EARLY LESSONS FROM DESIGN AND IMPLEMENTATION OF THE FOREST INVESTMENT PROGRAM (FIP)

WORLD BANK GROUP

CIF CLIMATE INVESTMENT FUNDS

1818 H Street NW
Washington, DC 20433
Telephone: 202-473-1000
VInternet: www.worldbank.org

ACKNOWLEDGEMENTS

The report *Early Lessons from Design and Implementation of the Forest Investment Program* is a product of the World Bank Forest Investment Program (FIP) focal point team. The core team, led by Meerim Shakirova, consisted of Arturo Bolondi, Najeeb Khan, Tapani Oksanen and Deborah Pierce. Valuable guidance and oversight were provided by Garo Batmanian, Benoit Blarel, Julia Bucknall and Gerhard Dieterle. We would like to thank the Climate Investment Funds (CIF) for commissioning this report as part of the Evaluation and Learning (E&L) Initiative.

We are grateful to the following colleagues for their valuable contributions: Asferachew Abebe, Ines Angulo, Andre Aquino, Taoufiq Bennouna, Loic Braune, Timothy Brown, Tuukka Castren, Diji Chandrasekharan, Robert Davis, Nina Doetinchem, Ian Gray, Christopher Head, Laura Ivers, Shaanti Kaapila, Werner Kornexl, Andrea Kutter, Maria Bernadete Ribas Lange, Svetlana Negroustoueva, Christina Roehrer, Sandra Romboli, Rocio Sanz Cortes and Chen-Chen Tung.

Furthermore, we are grateful for all colleagues involved in the Forest Investment Program that contributed their time and insights to this report. We would like to acknowledge Multilateral Development Bank (MDB) representatives including Ryan Alexander, Leandro Azevedo, Michael Brady, Joyita Mukherjee, Ancha Srinivasan, and Gloria Visconti. We would also like to thank CSO observers to the FIP, both past and present, including Coraina de la Plaza, Archana Godbole, Suyana Huamani, Gertrude Kenyangi, and Harlem Mariño. The contributions and opinions of government and private sector representatives have been invaluable, and include Berenice Hernandez, William Kwende, Sydney Madeiro, and Nacibe Salas.

We would like to acknowledge the participation of those mentioned above as well as many others in the workshops. Naming all those contributions would be impossible here and would likely result in omissions.

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ABBREVIATIONS

ADB – Asian Development Bank
AfDB – African Development Bank
AU – Administrative Unit
CFE – Community Forest Enterprises
CIF – Climate Investment Funds
CONAFOR – Comisión Nacional Forestal (Mexico)
COP – Conference of Parties
CSO – Civil Society Organization
DGM – Dedicated Grant Mechanism
DRC – Democratic Republic of the Congo
E&L – Evaluation and Learning
E&S – Environmental and Social
EBRD – European Bank for Reconstruction and Development
ER – Emission Reductions
FCPF – Forest Carbon Partnership Facility
FINDECA – Financiando el Desarrollo del Campo
FIP – Forest Investment Program
GDP – Gross Domestic Product
GEF – Global Environment Facility
GHG – greenhouse gas
IBRD – International Bank for Reconstruction and Development
ICT – Information Communication Technology
IDA – International Development Agency
IDB – Inter-American Development Bank
IFC – International Finance Corporation
INOCAS GmbH – Innovative Oil and Carbon Solutions
INPE – National Institute for Space Research (Brazil)
IP – Investment Plan
IPLC – Indigenous Peoples and Local Communities
KPH – Kesatuan Pengelolaan Hutan (Indonesia)
M&E – Monitoring and Evaluation
M&R – Monitoring and Reporting
MAF – Ministry of Agriculture and Forestry (Lao PDR)
MDB – Multilateral Development Bank
MEF – Ministry of Economy and Finance (Peru)
MIF – Multilateral Investment Fund
MINAGRI – Ministry of Agriculture (Peru)
MINAM – Ministry of Environment (Peru)
MONRE – Ministry of Natural Resources and Environment (Lao PDR)
NREG TCC+ – Natural Resources and Environmental Governance Technical Coordination Committee+

OECD – Organization for Economic Cooperation and Development
PPCR – Pilot Program for Climate Resilience
PROFOR – Program on Forests
PSSA – Private Sector Set-Aside
REDD+ – Reducing Emissions from Deforestation and Forest Degradation
SAGARPA – Secretaria de Agricultura y Desarrollo Rural (Mexico)
SFM – Sustainable Forest Management
SME – Small and Medium Enterprises
SPIRIT - Smart Phone Information Reporting and Intelligence Tracking
SREP – Scaling Up Renewable Energy Program
SUFORD-SU – Sustainable Forestry for Rural Development – Scaling Up
SUNARP – Superintendencia Nacional de los Registros Públicos (Peru)
TCLP – Transformational Change Learning Partnership
UNFCCC – United Nations Framework Convention on Climate Change
UN-REDD – United Nations Reducing Emissions from Deforestation and Forest Degradation
WB – World Bank

EXECUTIVE SUMMARY

Transformational change[1] and the scaling up of transformational approaches to development finance are key objectives of the Climate Investment Funds (CIF). Under the umbrella of the CIF, the Forest Investment Program (FIP) was created *to invest in Reducing Emissions from Deforestation and Forest Degradation (REDD+) countries, to reduce global deforestation and carbon emissions while recognizing the value of forests to both ecosystems and people*.

FIP was developed to be complementary to other climate and forest initiatives, and to help add momentum and credibility to ambitious projects. FIP was designed to provide support through grants, concessional loans, and guarantees.[2] With the help of FIP, governments would have the opportunity to initiate large-scale projects, because FIP is meant to drive co-financing from multiple sources.[3] Complementary investments from financing instruments with similar priorities would include other Multilateral Development Banks (MDBs), the International Development Agency/ International Bank for Reconstruction and Development (IDA/IBRD), Global Environment Facility (GEF), Forest Carbon Partnership Facility (FCPF), Program on Forests (PROFOR), and other trust funds.

Every FIP country program has the potential to distill and share lessons to address stakeholders' knowledge needs, and the country program is the vehicle for realizing this potential. For the first time, this report presents a set of lessons from the design and early implementation of the Forest Investment Program (FIP) from the perspective of the World Bank. This report reviews the trends and changes since FIP's inception and can thus inform future design and implementation of other forest programs, as well as future reporting on the transformational impact of the FIP. To gain clarity on the set of early lessons, a systems thinking approach has been applied in this report to develop a deeper understanding of the FIP system, including the fundamental forces and patterns driving the system's behavior, as well as the system's role in the forest sector more broadly.

Given that most FIP projects are currently being implemented, and some are in the process of being prepared, this report examines and synthesizes experiences from early results toward the potential of FIP's transformational change in developing countries' forest-related policies and practices.

