

CLIMATE INVESTMENT FUNDS

FIP/SC.9/3
October 10, 2012

Meeting of the FIP Sub-Committee
Istanbul, Turkey
November 5, 2012

Agenda Item 3

FIP SEMI-ANNUAL OPERATIONAL REPORT

PROPOSED DECISION

The FIP Sub-Committee reviewed document, FIP/SC.9/3, *FIP Semi-Annual Operational Report*, and welcomes the progress that has been made in advancing the work of the FIP in the pilot countries.

I. INTRODUCTION

1. This note provides an update on the status of FIP activities, in particular the pipeline of FIP-funded projects and programs under endorsed investment plans. The report covers the period from April 30, 2012 to September 15, 2012.
2. As FIP pilot countries are now moving from programming FIP resources to the implementation of agreed projects and programs, the semi-annual report provides data and information on meeting key benchmarks which are indicators of progress in the FIP pilot countries.
3. Annex 1 presents the current FIP pipeline of projects and programs based on endorsed investment plans.
4. Annex 2 provides the expected co-financing amounts for each project and program in the pipeline disaggregated by source.
5. Annex 3 provides information on the timely delivery of projects and programs according to agreed benchmarks through the application of the agreed “traffic light system” for projects and programs in the FIP pipeline. This annex also includes qualitative information by the implementing MDBs to inform the Sub-Committee of progress and, if applicable, challenges encountered.

II. STATUS OF ACTIVITIES IN FIP COUNTRY PILOTS

Endorsement of Investment Plans

6. As of September 15, 2012, four pilot countries finalized their country programming process and had their FIP investment plans endorsed (Brazil, Democratic Republic of Congo, Lao PDR and Mexico). Thirteen projects and programs are being developed under these plans and have been included in the FIP pipeline.
7. Three additional investment plans have been submitted for review and endorsement at the Sub-Committee meeting on November 5, 2012: Burkina Faso, Ghana and Indonesia. If endorsed, investment plans for seven of the eight FIP pilot countries will have agreed investment frameworks for preparing the projects and programs addressing REDD+ priorities at the country level.
8. The investment plan for Peru is expected to be endorsed during the meeting of the Sub-Committee in May 2013. An update on the country programming process in Peru is attached as Annex 4 and will be presented during the meeting of the Sub-Committee.

Analysis of the FIP Programming Process

Development Process of the Investment Plans

9. FIP pilot countries have taken on average 25.5 months¹ from the time they were selected by the FIP Sub-Committee to program FIP resources through the development of a FIP investment plan.

10. In the case of Burkina Faso, the proposed investment plan was endorsed by the FIP Sub-Committee on a provisional basis with a request to provide additional information and conduct activities to further enhance the readiness capacity of Burkina Faso to fully engage in the FIP. The Government of Burkina Faso has complied with the request and submitted a revised investment plan for review and endorsement in November 2012. For Lao PDR, the FIP Sub-Committee requested additional information on expected GHG emission reduction/avoidance benefits as well as more detail on the proposed private sector investment. The Government of Lao PDR submitted a supplemental document to its investment plan by mail which was approved in January 2012.

11. The differences in length of time pilot countries needed to program FIP resources are largely reflective of differing country circumstances and needs to be addressed when prioritizing REDD+ action and programming funding resources. These include the need for: detailed studies and assessments relevant to REDD+, extensive stakeholder consultations, especially with relevant sector ministries and Indigenous Peoples and local communities; and capacity building of various stakeholder groups to get actively involved in the FIP process.

12. In addition, the pilot countries which requested preparatory grant resources for the development of their investment plans spent time preparing the preparation grant proposals before focusing on the development of the investment plans. The 7 pilot countries which requested preparatory grant resources took on average 15.6 months² to develop their investment plans from the time of the approval of their preparation grant request. The one country that decided not to request a preparatory grant developed its investment plan in 16 months.

Use of Preparatory Grant Resources for the Development of Investment Plans

13. Mexico did not request preparatory grant resources for the development of its investment plan as the Government of Mexico was, at that time, preparing for a significant IBRD investment loan relevant to REDD+ which would help inform the CIF activities. Instead, the Government focuses its staff resources and time in preparing the project and took advantage of the linkages with the associated REDD+ work to prepare the investment plan. The investment plan was endorsed in October 2011 and the first project in November 2011 and the second project in September 2012. So far, Mexico is the only FIP country to have projects approved under its country program.

