

CLIMATE INVESTMENT FUNDS

FIP/SC.1/5/Rev.1
November 11, 2009

Meeting of the FIP Sub-Committee
Washington, D.C.
October 29, 2009

CRITERIA FOR SELECTING COUNTRY AND REGIONAL PILOTS UNDER THE FOREST INVESTMENT PROGRAM

Proposed Sub-Committee Decision

The Sub-Committee approves the criteria for the selection of country and regional pilots proposed in document FIP/SC.1/5/Rev.1, and requests the Expert Group to apply the criteria in formulating their recommendations of country and regional pilots.

Taking into account the level of financing currently available for the FIP and the importance of ensuring that the scale of investment for each pilot is sufficient to initiate transformational change, the Sub-Committee agrees that five pilots should be initially funded. Therefore, the Expert Group is invited to recommend five pilots to the Sub-Committee. A regional or sub-regional program will be considered as one pilot under the FIP. The Expert Group is also invited to propose a list of up to three additional countries to be considered by the Sub-Committee should funds become available to finance additional pilots or should some of the selected pilots prove not to be feasible.

I. BACKGROUND

1. There is increasing consensus that addressing climate change is central to the sustainable development, economic growth and poverty reduction agenda. Increasing resilience to climate change needs to combine both mitigation and adaptation measures. A delay in reducing greenhouse gas (GHG) emissions would significantly constrain opportunities to achieve lower stabilization levels and is likely to increase the risk of more severe climate change impacts. Climate change impacts have the potential to reverse hard-earned development gains and progress towards achieving the Millennium Development Goals.
2. Deforestation and forest degradation are the second leading cause of global warming. They account for approximately 18% of global greenhouse gas (GHG) emissions and over a third of emissions from developing countries. Although there remain divergent opinions as to how deforestation and forest degradation should be included in any future climate change regime, there is an emerging consensus that this issue must be effectively addressed. Several reports indicate that tackling forest loss is a critical activity in achieving stabilization of greenhouse gas concentrations in the atmosphere at a level that avoids the worst effects of climate change.
3. The Strategic Climate Fund (SCF) was established to provide financing to pilot new development approaches or to scale-up activities aimed at a specific climate change challenge or sectoral response through targeted programs. A Forest Investment Program (FIP) has been established as a targeted program under the SCF to catalyze policies and measures and mobilize significantly increased funds to facilitate the reduction of deforestation and forest degradation and to promote improved sustainable management of forests, leading to emissions reductions and the protection of forest carbon stocks.¹

II. OBJECTIVES, PURPOSE AND SCOPE OF THE FIP

4. The main purpose of the FIP is to support developing countries' REDD-efforts, providing up-front bridge financing for readiness reforms and public and private investments identified through national REDD readiness strategy building efforts, while taking into account opportunities to help them adapt to the impacts of climate change on forests and to contribute to multiple benefits such as biodiversity conservation, protection of the rights of indigenous peoples and local communities², poverty reduction and rural livelihoods enhancements. The FIP will finance efforts to address the underlying causes of deforestation and forest degradation and to overcome barriers that have hindered past efforts to do so.
5. The FIP is designed to achieve four specific objectives³:
 - a) To initiate and facilitate steps towards transformational change in developing countries forest related policies and practices, through:

¹ Governance Framework for the Strategic Climate Fund, paragraph 10(b).

² For the purpose of the FIP "indigenous peoples and local communities" includes tribal communities and implies equal emphasis on the rights of men and women.

³ Forest Investment Program Design Document, paragraph 11(a)-(d).

- (i) serving as a vehicle to finance investments and related capacity building necessary for the implementation of policies and measures that emerge from inclusive multi-stakeholder REDD⁴ planning processes at the national level;
 - (ii) strengthening cross-sectoral ownership to scale up implementation of REDD strategies at the national and local levels;
 - (iii) addressing key direct and underlying drivers of deforestation and forest degradation;
 - (iv) supporting change of a nature and scope necessary to help significantly shift national forest and land use development paths;
 - (v) linking the sustainable management of forests and low carbon development;
 - (vi) facilitating scaled-up private investment in alternative livelihoods for forest dependent communities that over time generate their own value;
 - (vii) reinforcing ongoing efforts towards conservation and sustainable use of forests; and
 - (viii) improving forest law enforcement and governance, including forest laws and policy, land tenure administration, monitoring and verification capability, and transparency and accountability.
- b) To pilot replicable models to generate understanding and learning of the links between the implementation of forest-related investments, policies and measures and long-term emission reductions and conservation, sustainable management of forests and the enhancement of forest carbon stocks in developing countries. By committing to apply a priori and ex post impact assessment of programs and projects, the FIP will ensure that the outcomes and effectiveness of FIP-supported interventions in reducing deforestation and forest degradation can be measured.
- c) To facilitate the leveraging of additional financial resources for REDD leading to an effective and sustained reduction of deforestation and forest degradation, thereby enhancing the sustainable management of forests.
- d) To provide valuable experience and feedback in the context of the UNFCCC deliberations on REDD.
6. To seek to achieve the objectives of the program, the FIP will support and promote, *inter alia*, investments in the following areas⁵:
- a) **Institutional capacity, forest governance and information** such as: implementation of systems for forest monitoring, information management and inventory; support for legal, financial and institutional development including forest law enforcement, cadastral mapping and land tenure reform; removal of perverse incentives favoring deforestation and degradation; cross-sectoral and landscape based planning exercises; transfer of

⁴ For purposes of the Forest Investment Program, REDD means REDD+ and should be construed to include activities consistent with paragraphs 1 (b) (iii) of the Bali Action Plan and modified, as necessary, to be consistent with the decisions taken by the Conference of the Parties to the UNFCCC.