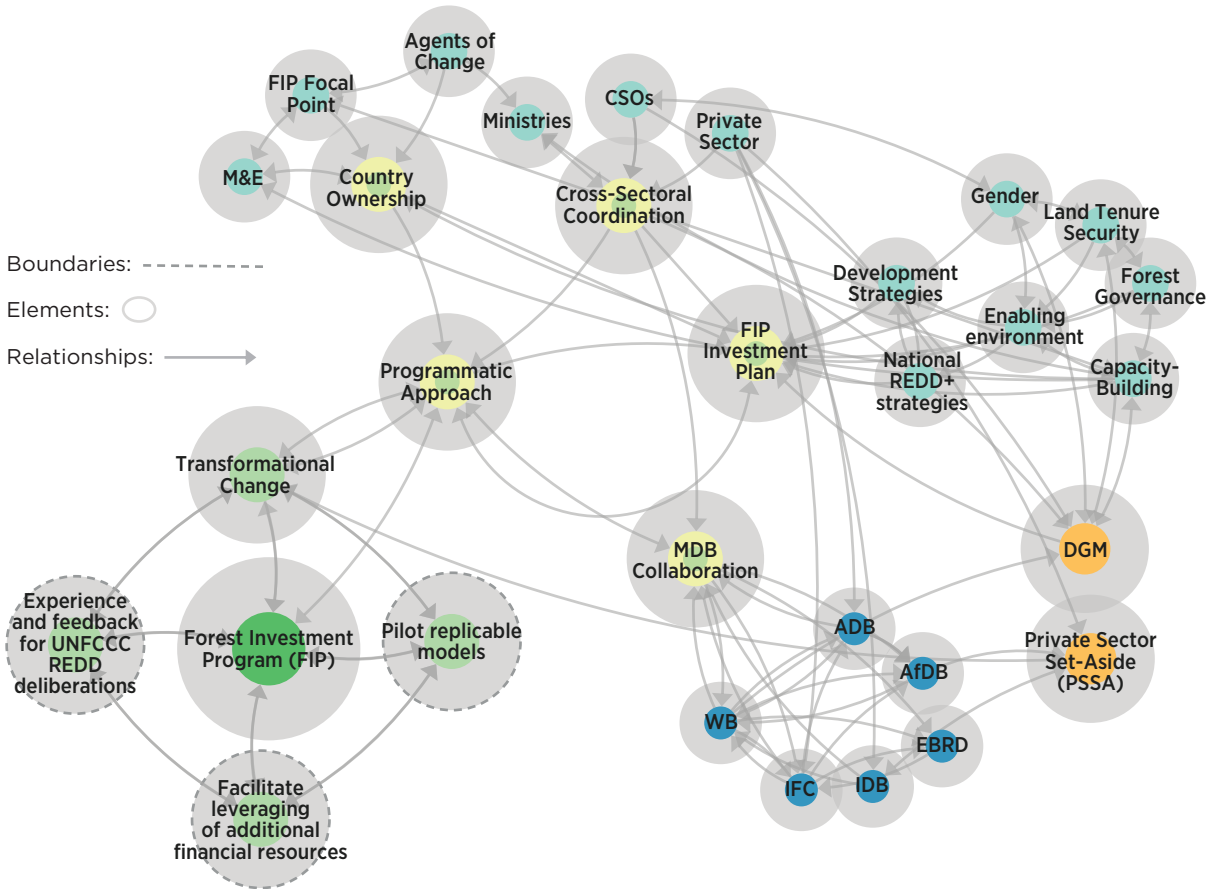
To achieve the CIF's transformational change objective, the FIP has introduced a programmatic approach that would find solutions to reducing deforestation and forest degradation with synergistic benefits, namely, benefits that result from being greater than the sum of their parts. The programmatic approach is especially relevant for the FIP, because FIP success relies on linking FIP investments with the overall national REDD+ and development strategy, as well as collaboration between national ministries and stakeholders from civil society and the private sector.

Based on the culmination of research and interviews with relevant FIP stakeholders, a systems thinking approach has been applied to illustrate an exploration of the FIP system; communicate an understanding of the complexity of the program; and allow for the identification of knowledge gaps, intervention points, and insights. This report demonstrates that observing the systems within the FIP can provide early lessons from its design and implementation that can potentially contribute toward transformational change. The nature of the forest sector is increasingly complex, and the application of systems thinking across the program provides an opportunity to distill the scale and the depth of FIP's impact. A FIP systems map (Figure 1) illustrates the involvement of multiple stakeholders and perspectives that are engaged in the system.

Transformational change is dynamic and unpredictable, and incremental change offers valuable contributions toward future cumulative transformational change.[4] This report demonstrates that there are already numerous signs of steps toward transformational change in the design and early implementation of the FIP, for example:

- FIP programs have sought to **reframe forestry as a mainstream component of the rural development agenda** and have therefore begun to address some underlying forest governance issues that are barriers to an effective enabling environment.
- Several FIP countries have supported the promotion of secure land tenure with the help of FIP, including among women in Mozambique, and among forest dependent communities in Burkina Faso, Indonesia, and Peru. Stakeholder interviews reinforced the notion that **secure land tenure for forest-dependent**

FIGURE 1 FIP Systems Mapping



communities and indigenous peoples was an essential part of a strong forest governance enabling environment for FIP investments, leading to transformational change.[5]

- **FIP has helped strengthen high-level government commitments to forest protection in countries such as Burkina Faso, Mexico, Lao PDR and Brazil.** Forest policy reforms, new financing approaches, and cross-sectoral partnerships have occurred in Mexico and Lao PDR.[6] The most successful countries have aligned with national champions and development plans through the programmatic approach, ensuring relevance and high-level government buy-in.[7]
- For the first time in Tunisia, the **FIP provided a forum for stakeholder consultations on forests for the development of the investment plan**, which resulted in a new multi-sectoral approach in the country.
- In Mexico, Comisión Nacional Forestal (CONAFOR) has successfully coordinated a wide-reaching portfolio of forestry interventions, including the largest loan for forestry in World Bank history, as part of a package of investments that includes FIP projects with both the World Bank and the Interamerican Development Bank (IDB), as well as **productive forestry activities and innovative forest financing mechanisms.**[8]
- Burkina Faso did not have a REDD+ strategy in place prior to FIP, and REDD+ strategy development has been supported by FIP since the start of the program.[9]
- The FIP offered a mix of financial instruments, including the Dedicated Grant Mechanism (DGM) and the Private Sector Set-Aside (PSSA). The **DGM has demonstrated how a mix of instruments can be beneficial to the overall FIP portfolio**, and how long-term engagement can be fostered. However, the PSSA has not been as successful as hoped in leveraging funds from the private sector.
- Several interviews stated that the **DGM is one of the most innovative and transformative aspects of the FIP.**[10] The DGM is a unique global mechanism and one of the few MDB mechanisms that transfer funds to an executing organization instead of a borrower country government. The DGM provides funding directly to indigenous peoples and local communities to design and implement projects in their communities. The DGM can contribute to the enabling environment by improving relationships with Indigenous Peoples and Local Communities (IPLCs) as well as helping build transparent governance.[11]
- As emerged from interviews with MDB representatives, even a grant of $10 million from FIP to the private sector can trigger a transformational process. FIP is supporting Lao PDR in developing business models for community-based reforestation of degraded and underutilized land.[12] The International Finance Corporation (IFC), through community forestry partnerships with companies such as Stora Enso, aims to enhance farmers' technical skills to improve their productivity while mitigating climate change. Stora Enso has concluded successful partnerships around the world and was therefore well positioned to receive FIP grant funding, overcoming a barrier many other forest-sector companies faced in FIP countries. **Preliminary assessments indicate that for every $1 spent by IFC-FIP, the program will generate $2.5 for the participating farmer.**[13]

The report found several early lessons learned. Overall, the FIP has enabled countries to take ownership over their investment plan by clearly stating their priorities for reducing deforestation, ensuring that these are included in cross-sectoral policy making. The FIP investment plan provided a platform for policy dialogue that aims to

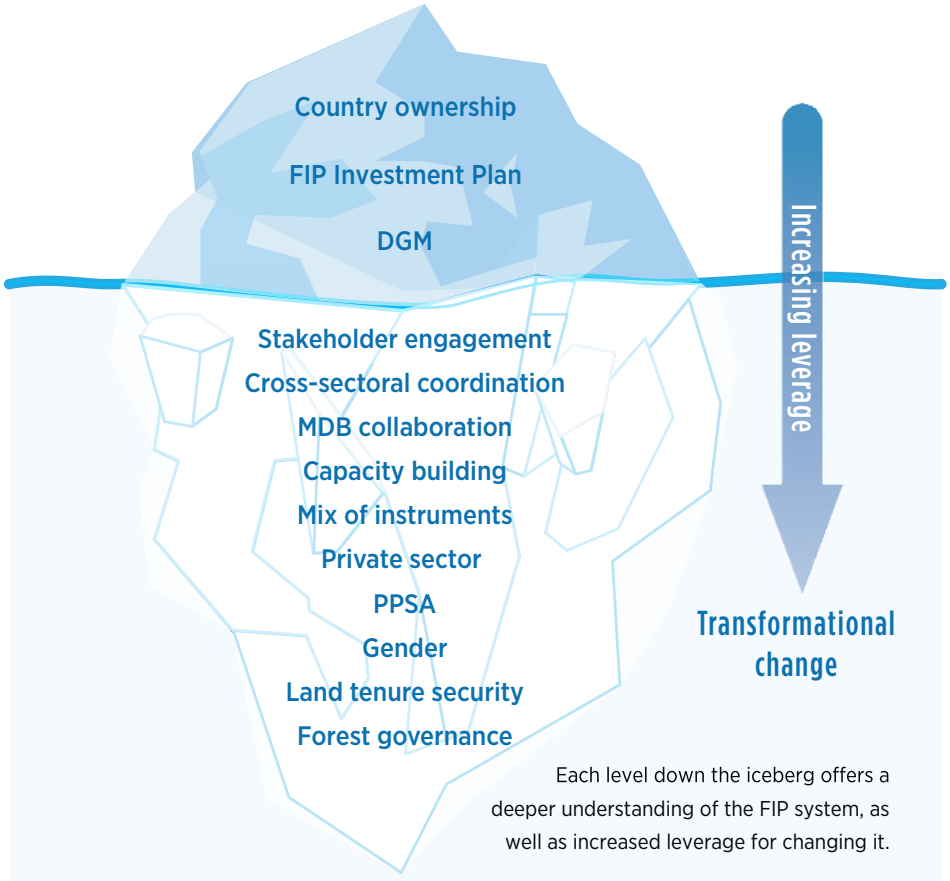
incorporate multiple sectors. The FIP experience shows that country coordination arrangements differ based on a country's existing institutional capacity, the focus of the program, private sector engagement, and the number of institutions and agencies involved. MDB collaboration was found to be useful during the investment plan development phase, however there was often less collaboration during the implementation phase.