¹ Minimum: 12 months (DRC); Maximum: 30+ months (Burkina Faso, Ghana, Indonesia and Peru)

² Minimum: 4-5 months (Brazil and DRC); Maximum: 20+ months (Burkina Faso, Indonesia and Peru)

14. The other 7 FIP pilot countries requested preparatory grant resources for activities supporting the development of a high quality FIP investment plan. USD 1.71 million has been approved by the MDB FIP Committee for the preparation of the FIP investment plans. As of June 30, 2012 USD 0.42 million, approximately 25% of the total funding approved for this purpose, has been disbursed.

15. Activities associated with the finalization of the investment plans for Burkina Faso, Ghana, Indonesia, Peru such as additional studies, assessments, stakeholder consultations will use up the remaining resources. For example, in Peru, the preparatory grant is financing background studies and consultations that will provide further inputs for the design of the investment plan. The studies focus on the following themes:

- a) financing gaps and overlaps for the REDD+ related programs under execution in Peru;
- b) drivers of deforestation and forest degradation and the estimation of land-use change and associated emissions;
- c) identification and rationale for the projects and programs to be co-financed by FIP;
- d) stakeholder engagement plan and proposal to link the Dedicated Grant Mechanism to the Investment Plan; and
- e) the role of private sector in the forestry sector in Peru is under development.

Project Approvals

16. During the reporting period, the Sub-Committee reviewed and approved the project, *Financing for Low Carbon Strategies in Forest Landscapes*, which was submitted by the Government of Mexico and the IDB with a FIP allocation of US\$ 5 million in FIP grant resources and US\$ 10 million in FIP concessional resources. The project is expected to leverage US\$ 20 million in co-financing.

17. The project supports a national development Bank *Financiera Rural* in developing a REDD+ relevant credit line targeting local communities and *ejidos*. Complementing capacity development components will enhance technical advisory services of the bank personnel and CONAFOR to work with the targeted beneficiaries.

18. As of October 2012, FIP funding for two projects has been approved by the Sub-Committee totaling USD 57 million in FIP resources (USD 30.7 million in grant resources and USD 26.3 million in near-zero interest credits). These resources are expected to leverage a total of USD 703 million in co-financing (ratio 1: 12.3).

19. With the endorsement of additional three FIP investment plans, the focus of most country governments will now shift from the preparation of FIP investment plans to the development of projects and programs. During the upcoming reporting period³, it is expected that 11 projects and programs will be submitted to the FIP Sub-Committee for review and approval.

III. STATUS OF OTHER FIP ACTIVITIES

Implementation of the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM)

20. The development of the implementation framework for the DGM is well underway. Six FIP pilot countries have identified the World Bank as the implementing MDB for the respective country components. The World Bank is also the implementing MDB for the global component which will ensure knowledge exchange and consistency across the DGM components. The decision on which MDB will implement the DGM in Mexico and Peru is still being discussed. It is anticipated that by the end of 2012, a decision on the implementing MDB will have been made.

21. Meetings were held in Ghana, Indonesia and Lao PDR to launch the DGM process in these countries and introduce the DGM at the country level. Similar meetings will be held in the other pilot countries to better orient indigenous peoples groups and local community stakeholders to the DGM design principles and objectives.

22. A transitional committee composed of representatives from Indigenous Peoples groups and local communities will meet on November 2, 2012, to set a common framework and agree on operational guidelines allowing the DGM activities in the eight FIP pilot countries to move forward. Once this is done, national steering committees can be formed, and the DGM can begin operating at the country level. For countries where the World Bank is the implementing MDB, much of the project design is already being developed as part of a single operation which is anticipated for Sub-Committee approval in January/February 2013 and World Bank Board approval thereafter.

IV. FIP PIPELINE

23. The pipeline information in annex 1 includes updates from MDBs on their pipelines showing expected dates for project submissions and project amounts under endorsed investment plans.

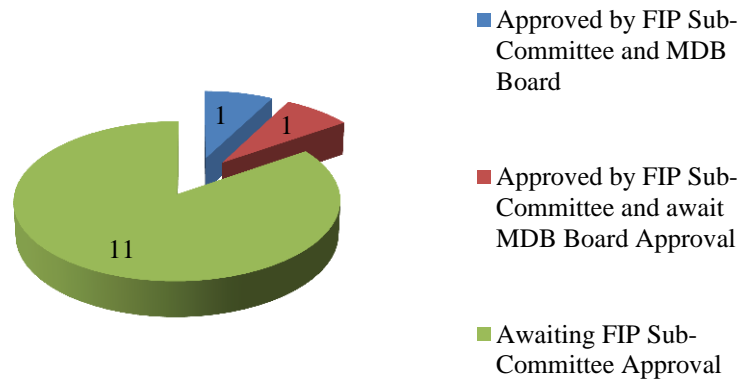
24. Thirteen projects and programs are currently in the FIP pipeline:

- a) One was approved by the FIP Sub-Committee and the respective MDB Board (it is expected to be effective in November 2012);

³ ending in June 2013

- b) The FIP Sub-Committee has approved funding for one which is awaiting MDB Board approval; and
- c) Eleven projects are under preparation for submission to the FIP Sub-Committee. (Figure 1)

Figure 1: FIP Project Approval Status as of September 15, 2012



25. For the eleven projects and programs in the FIP pipeline awaiting Sub-Committee approval, seven are on the track to meet the anticipated date for approval and four projects have fallen behind target for Sub-Committee approval. Reasons for the delay vary from changes in the involved government institutions; extended project preparation periods to accommodate additional stakeholder consultations; or discussions between the government and the MDBs on combing project concepts to increase efficiency and reduce transaction costs.

26. The expected total amount of FIP funding request for financing the eleven projects and programs under endorsed investment plans amounts to US\$ 163 million. The expected available funding for FY 13 would be sufficient to cover these requests.

Annex 1: FIP Pipeline based on endorsed investment plans (As of September 15, 2012)

	Country	Project Title	MDB	Public/ Private	IP Endorsement	SC Approval	MDB Approval	PPG ^{1/}	Grant	Loan	Total FIP Funding
1	Mexico	Mexico Forests and Climate Change Project	IBRD	Public	Oct-11	Nov-11	Jan-12	-	25.7	16.3	42.0
2	Mexico	Creation of a Dedicated Financing Line for Low Carbon Strategies in Forest Landscapes	IDB	Public	Oct-11	Sep-12	Nov-12	-	5.0	10.0	15.0
3	Lao PDR	Protecting Forests for Sustainable Ecosystem Services	ADB	Public	Jan-12	Jun-13	Sep-13	0.5	12.8	-	13.3
4	DRC	Addressing Deforestation and Degradation in the Mbuji Mayi/Kananga Supply Area	AFDB	Public	Jun-11	Feb-13	Apr-13	0.4	11.7	-	12.1
5	DRC	Addressing Deforestation and Degradation in the Kisangani Supply Area	AFDB	Public	Jun-11	Feb-13	Apr-13	0.4	9.8	-	10.2
6	Brazil	Environmental Regularization of Rural Lands(based upon the CAR)	IBRD	Public	May-12	Jan-13	Mar-13	-	1.0	32.5	33.5
7	Brazil	Sustainable Production in Areas Converted to Agricultural Use(based upon the ABC plan)	IBRD	Public	May-12	Dec-12	Feb-13	0.1	10.6	-	10.7
8	Brazil	Implementation of Early Warning System for Preventing Forest Fires and a System for monitoring the Vegetation Cover	IBRD	Public	May-12	Dec-12	Feb-13	0.1	9.2	-	9.3
9	DRC	DRC Forest Investment Program	IBRD	Public	Jun-11	Feb-13	Apr-13	0.8	36.9	-	37.7
10	Lao PDR	Scaling-Up Participatory Sustainable forest Management(PSEFM)	IBRD	Public	Jan-12	Dec-12	Feb-13	0.5	12.8	-	13.3
11	Brazil	Forest Information to Support Public and private Sectors in managing Initiatives Focused on Conservation and Valorization of Forest Resources	IDB	Public	May-12	Mar-13	May-13	0.1	16.5	-	16.6
12	Mexico	Strengthening the Financial Inclusion of Ejidos and Communities Through Technical Assistance and Capacity building for low Carbon Activities in Forest Landscapes	IDB	Private	Oct-11	Oct-12	Dec-12	0.1	1.4	1.5	3.0
13	Lao PDR	Smallholder Forestry Project	IFC	Private	Jan-12	Jan-13	Apr-13	0.3	3.0	-	3.3
		Total						3.3	156.4	60.3	220