⁵ Forest Investment Program - Design Document, paragraph 12(a)-(c),

environmentally sound technology; and building capacities of indigenous peoples and local communities.

- b) **Investments in forest mitigation measures, including forest ecosystem services** such as: forest conservation; promotion of payments for environmental services and other equitable benefit-sharing arrangements; restoration and sustainable management of degraded forests and landscapes; afforestation and reforestation on previously deforested land; restructuring of forest industries and promotion of company-community partnerships; forest protection measures; improved land management practices; and promotion of forest and chain of custody certification.
- c) **Investments outside the forest sector necessary to reduce the pressure on forests** such as: alternative livelihood and poverty reduction opportunities; alternative energy programs; agricultural investments in the context of rationalized land-use planning; and agricultural intensification including agro-forestry.

III. EXPERT GROUP FOR THE SELECTION OF PILOT COUNTRIES

7. An Expert Group is to be appointed by the FIP Sub-Committee to make recommendations on the selection of country or regional pilots to be financed by the FIP (*see document FIP/SC.1/4/Rev.1, Criteria for Selecting Expert Group Members under the Forest Investment Program, Terms of Reference and Working Modalities*). This document proposes criteria and additional considerations to guide the selection of country or regional pilots.

IV. NUMBER OF PILOTS

8. The FIP design document provides that prior to convening the Expert Group, the FIP Sub-Committee is to determine the number of pilots to be financed. In determining the number of country and regional pilots, it is important to ensure that the scale of investment for each pilot is sufficient to have a transformative effect. Therefore, the level of financing available for the FIP must be taken into account. Based on the current level of pledged funding (USD348.5 million), it is proposed that there should initially be five pilots (a regional program will be counted as one pilot). The Sub-Committee is invited to agree on the number of pilots, and to keep under review the funding available to the program and to consider, if the funding increases, whether to include additional pilots. The Expert Group is invited to recommend five pilots to the Sub-Committee and a list of up to three additional countries to be considered should funds become available to finance additional pilots or should some of the selected pilots prove not to be feasible.

V. CRITERIA

9. Paragraph 15 of the FIP design document provides that the following criteria (not listed in order of priority) should be used to select the country or regional pilots:

- a) Potential to lead to significantly reduced greenhouse gas emissions from deforestation and forest degradation or lead to further efforts to conserve, sustainably manage or

enhance forest carbon stocks whilst protecting biodiversity and supporting rural livelihoods.

- b) Potential to contribute to FIP objectives and adherence to FIP principles (as described in sections II and III of FIP design document). In particular, countries should be assessed for their potential to initiate transformational change taking into account their institutional capacities, investment climate, forest governance, and involvement and empowerment of civil society, including indigenous peoples and local communities as well as the private sector. The objectives and principles of the FIP design document, as well as Annex II, *Initial Guidance on how Transformational Change will be Defined and Assessed under the FIP*, should be taken fully into account.
- c) Potential of mainstreaming FIP investment in ongoing policy framework and ongoing development activities: The potential for FIP investments to have a significant impact that will initiate transformational change while working in synergy with ongoing efforts to mitigate climate change and to promote forest sector development should be considered. This should include assessment of complementarity with national forest action plans, readiness plans for reducing deforestation and forest degradation or other relevant planning frameworks, coordination with on-going forest programs support by national sources or development partners, including the potential to build on planned and on-going investments through the MDBs, and possibilities to leverage funds from the private sector or other sources of investments.
- d) Country preparedness, ability and interest to undertake REDD initiatives and to address key direct and underlying drivers of deforestation and forest degradation, taking into account government efforts to date, government willingness to move to a strategic approach to REDD and to integrate the role of forests into national sustainable development, and government ability to effectively absorb additional funds, recognizing on-going forest programs. The FIP design document calls for the CIF Administrative Unit to inform eligible countries, through the country offices of the MDBs, of the FIP program and invite interested government to submit a brief expression of interest to be considered as a pilot country. Countries submitting an expression of interest should be given priority consideration by the Expert Group in formulating their recommendations for country and regional pilots.
- e) Country distribution across regions and biomes, ensuring that pilots generate lessons on how to go to scale with respect to: (i) immediate action to curb high rates of deforestation and forest degradation; (ii) conservation of existing forest carbon stocks within primary forests (high forest, low deforestation countries); (iii) enhancement of forest carbon stocks on degraded lands; and (iv) building effective capacities for sustainable management of forests. Recognizing the emphasis on lesson learning through the FIP, the pilots should be representative of the broad spectrum of forest issues, such as various degrees of deforestation and degradation as well as potential for carbon- and other GHG-related mitigation approaches.

VI. REPORT OF THE EXPERT GROUP

10. In presenting its recommendations to the FIP Sub-Committee, the Expert Group is requested to elaborate upon how it has taken the above criteria and other considerations into account in preparing its recommendations.