The enabling forest governance environment has been recognized for its essential role in transformational potential and has generally been considered in FIP programming. Numerous FIP projects support strengthening land tenure, and many DGM projects have a component dedicated to strengthening those rights for indigenous and local communities. The FIP portfolio demonstrates the importance of investments in capacity development and strengthening.

Private sector engagement in FIP did not occur to the extent envisioned, due to varied expectations from both government and the private sector, noncompliance with social and environmental safeguards, and the perception of investments in land use practices as high risk from many private sector actors. Civil society engagement has improved over the lifetime of FIP and has resulted in more inclusive and representative FIP programming, but engagement and participation of women could be improved.

It is essential to note that the timescale of transformation is highly dependent on the sector, including the political, social, and market context (Figure 2). Two important considerations during project selection and design, and while assessing transformational change, are to avoid bias toward projects that offer early wins and to ensure there are sufficient resources and realistic expectations

FIGURE 2 Iceberg Model



for projects that address more complex and long-term barriers.[14] FIP should continue to monitor and report on steps toward transformational change, and support positive steps taken. The adaptive capacity of FIP to learn from past mistakes and build on past successes is important in transformational processes.

One-size-fits-all solutions, while tempting, do not work in a sector as complicated and interconnected as forestry. Possibly the most critical lesson for FIP is learning when and how all FIP participants can best collaborate, including fostering collaboration among MDBs, government agencies, the private sector, and forest-dependent people. FIP should actively seek to pair investment funds with technical assistance that addresses gaps in capacity, or actively partner with initiatives that are doing so.[15] Although collaboration is unequivocally more difficult than working alone, the synergistic benefits from truly effective collaboration will result in sustainable transformational change for people and the forests we all depend on.

SETTING THE STAGE

Addressing climate change is central to the sustainable development, economic growth and poverty reduction agenda. Large-scale investments are needed to significantly reduce emissions, notably in sectors such as energy, land use, and transportation that emit large quantities of greenhouse gases.[16] Climate investments not only drive innovation and create green industries and jobs, but also help fight poverty and meet development goals. Climate and environmental issues were linked to human well-being and poverty reduction at the 1992 Earth Summit in Rio de Janeiro, where the Declaration of Rio set out principles to guide countries in their future decision-making.[17]

ORIGIN OF THE CIF

CIF was established as an interim measure to fill a financing gap for climate mitigation and adaptation, in the context of ongoing United Nations Framework Convention on Climate Change (UNFCCC) discussions,[18] and in accord with the Bali Action Plan, which was introduced at the 2007 Bali Conference of Parties (COP) 13. CIF is intended to provide financing (grants, concessional loans, and risk mitigation instruments) to complement existing bilateral and multilateral financing mechanisms to demonstrate and deploy *transformational* actions to mitigate and adapt to climate change. This financing was designed to pilot approaches for delivering climate finance at scale through the Multilateral Development Banks (MDBs), notably through programmatic approaches seeking to initiate transformative results in developing countries.[19]

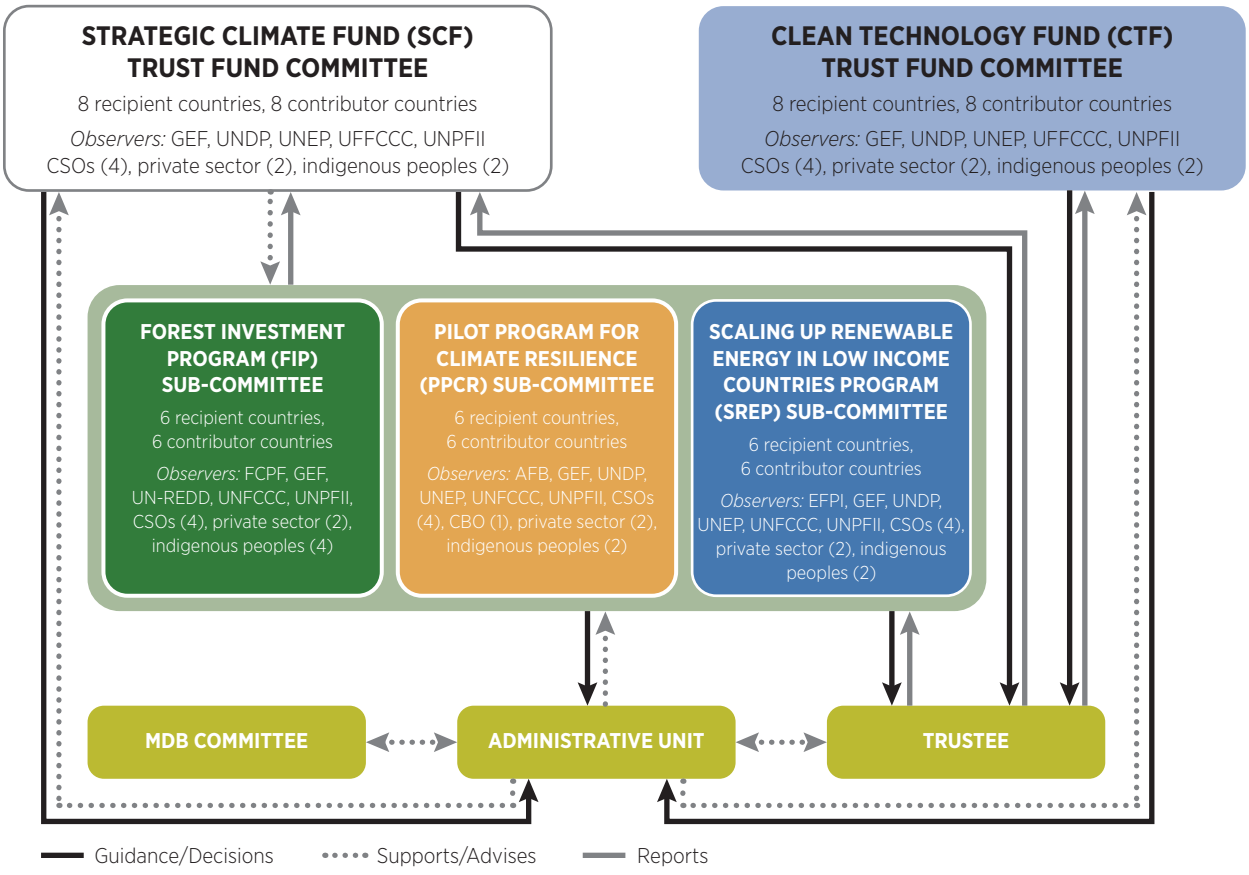
THE CLIMATE INVESTMENT FUNDS (CIF)

WERE CREATED IN 2008 TO PROVIDE LARGE SCALE CLIMATE FINANCING FOR TRANSFORMATIVE CLIMATE ACTIONS.