Annex 2: Expected Project Co-Financing (in USD million) disaggregated by Source

	Country	Project Title	MDB	FIP Funding	Total Co-Financing	Co-Financing Source								Comments	
						Government	Private	ADB	AfDB	EBRD	IBRD	IDB	IFC		Others
1	Mexico	Mexico Forests and Climate Change Project	IBRD	42.0	683.0	333.0	-	-	-	-	350.0	-	-	-	
2	Lao PDR	Protecting Forests for Sustainable Ecosystem Services	ADB	13.3	90.3	-	-	-	-	-	-	-	-	90.3	
3	DRC	Addressing Deforestation and Degradation in the Mbuji Mayi/Kananga Supply Area	AFDB	12.1	-	-	-	-	-	-	-	-	-	-	
4	DRC	Addressing Deforestation and Degradation in the Kisangani Supply Area	AFDB	10.2	-	-	-	-	-	-	-	-	-	-	
5	Brazil	Environmental Regularization of Rural Lands (based upon the CAR)	IBRD	33.5	17.5	-	-	-	-	-	-	-	-	17.5	
6	Brazil	Sustainable Production in Areas Converted to Agricultural Use(based upon the ABC plan)	IBRD	10.7	25.0	-	-	-	-	-	-	-	-	25.0	
7	Brazil	Implementation of Early Warning System for Preventing Forest Fires and a System for monitoring the Vegetation Cover	IBRD	9.3	6.5	-	-	-	-	-	-	-	-	6.5	
8	DRC	DRC Forest Investment Program	IBRD	37.7	-	-	-	-	-	-	-	-	-	-	
9	Lao PDR	Scaling-Up Participatory Sustainable forest Management(PSFM)	IBRD	13.3	36.0	1.0	-	-	-	-	15.0	-	-	20.0	Financial contribution TBC
10	Brazil	Forest Information to Support Public and private Sectors in managing Initiatives Focused on Conservation and Valorization of Forest Resources	IDB	16.6	-	-	-	-	-	-	-	-	-	-	
11	Mexico	Creation of a Dedicated Financing Line for Low Carbon Strategies in Forest Landscapes.	IDB	15.0	20.0	-	-	-	-	-	20.0	-	-	-	
12	Mexico	Strengthening the Financial Inclusion of Ejidos and Communities Through Technical Assistance and Capacity building for low Carbon Activities in Forest Landscapes	IDB	3.0	3.0	-	-	-	-	-	3.0	-	-	-	
13	Lao PDR	Smallholder Forestry Project	IFC	3.3	-	-	-	-	-	-	-	-	-	-	Co-financing to be determined at the project development stage
Total				220	881.3										

Annex 3: Traffic Light System for Projects for SC Approval

TLS Thresholds

Max. of 24 months

IP Endorsement to SC Approval	# of days	TLS Color
16 mos. and below	<=480	✓
More than 16 mos. up to 24 mos.	481-720	⚠
More than 24 months	721	✗

Max. of 9 months

SC Approval to MDB Approval	# of days	TLS Color
6 mos. and below	<=180	✓
More than 6 mos. up to 9 mos.	181-270	⚠
More than 9 months	271	✗

Max. of 9 months

MDB Approval to Effectiveness	# of days	TLS Color
6 mos. and below	<=180	✓
More than 6 mos. up to 9 mos.	181-270	⚠
More than 9 months	271	✗

As of Sept. 15, 2012 (in \$ million)

PROJECT ID	COUNTRY	PROJECT TITLE	MDB	IP ENDORSEMENT	SC APPROVAL	PPG ^{1/}	GRANT	LOAN	FIP FUNDING	IP ENDORSEMENT to SC APPROVAL (w/in 24 mos.)	SC APPROVAL to MDB APPROVAL (w/in 9 mos.)	MILESTONE TRACKING- MDB APPROVAL to EFFECTIVENESS (w/in 9 mos.)	EFFECTIVENESS to 1ST DISBURSEMENT	PROJECT STATUS/REMARKS	
PUBLIC															
1	XFIPLA004A	Lao PDR	Protecting Forests for Sustainable Ecosystem Services	ADB	Jan-12	Jun-13	0.5	12.8	-	13.3	⚠	✓	✓		The government's decision to reorganize forestry-related functions under various ministries in Lao PDR and consequent change in implementation arrangements of the ADB project, which will subsume FIP financing later on, has led to delays in preparation of the project. The responsibility for implementation of the ADB project has been shifted from the Ministry of Agriculture and Forestry (MAF) to the Ministry of Natural Resources and Environment (MONRE). Additional delays are likely as some functional responsibilities of the new divisions and departments within MONRE are yet to be confirmed.
2	XFIPZR002A	DRC	Addressing Deforestation and Degradation in the Mbuji Mayi/Kananga Supply Area	AFDB	Jun-11	Feb-13	0.4	11.7	-	12.1	⚠	✓	✓		
3	XFIPZR003A	DRC	Addressing Deforestation and Degradation in the Kisangani Supply Area	AFDB	Jun-11	Feb-13	0.4	9.8	-	10.2	⚠	✓	✓		

