

CLIMATE INVESTMENT FUNDS

FIP/SC.8/3
April 10, 2012

Meeting of the FIP Sub-Committee
Washington, DC
May 4, 2012

Agenda Item 3

FIP SEMI-ANNUAL OPERATIONAL REPORT

Proposed Decision by the FIP Sub-Committee

The Sub-Committee reviewed document, FIP/SC.8/3, *FIP Semi-Annual Operational Report*, and welcomes the progress that has been made in advancing the work of the FIP in the pilot countries. The Sub-Committee looks forward to the submission of projects and program proposals for approval of FIP funding under the investment plans.

I. INTRODUCTION

1. The purpose of this note is to update the FIP Sub-Committee on the status of FIP activities, in particular the pipeline of FIP-funded projects and programs.

II. STATUS OF ACTIVITIES IN FIP COUNTRY PILOTS

Country Programming and Endorsement of Investment Plans

2. As of March 31, 2012, FIP investment plans for four pilot countries have been endorsed (Burkina Faso, Democratic Republic of Congo, Lao PDR and Mexico) have finalized their country programming process. Projects to be developed under these plans have been included in the FIP pipeline (annex 1).

3. Updates on the country programming process in Burkina Faso and Peru are attached as annex 2.

4. It is expected that by the end of 2012, all FIP investment plans will have been endorsed.

Approvals (from November 2011 through March 2012)

Preparation grant for developing an investment plan

5. Brazil requested a preparatory grant in the amount of US\$250,000 to finance the government's preparation of its FIP investment plan. The request was reviewed and approved by the MDB Committee.

Projects under endorsed investment plans

6. The Sub-Committee approved the project, *Mexico Forests and Climate Change Project*, which was submitted by the Government of Mexico and the IBRD for review and approval of a FIP allocation of US\$ 25.66 million in FIP grant resources and US\$16.34 million in FIP concessional resources. The project is part of the Mexico Investment Plan that was endorsed by the FIP Sub-Committee on October 31, 2011. The project is expected to leverage US\$ 587 million in co-financing.

III. STATUS OF OTHER FIP ACTIVITIES

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

7. An information paper, FIP/SC.8/Inf.2, *Update on the Implementation of the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities*, has been prepared to inform the Sub-Committee of progress in developing project proposals required for approval of FIP funding and operationalization of the dedicated grant mechanism.

Meeting of FIP Pilot Countries

8. A meeting of representatives of the eight FIP pilot countries took place on April 2-3, 2012, in Brasilia, Brazil. The meeting was hosted by the Government of Brazil and organized by the CIF Administrative Unit. On April 4, 2012, the Government of Brazil organized a field trip to visit the Environmental Protection Area of the streams Gama and Cabeça de Veado – IBGE Ecological Reserve and Botanical Garden of Brasília, and *SLC Pamplona*, an agricultural farm registered by the Commodity Round Table on Sustainable Soy Production.

9. A detailed report from the meeting will be made available shortly. A summary presentation will be provided during the Sub-Committee meeting as to inform the members and observers of the discussions during the meeting.

IV. EVOLVING FIP PIPELINE

Project Approval Calendar

10. The Trust Fund Committee is being presented with a project approval calendar for the Fiscal Year 2013 (FY13). The calendar reflects updates from MDBs on their pipelines showing expected dates for project submissions and project amounts for the upcoming financial year. It is a useful tool for proactively tracking funding demands so to better match available resources with demands. Such pipeline information will form an integral part of future reports. The project approval calendar, “FIP - FY13 Expected Project Approvals”, is attached as annex 2.

11. The expected total amount of FIP funding requested for financing 12 projects and programs under endorsed investment plans in FY13 amounts to US\$170.8 million. The expected available funding for FY 13 would be sufficient to cover these requests.

Traffic Light System

12. In June 2011, a proposal was made for a traffic light system to flag the delivery status of investment plans, projects and programs¹. This system will be introduced as a tool to manage the FIP pipeline and to track progress of the FIP project activities.

13. The traffic light system for FIP replicates a tool that has been tested in the Clean Technology Fund. It is the collaborative output of the CIF Administrative Unit and the MDB Committee. It tracks two key milestones of project delivery². The first set of traffic lights track for each project or program the time from the date of submission originally indicated when the FIP pipeline was constituted to the currently expected date of submission to the Sub-Committee for funding approval. The second set of traffic lights track the time from the Sub-Committee approval of FIP funding for a project or program to the expected MDB approval of the project.

¹ See FIP/SC.6/3 Semi-Annual Report on FIP Operations

² The CTF traffic light system is under review and is expected to be revised to track targets and milestones agreed by the CTF Trust Fund Committee. Any such revisions will be drawn to the attention of the FIP Sub-Committee for further consideration.

14. During the reporting period, the FIP has not generated sufficient project activity to apply yet the full system. It is expected that in the near future, the tool will prove useful once the majority of the eight investment plans are endorsed and project and program development has advanced.