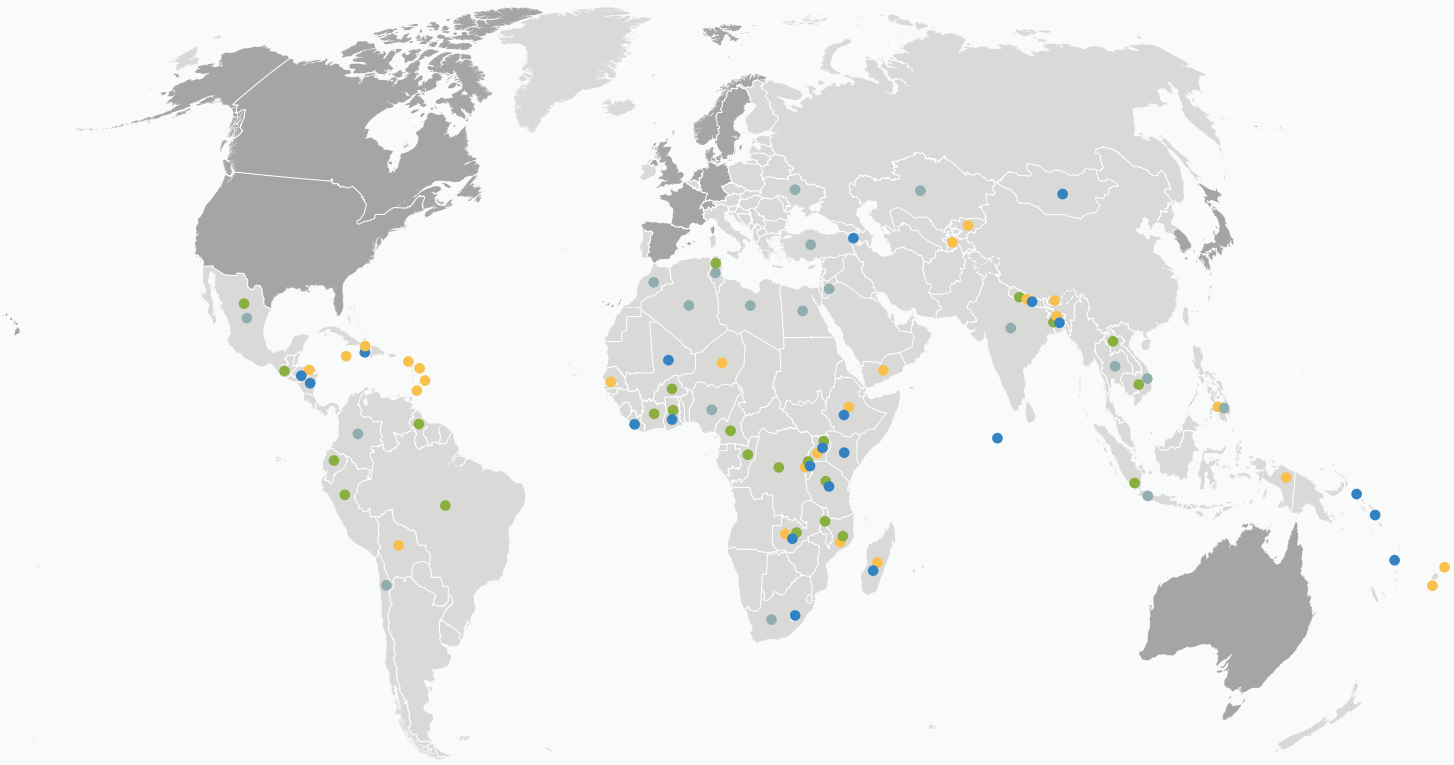
By 2018, CIF had reached $8.2 billion in pledges, with an additional $62 billion in co-financing, and worked in 72 countries.[20]

ORGANIZATIONAL STRUCTURE OF THE CIF

CIF's governance structure is inclusive and broad based. It is governed by the CIF Administrative Unit, MDB Committee, and the Trustee.[21] The CIF organizational structure is shown in the figure below. The CIF Administrative Unit oversees the activity cycle, managing partnerships, maintaining a database for each of the programs, and providing recommendations on program criteria, among others. The MDB Committee facilitates collaboration, coordination, and information exchange across the five MDBs[22] involved in the CIF. The CIF is composed of the Strategic Climate Fund (SCF) and the Clean Technology Fund (CTF). The SCF includes the Pilot Program for Climate Resilience (PPCR), Sustainable Renewable Energy Program (SREP) and the Forest Investment Program (FIP).[23]



CIF IS A GLOBAL PARTNERSHIP



CLEAN TECHNOLOGIES

- Algeria
- Chile
- Colombia
- Egypt
- India
- Indonesia
- Jordan
- Kazakhstan
- Libya
- Mexico
- Middle East and North Africa Region
- Morocco
- Nigeria
- Philippines
- South Africa
- Thailand
- Tunisia
- Turkey
- Ukraine
- Vietnam

ENERGY ACCESS

- Armenia
- Bangladesh
- Benin
- Cambodia
- Ethiopia
- Ghana
- Haiti
- Honduras
- Kenya
- Kiribati
- Lesotho
- Liberia
- Madagascar
- Malawi
- Maldives
- Mali
- Mongolia
- Nepal
- Nicaragua
- Rwanda
- Sierra Leone
- Solomon Islands
- Tanzania
- Uganda
- Vanuata
- Yemen
- Zambia

CLIMATE RESILIENCE

- Bangladesh
- Bhutan
- Bolivia
- Cambodia
- Caribbean Region
- Dominica
- Ethiopia
- Gambia
- Grenada
- Haiti
- Honduras
- Jamaica
- Kyrgyz Republic
- Madagascar
- Malawi
- Mozambique
- Nepal
- Niger
- Pacific Region
- Papua New Guinea
- Philippines
- Rwanda
- Samoa
- St. Lucia
- St. Vincent & the Grenadines
- Tajikistan
- Tonga
- Uganda
- Yemen
- Zambia

SUSTAINABLE FORESTS

- Bangladesh
- Brazil
- Burkina Faso
- Cambodia
- Cameroon
- Congo Republic
- Cote d'Ivoire
- Democratic Republic of Congo
- Ecuador
- Ghana
- Guatemala
- Guyana
- Honduras
- Indonesia
- Lao People's Democratic Republic
- Mexico
- Mozambique
- Nepal
- Peru
- Rwanda
- Tunisia
- Uganda
- Zambia

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Source: © 2019 Climate Investment Funds

DESIGN OF THE FIP

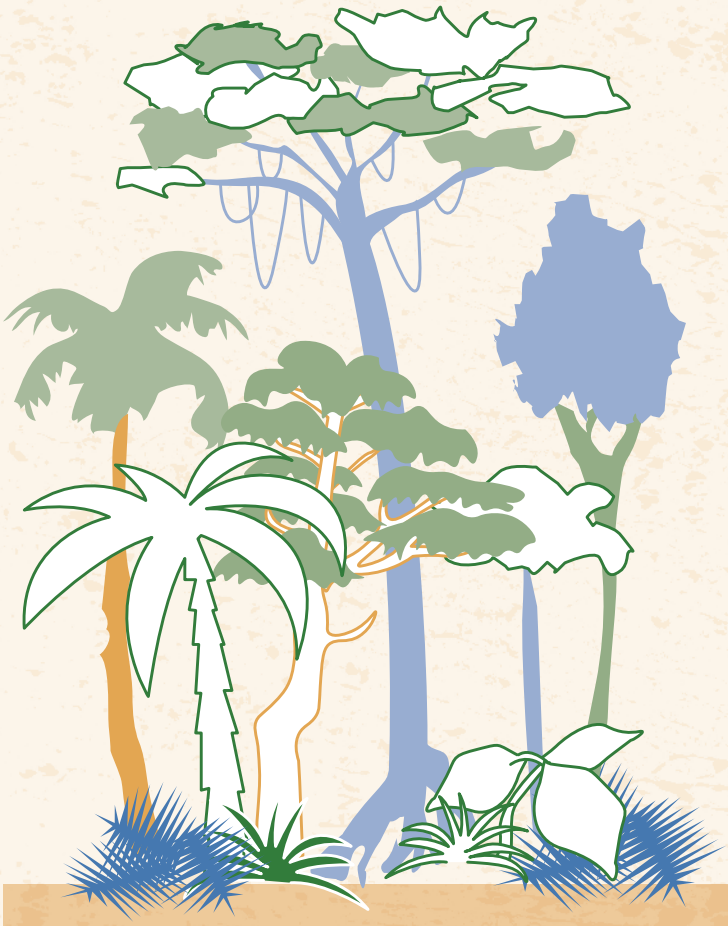
The FIP design document spells out four overarching objectives, which include:

1) initiating and facilitating steps towards transformational change,

2) piloting replicable models,

3) facilitating and leveraging additional financial resources, and

4) experience and feedback for UNFCCC REDD+ deliberations.



