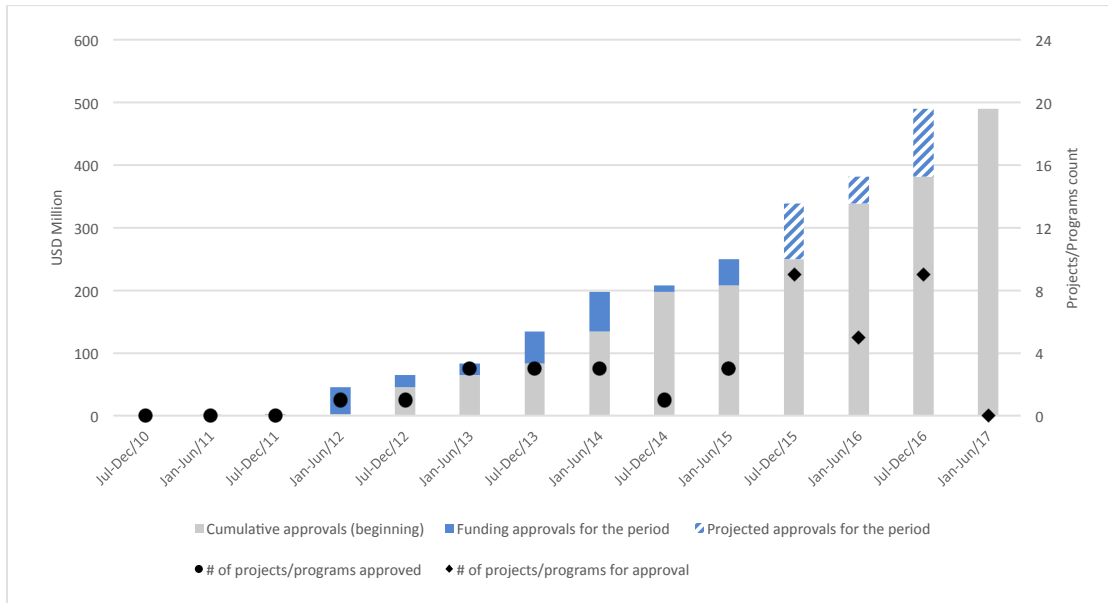
FIP Investment Plan endorsements



FIP Sub-Committee approvals



MDB approvals



Endorsements and Approvals

