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Subj RE: Summary of the Co-Chairs - 2nd Design Meeting on the
ect FIP - March 5-6, 2009

Dear Colleagues,

I'm pleased to attach some brief comments on the draft design document.

I regret that a conflict with the scheduling of CIFOR's Board of Trustees meeting will preclude my participation in the Third Design Meeting next month. Please let me know if I can provide any useful input from afar.

With warm regards,
Frances



Comments on the March 09 FIP design document.docx

Comments on the FIP design document

Matching operational mechanisms to objectives

The FIP design document sets out ambitious goals for a new instrument for REDD finance that will occupy a unique but complementary niche among other current and prospective sources of funding. The FIP is also expected to avoid the pitfalls of past investments in the forestry sector that have failed to reduce deforestation and degradation.

The main challenge not yet adequately addressed by the design document is to elaborate operational mechanisms to ensure that those goals are met through the programming process. While a set of objectives that set the FIP apart are clearly articulated (especially in paragraph 11 a-c), the proposed operational procedures do not yet provide sufficient clarity regarding how the resulting investments will be different from “business as usual” in terms of how investment strategies are generated, their strategic content, and the degree to which their impacts are rigorously assessed.

A few examples:

Paragraph 11 (a) states that one objective of the FIP is:

To serve as a vehicle to finance large scale investments necessary for the implementation of policies and measures that emerge from inclusive multi-stakeholder REDD planning processes at the national level.

But paragraph 26 describes how pilot country investment strategies will be developed with support from joint MDB missions and based on input from a number of sources and stakeholders, without specific reference to the results of national REDD planning processes in particular.

Paragraph 11 (b) states that a second objective of the FIP is:

To promote transformational change – that is, by combining a high degree of cross-sectoral ownership at the national level with a scale of international funding larger than is typically associated with forest finance, support change of a nature and scope sufficient to catalyze nationally significant shifts from ‘business as usual’ policies, practices and development paths, or to re-enforce ongoing progress towards conservation and sustainable use of forests, as well as resulting in globally significant reductions in forest-based emissions trajectories.

Yet the language of “projects and programs” (used, for example, in paragraph 28) fails to convey the need for commitment to a higher order, integrated, cross-sectoral strategy for achieving transformational change. In the past, national-level forest planning initiatives supported by the

donor community have often generated lists of projects that fail individually and collectively to address the key drivers and underlying causes of deforestation.

Paragraph 11 (c) states that a third objective of the FIP is:

To generate understanding and learning of the links between investments and outcomes – that is, by committing to apply rigorous a priori and ex post impact assessment, the FIP will ensure that the outcomes and effectiveness of FIP-supported interventions in reducing deforestation and degradation can be measured.

And yet in the operational details, there is no subsequent reference to the timing, accountability, or financial support for such impact assessment processes. As stated in paragraph 3,

Despite several decades of investment in efforts to reduce deforestation and degradation, there remain few examples of rigorous impact assessment, monitoring, and evaluation that would enable specific outcomes to be associated with specific interventions.

Efforts to evaluate previous MDB strategies and investments in the forestry sector have been stymied by the lack of clear objectives at the outset of projects and a chronic failure to monitor and measure outcomes. Specific provisions to ensure that FIP-supported investments break from “business as usual” are likely necessary to set a new standard of performance.

Coordination and complementarity with other MDB instruments

The text suggests no mechanisms through which the Steering Committee, the Expert Group, or MDB missions (and other steps in the FIP programming process) will ensure that FIP investments are complementary to and coordinated with the MDB’s regular lending programs and country strategies. Paragraph 19 encourages the FIP Steering Committee to seek advice from many other international organizations, but not from the operational staffs of the MDBs themselves. The early engagement and support from MDB technical staff in the regions will be important to operational success. In the past, headquarters-driven forestry initiatives have met with at best lukewarm support from staff in the regions.

Information disclosure

High standards of information disclosure are necessary to meet the principle of *Inclusive processes and participation of all important stakeholders, including indigenous peoples and local communities* articulated in paragraph 12 (c). In addition, making proposed investment strategies publically available with sufficient time for public review and comment would provide an important safeguard against the inadvertent finance of initiatives that might prove inconsistent with FIP objectives and principles when seen from the perspective of affected stakeholders.

Indigenous peoples and local communities dedicated initiative

One of the biggest risks facing REDD initiatives overall and the FIP in particular is the risk that new sources of forest finance could have the unintended negative consequence of making forest peoples worse off. REDD could have this effect by incentivizing governments to restrict forest access and use by small-scale forest users, and by incentivizing other actors to make claims on forest resources so as to position themselves to receive REDD payments.

It is thus important that the FIP create mechanisms to support the meaningful participation of indigenous peoples and local communities in the formulation, execution, and monitoring of the transformational policies and measures emerging from national REDD strategies. Directing finance to “pilot projects” disarticulated from the mainstream REDD initiatives could have the unintended consequence of distancing such communities from the mainstream decision-making and investments likely to pose the most significant threats to their rights and livelihoods.

Information notes

The “information notes” circulated but not discussed at the second FIP design meeting should be set aside. To the extent that their content is inconsistent with the design document, they raise more questions than they answer, and are thus not likely to advance the discussion at the third design meeting.

Frances Seymour

April 6, 2009