The focus in this report is mostly on the first objective to initiate and facilitate steps towards transformational change. There are eight distinct steps, which are not sequential, and can be taken to reach this objective. Not all steps are covered equally in the report, but these steps helped us define distinct areas of the FIP from which we could learn lessons.

(i) Serve as a vehicle to finance investment and related capacity building necessary for the implementation of policies and measures that emerge from inclusive multi-stakeholder REDD planning processes at the national level;

(ii) Strengthen cross-sectoral ownership to scale up implementation of REDD strategies at the national and local levels;

(iii) Address key direct and underlying drivers of deforestation and forest degradation;

(iv) Support change of a nature and scope necessary to help significantly shift national forest and land use development paths;

(v) Link the sustainable management of forests and low carbon development;

(vi) Facilitate scaled-up private investment in alternative livelihoods for forest dependent communities that over time generate their own value;

(vii) Reinforce ongoing efforts towards conservation and sustainable use of forests;

(viii) Improve forest law enforcement and governance, including forest laws and policy, land tenure administration, monitoring and verification capability, and transparency and accountability.

While the definition of transformational change can depend on the context to which it is applied, the transformational change learning partnership (TCLP)[24] came up with the following working definition of transformational change, which is: *Strategic changes in targeted markets and other systems with large-scale, sustainable impacts that accelerate or shift the trajectory toward low-carbon and climate-resilient development.*[25] The definition of transformational change that has been tailored to the FIP is: *Systemic and long-lasting changes that drive reductions in deforestation and forest degradation while leading to increased livelihood co-benefits and poverty reduction at scale.*

FIP WAS DESIGNED TO HAVE AN INCLUSIVE AND OPEN SUB-COMMITTEE THAT WOULD REPRESENT ALL STAKEHOLDERS.

THE FIP SUB-COMMITTEE IS RESPONSIBLE FOR OVERSEEING THE OPERATIONS AND ACTIVITIES OF THE PROGRAM. THESE RESPONSIBILITIES INCLUDE:

- CHOOSING THE NUMBER OF COUNTRIES;
- APPROVING THE COMPOSITION OF EXPERT GROUPS ON FOREST ISSUES, PROGRAMMING PRIORITIES, AND FINANCING TERMS;
- ENDORSING THE FURTHER DEVELOPMENT OF ACTIVITIES;
- ENSURING COMPLEMENTARITY BETWEEN ACTIVITIES;
- AND PERIODICALLY REVIEWING THE EFFICACY AND IMPACT OF FIP INVESTMENTS.[26]

6 REPRESENTATIVES FROM FIP CONTRIBUTOR COUNTRIES

6 REPRESENTATIVES FROM FIP PARTNER COUNTRIES

A SELF-SELECTION PROCESS IDENTIFIES
2 CIVIL SOCIETY REPRESENTATIVES,
2 INDIGENOUS PEOPLES REPRESENTATIVES, AND
2 PRIVATE SECTOR REPRESENTATIVES
AS ACTIVE OBSERVERS.
6 ALTERNATIVE REPRESENTATIVES

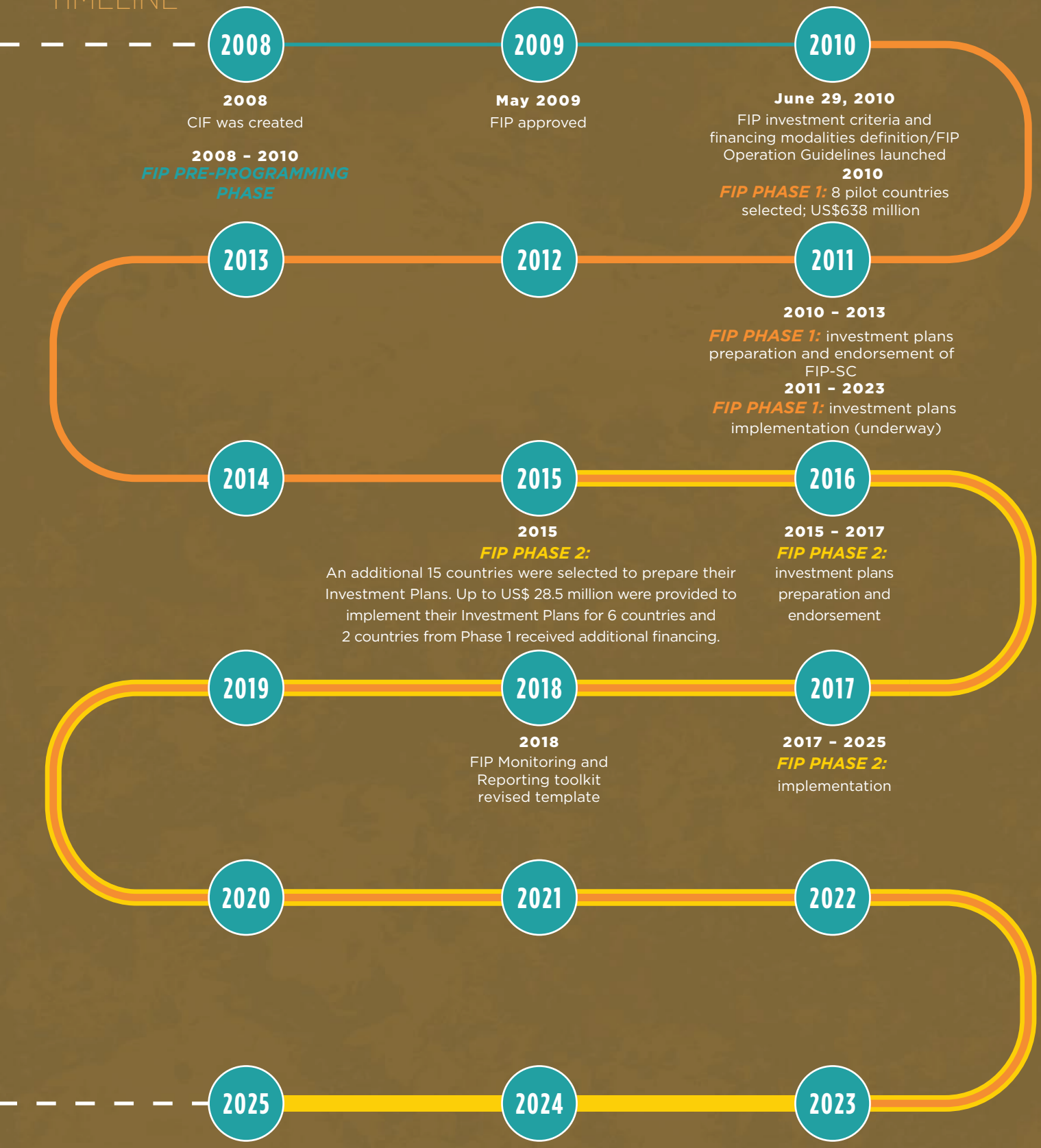
ALL FIP PARTNER COUNTRIES, MEMBERS OF THE MDB COMMITTEE AND THE TRUSTEE MAY BE ACTIVE OBSERVERS TO THE FIP SUB-COMMITTEE.

FURTHERMORE, REPRESENTATIVES OF THE FCPF SECRETARIAT, THE GREEN CLIMATE FUND (GCF), THE GEF, UNFCCC, AND THE UNITED NATIONS REDUCING EMISSIONS FROM DEFORESTATION AND DEGRADATION (UN-REDD) TECHNICAL SECRETARIAT ARE INVITED AS ACTIVE OBSERVERS.