PROJECT ID	COUNTRY	PROJECT TITLE	MDB	IP ENDORSEMENT	SC APPROVAL	PPG ^{1/}	GRANT	LOAN	FIP FUNDING	IP ENDORSEMENT to SC APPROVAL (w/in 24 mos.)	SC APPROVAL to MDB APPROVAL (w/in 9 mos.)	MILESTONE TRACKING- MDB APPROVAL to EFFECTIVENESS (w/in 9 mos.)	EFFECTIVENESS to 1ST DISBURSEMENT	PROJECT STATUS/REMARKS
4	XFIPBR010A	Brazil	Environmental Regularization of Rural Lands(based upon the CAR)	IBRD	May-12	Jan-13	-	1.0	32.5	33.5	✓	✓	✓	Project preparation is moving forward and FIP SC approval is expected in January 2013.
5	XFIPBR011A	Brazil	Sustainable Production in Areas Converted to Agricultural Use(based upon the ABC plan)	IBRD	May-12	Dec-12	0.1	10.6	-	10.7	✓	✓	✓	Project preparation is moving forward and FIP SC approval is expected in December 2012.
6	XFIPBR013A	Brazil	Implementation of Early Warning System for Preventing Forest Fires and a System for monitoring the Vegetation Cover	IBRD	May-12	Dec-12	0.1	9.2	-	9.3	✓	✓	✓	Project preparation is moving forward and FIP SC approval is expected in December 2012.
7	XFIPZR001A	DRC	DRC Forest Investment Program	IBRD	Jun-11	Feb-13	0.8	36.9	-	37.7	⚠	✓	✓	Project Concept Review meeting scheduled for September 20, 2012.
8	XFIPLA006A	Lao PDR	Scaling-Up Participatory Sustainable forest Management(PSFM)	IBRD	Jan-12	Dec-12	0.5	12.8	-	13.3	✓	✓	✓	Project under preparation. Project Concept Note review expected in September 2012. Grant (PPG) to GOL activated and TA team recruitment ongoing.
9	XFIPBR012A	Brazil	Forest Information to Support Public and private Sectors in managing Initiatives Focused on Conservation and Valorization of Forest Resources	IDB	May-12	Mar-13	0.1	16.5	-	16.6	✓	✓	✓	
SUBTOTAL							2.9	121.3	32.5	156.7				
PRIVATE														
10	XFIPMX009A	Mexico	Strengthening the Financial Inclusion of Ejidos and Communities Through Technical Assistance and Capacity building for low Carbon Activities in Forest Landscapes	IDB	Oct-11	Oct-12	0.1	1.4	1.5	3.0	✓	✓	✓	
11	PFIPLA005A	Lao PDR	Smallholder Forestry Project	IFC	Jan-12	Jan-13	0.3	3.0	-	3.3	✓	✓		
SUBTOTAL							0.4	4.4	1.5	6.3				
TOTAL							3.3	125.7	34.0	163.0				
														AVERAGE

Annex 4: Update on the Country Programming Process in Peru

Since the first joined mission held in March 2012, the working group composed of the interministerial committee⁴, the MDBs and the consultants hired to develop background information for the design of the FIP investment plan have met regularly. Sub-national and national workshops were organized to provide information about FIP Peru and to gather recommendations from various stakeholder groups on studies and on prioritizing potential interventions. These workshops took place in the regions of Loreto, Ucayali and San Martin. The national workshop was organized in Lima.

To increase the opportunities for knowledge sharing and lessons learned across FIP pilot countries, the IDB organized a visit of the participants of the Peruvian FIP Inter-ministerial Committee to Mexico in June 2012, with a view to share experiences and lessons learned on the FIP investment plan design and implementation. Meetings were held with Conafor (Comision Nacional Forestal), the Ministry of Agriculture, SEMARNAT (Secretaria de Medo Ambiente y Recursos Naturales) and the national development bank *Financiera Rural* took place in Mexico City and Guadalajara.

A second joint mission took place in Lima on October 3-5th with the objective of continuing the process for the design of the investment plan and strengthens its coherence with the FCPF process. Based on the mission results, the work on the draft investment plan will be continued. The Government of Peru intends to submit its FIP investment plan for endorsement to the Sub-Committee at its meeting in May 2013.

⁴ In October 13, 2011, after the new government took office, an inter-ministerial committee was formed which includes the following institutions: Ministry of Environmental (MINAM), Ministry of Agriculture (MINAG), Ministry of Economy and Finance (MEF), and the “Consejo Interregional Amazónico” (CIAM). The meetings of the committee are chaired by MINAM.