Annex 1: Forest Investment Program – FY13: Expected Project Approvals

PROJECT CODE	MDB	COUNTRY	PROJECT NAME	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	TOTAL	
1	XFIPZR002A	AFDB	Democratic Republic of Congo	Addressing Deforestation and Degradation in the Mbuji Mayi/Kananga Supply Area					11.7							11.7	
2	XFIPZR003A	AFDB	Democratic Republic of Congo	Addressing Deforestation and Degradation in the Kisangani Supply Area					9.8							9.8	
3	XFIPZR001A	IBRD	Democratic Republic of Congo	Addressing Deforestation and Degradation in the Kinshasa supply Area					36.9							36.9	
4	XFIPLA006A	IBRD	Lao People's Democratic Republic	Scaling-Up Participatory Sustainable forest Management(PSFM)				12.8								12.8	
5	XFIPMX008A	IDB	Mexico	Creation of a Dedicated Financing Line for Low Carbon Strategies in Forest Landscapes.	15.0											15.0	
6	XFIPMX009A	IDB	Mexico	Strengthening the Financial Inclusion of Ejidos and Communities Through Technical Assistance and Capacity building for low Carbon Activities in Forest Landscapes	2.9											2.9	
7	PFIPLA005A	IFC	Lao People's Democratic Republic	Smallholder Forestry Project			3.0									3.0	
8			Dedicated Grant Mechanism	Expected Project Preparation Grants (global and country components)					0.4			0.4			0.4	1.2	
Subtotal					17.9	-	3.0	-	12.8	58.8	-	-	0.4	-	-	0.4	93.3
				Burkina Faso (endorsed in principle – 1 project listed for FY13)											7.5	7.5	
				Projected Project Approvals (for Brazil IP submitted for endorsement – 4 projects listed for FY13)		9.3	50.0		10.7							70.0	
TOTAL					17.9	9.3	53.1	-	23.6	58.8	-	-	0.4	-	-	7.9	170.8

Annex 2: Updates from the Country Programming Process in Burkina Faso and Peru

Update on Burkina Faso

15. In June 2011, the FIP Sub-Committee endorsed in principle the investment plan presented by the Government of Burkina Faso whilst recognizing that further work needed to be done on REDD+ readiness before submitting an updated investment plan for final endorsement.

16. Consistent with the decision by the Sub-Committee, the Government of Burkina Faso has committed to preparing an equivalent Readiness Preparation Proposal (R-PP) compliant with the quality standards of the Forest Carbon Partnership Facility (FCPF). The Government has informed the FCPF Secretariat and agreed to officially submit the R-PP equivalent document no later than April 9, 2012 for its review by the Technical Advisory Panel (TAP) in time for the upcoming FCPF Participants Committee meeting in June 2012. In this regard, and in order to better understand and follow the FCPF approach, two representatives from the Government of Burkina Faso attended the recent FCPF Participants Committee meeting in Paraguay (March 2012).

17. With the support of the MDBs, the Government of Burkina Faso also conducted several detailed studies on the following topics:

- a) organization and consultations for REDD+, including participation action plan;
- b) factors analysis of deforestation, forest degradation, policies, governance, and lessons learned;
- c) REDD+ implementation framework;
- d) identification of strategic options for REDD+;
- e) social and environmental impacts studies;
- f) methodological approach for the development of a baseline scenario, and
- g) methodological approach for the development of a MRV system.

18. Based on the findings of this work, an advanced version of the R-PP equivalent document was developed and shared with key stakeholders for review.

19. A fourth FIP Joint Mission was organized by the Government of Burkina Faso and took place from March 19 - 22, 2012. During the mission the draft R-PP equivalent document was discussed with all stakeholders during a national workshop. The Steering Committee approved the R-PP content, the proposed strategic options for REDD+ and the proposed institutional arrangements for the REDD+ and recommended its finalization and official submission to the

FCPF by April 9, 2012. Invited development partners agreed to harmonize and align their support with the proposed REDD+ agenda and activities.

20. Based on the comments from the TAP review, the R-PP equivalent document will be finalized and the investment plan modified and updated. The design of the investment projects and programs to be supported under the future investment plan will be reviewed accordingly. The Government of Burkina Faso intends to submit a revised investment plan to the FIP Sub-Committee for a decision-by-mail.

Update on Peru

21. A first joint mission took place on March 21-23, 2012 with the objective of assisting the Government of Peru in resuming the development of the investment plan and to begin activities and key processes in accordance with a schedule of deliverables. The mission met with various stakeholders groups including the FIP Inter-ministerial Committee, representatives of the *Mesa REDD*, indigenous peoples' associations, the private sector and national and international development partners.

22. The joint mission had four outcomes:

- a) *Development of a work plan for the technical team.* The work plan will contain four integrated components (stakeholder engagement plan, analysis of initiatives directly and indirectly related to REDD+, defining areas with the greatest potential to reduce GHG emissions, and proposed lines of action) which will be aligned with the objectives of the FIP and within the context of a Peru REDD+ mechanism.
- b) *Information sharing mechanism with representatives of indigenous organizations and civil society.* The technical team will develop mechanisms to ensure participation and transparency in the FIP process for relevant stakeholders involved in REDD+. In addition, the technical team will organize additional meetings with indigenous peoples' organizations during the formulation of the investment plan.
- c) *Private Sector.* Private sector contributions will be integrated into the development of the investment plan.
- d) *Results Monitoring.* The technical team will develop a methodology based on the approved FIP results framework and will submit a proposal to the Inter-ministerial Committee for discussion during the next joint mission.

23. One of the next steps will be to formalize a stakeholder engagement plan to identify means of communication and ongoing coordination with stakeholders. It is expected that by the end of August 2012, the technical team will complete the background studies to inform the

investment plan, followed by a joint mission to complete Peru's investment plan. The work schedule is designed with the target of delivering a final investment plan in September for review and endorsement by the FIP Sub-Committee during its meeting in October 2012.