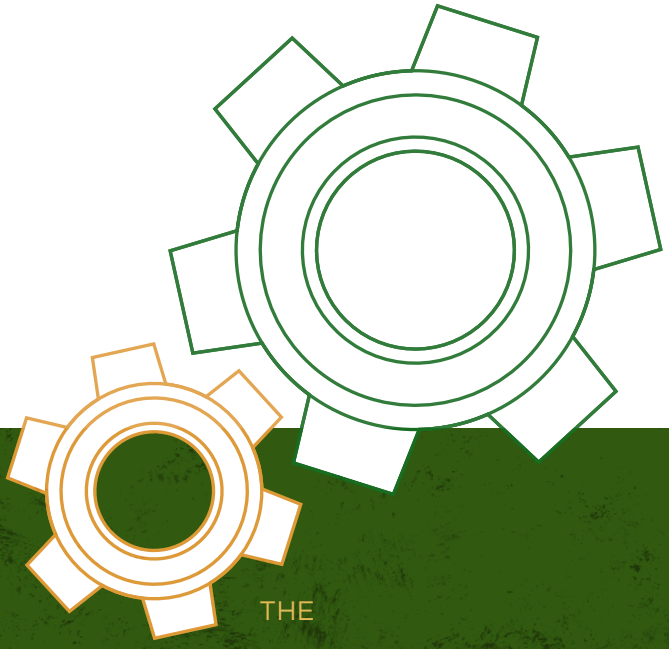
2 ALTERNATIVE REPRESENTATIVES

Source: CIF (Climate Investment Fund). 2009. "CIF 2009 Design Document for the Forest Investment Program, A Targeted Program Under the SCF Trust Fund". Climate Investment Funds, Washington, DC.

FIP TIMELINE



Some FIP phase 1 countries experienced delays in programming, which has led to changes in the governance of FIP. In December 2016, the FIP Sub-Committee approved a Pipeline Management and Cancellation Policy to account for the long timeframes between project design and implementation that many of the approved projects experienced. To reduce delays, the Pipeline Management and Cancellation Policy includes a cancellation policy for projects that have been in the pipeline longer than 24 months.[27]



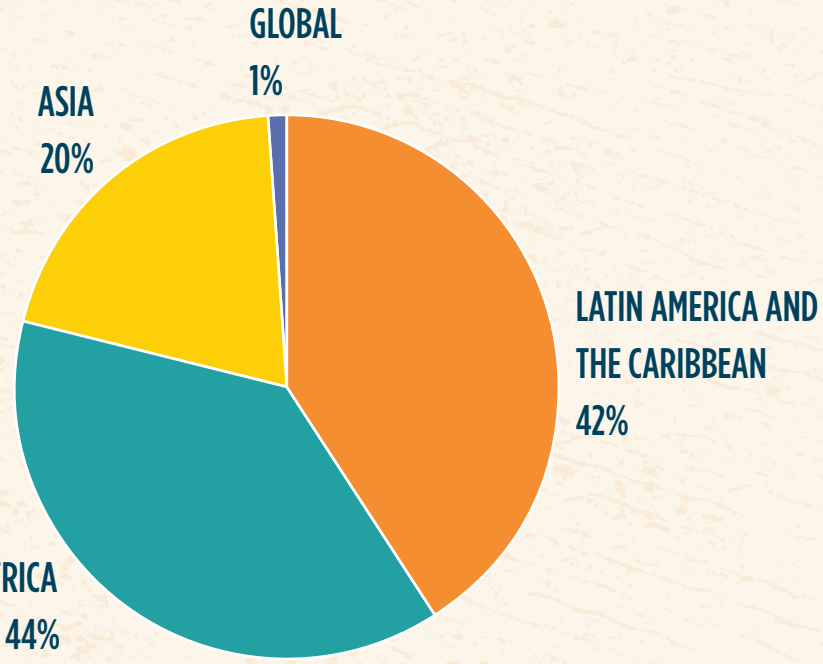
THE

DEDICATED GRANT MECHANISM (DGM)

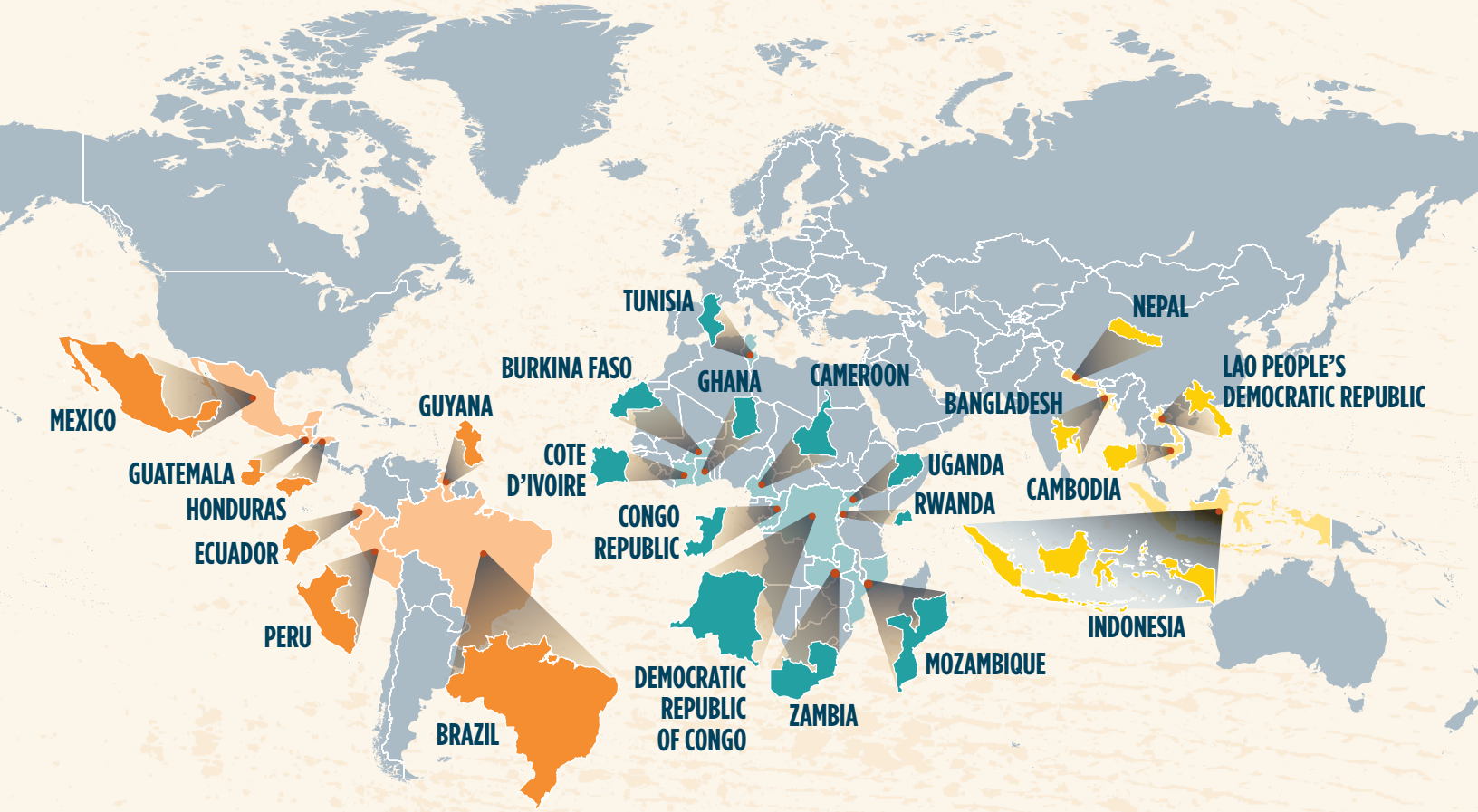
WAS CREATED UNDER THE FRAMEWORK OF FIP TO INVOLVE LOCAL COMMUNITIES AND INDIGENOUS PEOPLE IN THE DESIGN OF FIP PROGRAMMING, AND TO FOCUS ON STRENGTHENING CUSTOMARY LAND AND RESOURCE RIGHTS AS WELL AS TRADITIONAL FOREST MANAGEMENT SYSTEMS.

