

April 21, 2010

DECISION-BY-MAIL - FIP Investment Criteria and Financing Modalities

Dear colleague,

We are writing to request your **review and approval**, through a decision by mail, of the *FIP Operational Guidelines*.

You will recall that at the FIP Sub-Committee meeting on March 17, 2010, the Sub-Committee requested the CIF Administrative Unit to revise the *FIP Investment Criteria and Financing Modalities*, document FIP/SC.3/4, taking into account the comments made during the meeting and written comments to be submitted to the Administrative Unit by March 26, 2010. The CIF Administrative Unit was requested to submit the revised paper to the Sub-Committee for approval through a decision-by-mail.

In particular, the Sub-Committee noted that the paper should be revised to:

- a) stress the importance of effective stakeholder participation in developing and implementing FIP investments;
- b) revise the section on “transformational change”;
- c) confirm that the highest safeguard standards are to be applied to FIP operations, consistent with paragraph 16(g) of the FIP Design Document;
- d) include references to the UNFCCC process where appropriate;
- e) enhance FIP investment criteria by specifying the gender dimensions of FIP investments;
- f) clarify that MDB fees for grants will not exceed 5% of the grant amount and be determined on a case-by-case basis;
- g) confirm that receipt of a grant to prepare an investment strategy is optional and should be requested only when necessary;
- h) strengthen the justification and explanation of the contingent loan option;
- i) stress incentives for private sector engagement in FIP operations; and
- j) provide for FIP investments to address market distortions related to REDD+ activities."

Consistent with the decision of FIP Sub-Committee, the CIF Administrative Unit, in consultation with the MDB Committee, has revised the *FIP Investment criteria and Financing Modalities* based on the comments made at the FIP Sub-Committee and written comments received from Sub-Committee Members from Denmark, Indonesia, Norway, United Kingdom and the United States, as well as comments received from African Development Bank, Greenpeace, NESDA-CA, UNDP, UN-REDD and WRI. The revised document is attached below for your review and approval.

The Sub-Committee is invited to approve the following decision:

The FIP Sub-Committee reviewed the revised document, *Investment Criteria and Financing Modalities*, dated April 21, 2010, and approves the investment criteria and

financing modalities described in the document as a basis for programming FIP-funded programs and projects. The FIP Sub-Committee requests the CIF Administrative Unit, in collaboration with the MDB Committee, to keep under review the application of these criteria and modalities and to draw to the Sub-Committee's attention any suggested modifications that may facilitate the effective achievement of the objectives of the FIP.

If we do not receive any objection to the proposed decision by close of business on May 1, 2010, we will consider the decision to have been adopted and will confirm the final decision in writing.

Sincerely,

Patricia Bliss-Guest,

Program Manager
Climate Investment Funds
Administrative Unit