The DGM is managed by the World Bank with funds channeled through executing agencies.[28] The Dedicated Grant Mechanism (DGM) seeks to support indigenous peoples and local communities by allocating funds directly to them. The DGM is a unique global mechanism in that it is one of the few MDB mechanisms that transfers grant funds to an executing civil society organization instead of a borrower country government. Community-driven development has been practiced since 2000 in many country governments, but never before at a global scale.[29] For more information on the DGM, see section 2.12.

SHARE OF INVESTMENTS BY REGION



COUNTRIES OF THE FIP



GOALS OF THIS REPORT

This report presents for the first time a set of lessons from the design and early implementation of the FIP from the perspective of the World Bank. The report reviews the trends and changes since FIP's inception and can inform future design and implementation of forest programs, as well as future reporting on the FIP's transformational impact. To gain clarity on the set of early lessons, a systems thinking approach has been applied in this report to develop a deeper understanding of the FIP system, including the fundamental forces and patterns driving the system's behavior, and its role in broader forestry.

The rationale of applying a systems thinking approach is to unpack the FIP's complexity by exploring it through different lenses, including the underlying perspectives, boundaries, and relationships. A systems thinking approach helps explain how systems, contexts, and actors interact with each other, which is an essential step in identifying lessons in the design and early implementation of the FIP.

The report was commissioned by the CIF Evaluation and Learning (E&L) Initiative and is meant to be a lessons learned exercise rather than a traditional evaluation. This report is meant to inform forest finance practitioners and FIP stakeholders, both for the remainder of FIP programming and for future forest financing. The report is informed primarily by the experiences of the World Bank.

METHODOLOGY

This report uses a systems thinking approach to understand linkages, relationships, and interactions among the FIP elements that characterize transformational change. The application of systems thinking in the FIP fosters a more realistic understanding *of what works, for whom, and under what circumstances.*

The tools and methods used in the report are a systems map or causal loop diagram, and an iceberg model. These help visualize relationships and interventions within the FIP system. A FIP systems map represents a dynamic, evidence-informed depiction of links, which is the result of qualitative and quantitative methods applied to complex systems mapping. Interview responses helped generate a systems map and guide subsequent research, and opinions and experiences shared in interviews were corroborated with further evidence collected from a desk review when possible. The iceberg model was informed

by the systems map and was developed to illustrate the early lessons on implementation and results toward transformational change in the FIP. As of June 2019, there are 31 projects being implemented in 11 countries, and one project at the global level. Projects have reached about 50% disbursement. One project has closed, but several more are due to close in the upcoming year.

Recognizing the complex nature of the sector and therefore the context of the FIP, this report aims to engage with complexity, motivate continuous learning, identify all stakeholders within the system and leverage points for systems change. There are multiple ways in which a systems thinking approach differs from conventional thinking in terms of how to explore a problem or solution and identify the fundamental and interconnecting loops of the complex issue. Table 1 presents the differences between conventional thinking and systems thinking.

Systems thinking helps clarify interconnections that are difficult to observe directly. For this analysis, a systems approach is used to describe a set of processes, methods, and practices that aim to drive systemic transformational change. Interventions in FIP need to move beyond a linear input-output model of relationships with some identifiable beginning, middle, and end. Applying a systems thinking approach can help elucidate how the parts create a whole.

The report sets out to answer the following broad questions through the lens of systems thinking:

- What is transformational change in the FIP?
- How can we use this perspective to better understand and exploit the synergies among the programmatic approach?
- What are the early lessons from the FIP?

This report represents the culmination of more than a year of research and interviews. First, the team contacted a subset of all relevant FIP stakeholders identified within the FIP system. In-person or phone interviews were

TABLE 1 Conventional Thinking vs. Systems Thinking

	Conventional Thinking	Systems Thinking
How a problem is explored	Isolate parts to understand behavior	Explore emergent nature of the system as a whole
Goal	Create a solution to solve the problem	Deepen understanding of the system and identify a response to test
Nature of the problem	Can be defined and isolated, with a clear cause and a solution. Problems can be understood objectively	A situation has multiple causes, with no clear single solution. Wicked problems are understood differently depending on perspective
Who is responsible for the solution?	External/others	Everyone is a part of the system and therefore needs to engage in change
How solutions are achieved	Multiple short term success leads to long term solutions	Most action has unintended consequences. Need to test, seek feedback and adapt responses
How the problem can be solved	Improve parts to improve whole	Improve whole through improving relationships between parts
Problem solving process	Linear process with clear steps, start and finish	Multiple entry points, non-linear process focused on learning and iterating

Adapted from: Ison, R. 2010. Systems Practice: How to Act in a Climate-Change World.

conducted with the CIF Administrative Unit (AU), World Bank Task Team Leaders, MDBs, FIP focal points, government focal points, and civil society organization (CSO) observers. Six MDB representatives, five CSO observers, 17 CIF and FIP staff, and three government representatives participated, for a total of 31 interviews (see Annex H for full list). Responses provided practical experiences from the early implementation of FIP programming, which are identified through the lens of systems thinking and result in key lessons learned and suggestions for the way forward. These interviews were completed with a set of questions (Annex C) that addressed both past experiences with FIP and opinions about FIP's future. The report distinguishes clearly between claims that represent an interviewee's opinion and claims that are supported by documents or other interview responses.

Interviews were supported by a desk review of relevant documents. A comprehensive assessment of investment plans was completed to understand the FIP theory of change in each country. Both qualitative and quantitative analysis were done to thoroughly assess investment plans on a wide range of FIP systems, keeping in mind that each country has a distinct set of goals and priorities. Indicators include the drivers of deforestation in each investment plan, the results frameworks, FIP focal point placement, and others (see Annex E for the complete investment plan assessment framework). The team analyzed knowledge products and reports produced by CIF and the World Bank, and World Bank project documents (for fact gathering), which include concept notes, project appraisal documents, and implementation status reports. New information was incorporated into the lessons when possible to ensure they were as up to date as possible.

LIMITATIONS

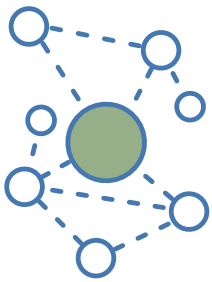
After almost 10 years of operations, it is useful to take a step back and assess what has been working in the FIP and what could be improved upon. This report is meant to provide that step back and look beyond the immediate benefits and challenges, but also to understand the roles and interconnections of different systems. However, some aspects of the FIP cannot be thoroughly analyzed at this point, given that most projects are still in implementation, and many countries have recently joined the FIP and submitted investment plans. Lessons learned from the FIP are intended to inform all interested audiences—including donors, MDBs, CIF, future forest funds, and country stakeholders[30]—of the fundamental characteristics of the FIP and its complexity. Many lessons are intended primarily to advise future forest financing practitioners in FIP intervention design.

This report does not scrutinize every aspect of the FIP and is instead meant to provide a broad overview. It is not a comprehensive source of information for each aspect of the FIP. It does not analyze project details or project impacts in each country. Given these limitations, the conclusions and lessons learned apply to the FIP generally at the time of publishing, rather than to each country individually. The report recognizes that the FIP experience has been varied across countries, and further FIP case studies in each country would help inform FIP country practitioners. Once FIP programming reaches a later stage, and there is more data on the impacts of FIP programming and successes and shortcomings of individual projects, a more data-oriented assessment and evaluation of the FIP can be developed.

It must be emphasized that there is no one-size-fits-all solution to complex challenges or systems methodology. The early lessons and interventions, as well as methodologies, are highly contextually dependent. The early lessons shed light on the types of specific preconditions that have enabled potential transformational change in a FIP country. The focus of the current report is on the investment plan development process, project design, and early project implementation when available.

ROADMAP

The report looks at how systems approaches are used when dealing with the complexity of the FIP to achieve its program objective and achieve transformational change. The report provides a conceptual framework of the FIP (Chapter 1), illustrates a systems map of the FIP and presents early lessons from the FIP design and implementation (Chapter 2). The report provides a platform for discussion that enables all relevant stakeholders to consider the complexity of the program and presents the early lessons via a rigorous process using systems approaches. The report concludes with a synthesis of early lessons and offers a set of recommendations for future research and program and project implementation (Chapter 3).

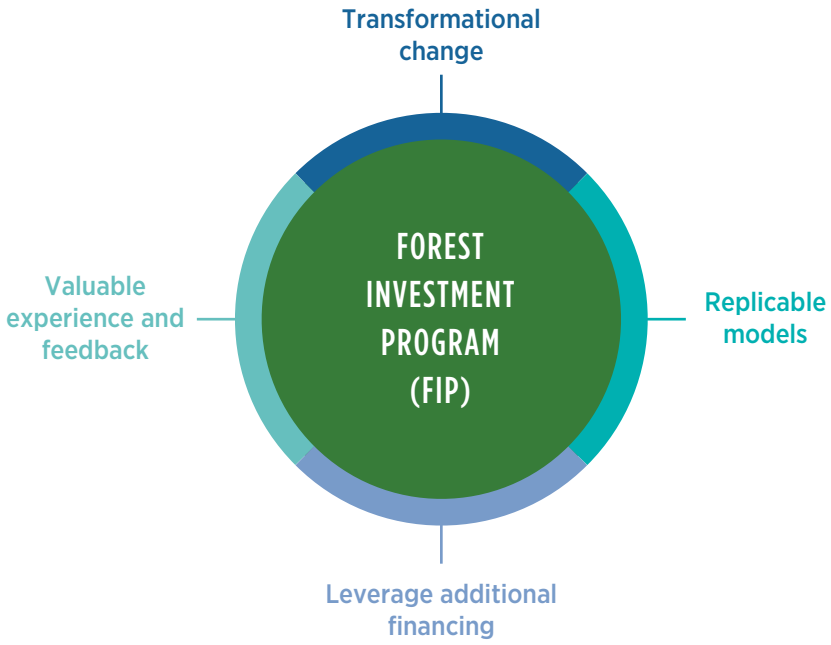


1 MANAGING THE COMPLEXITY OF THE FOREST INVESTMENT PROGRAM: THE CASE FOR SYSTEMS THINKING APPROACH

This report examines early lessons from the design and implementation of the Forest Investment Program (FIP) through the lens of systems thinking, an approach that views a system as a series of interconnected and interdependent systems rather than many independent parts. A fundamental principle of a system is that it is something more than a collection of its parts.[31] The report aims to identify and understand these relationships as part of an exploration of the larger FIP system. The rationale of using a systems thinking approach is that FIP is a complex system under the larger Climate Investments Funds (CIF) umbrella; other methods and models are unable to fully depict its complexities and dynamics.[32] By looking only at interventions and actors in isolation within the program, the complexity and interconnections of the FIP may not be adequately captured. Systems thinking consists of three dimensions: elements (characteristics), interconnections (the way these characteristics relate to and/or feed back into each other), and how they function and serve the program's overall objective.[33]

Systems exist on a spectrum of comprehensibility: from easily observed and analyzed (e.g., food chain) to highly complex or novel, requiring postulation (e.g., global climate systems). Systems share some common features: they are usually self-organizing, meaning that system dynamics grow out of a system's internal structures; they are both connected and reinforcing. They are continually changing and adjusting. They can also be counterintuitive, meaning that cause and effect are distant in time and space.[34]

The application of systems thinking relies heavily on how the systems are defined. There are multiple ways to define systems, starting from geographic proximity,



technological affinity or program, product, and market-oriented systems.[35] Given that the FIP program is generally outcome oriented, this report has used a working definition of *"the system is bounded and created to achieve its goal(s), its purpose. Hence, elements of the system are operationalized based on their connection to the goal of the system*.[36]

First, it is essential to define the FIP structure's elements and identify interconnections between these elements.[37] FIP was created under the umbrella of CIF *to invest in REDD+—Reducing Emissions from Deforestation and Forest Degradation—countries to reduce global deforestation and carbon emissions while recognizing the values of forests to both ecosystems and people*. To achieve the overall objective, the FIP is supported by four objectives (not all of which are reviewed by the report):

- To initiate and facilitate steps toward transformational change in developing countries' forest-related policies and practices;
- To pilot replicable models that generate understanding of links between sustainable forest management (SFM), policy measures, and long-term greenhouse gas emission reductions (GHG ER) and conservation;
- To facilitate the leveraging of additional financing resources for REDD+;
- To provide valuable experience and feedback in the context of deliberations by the United Nations Framework Convention on Climate Change (UNFCCC).

To deploy systems thinking in the FIP, it is critical to understand the theoretical and practical underpinnings of FIP's strategic design and its evolution over time.

1.1. DEVELOPMENT OF THE FIP

The Reducing Emissions from Deforestation and Forest Degradation (REDD) mechanism was created to reduce greenhouse gases with financial incentives provided for reducing deforestation. Discussions around REDD

were inspired by the Stern Review, which demonstrated how reducing deforestation is the *"single largest opportunity for cost-effective and immediate reductions of carbon emissions"*.[38] REDD was introduced as a mechanism for reducing greenhouse gases at the 2007 Conference of Parties (COP) 13 in Bali.[39] Since 2008, REDD has been referred to as REDD+ when *"the sustainable management for forests and enhancement of forest carbon stocks"* was added as an objective and given the same level of priority as conservation of forests.[40] The details of REDD+, including methodological standards, safeguards, monitoring systems, and sources of funding were discussed in subsequent COPs, where it was decided that each participating country would have its own REDD+ strategy.

During REDD+ discussions it became apparent that countries needed support to implement their REDD+ strategies. Thus, the Forest Investment Program (FIP) was created under the CIF umbrella to invest in countries to reduce global deforestation and carbon emissions while recognizing the value of forests to ecosystems and people.[41] The objective of FIP is to "support developing countries' REDD+ efforts by providing upfront financing for readiness reforms and public and private investments."[42] To do this, FIP was envisaged as helping countries implement their REDD+ strategy through investment projects that offer results-based payments.[43] In this way, FIP was thought of as the "missing middle" between REDD+ readiness and results-based payments.

FIP was developed to be complementary to other climate and forest initiatives, and to help add momentum and credibility to ambitious projects. FIP was designed to provide support through grants, concessional loans, and guarantees.[44] With the help of FIP, governments would have the opportunity to initiate large-scale projects, and FIP was meant to drive co-financing from multiple sources.[45] Complementary investments from instruments with similar priorities would include other Multilateral Development Banks (MDBs), the International Development Agency/International Bank for Reconstruction and Development (IDA/IBRD), Global Environment Facility (GEF), Forest Carbon Partnership Facility (FCPF), Program on Forests (PROFOR), and other trust funds.

1.2. HOW THE FIP HAS BEEN EVOLVING: EXPRESSION OF INTEREST/COUNTRY SELECTION

In 2010, the FIP Sub-Committee selected eight pilot countries to be part of phase 1.[46] Four criteria were used to select pilot countries: the potential to lead to significantly reduced greenhouse gas emissions from deforestation and forest degradation; the potential to contribute to FIP objectives; country preparedness and ability to implement FIP; and country distribution across regions and biomes.[47] The eight pilot countries are Brazil, Burkina Faso, the Democratic Republic of Congo (DRC), Ghana, Indonesia, Lao PDR, Mexico, and Peru.

In May 2015, the FIP Sub-Committee selected 15 countries for phase 2. An expert group reviewed expressions of interest and recommended countries using an extensive set of criteria.[48] The subcommittee agreed that six phase 2 countries would receive $24 million in funding to implement FIP projects and $4.5 million for DGM projects proposed in the investment plan, while the remaining countries would receive funding to develop their investment plans and seek funding elsewhere for implementation. The six countries receiving funding for investment plan development and projects implementation were Cote d'Ivoire, Republic of Congo, Ecuador, Guatemala, Mozambique, and Nepal. The other nine phase 2 countries that received investment plan support only were Bangladesh, Cambodia, Cameroon, Guyana, Honduras, Rwanda, Tunisia, Uganda,

and Zambia; however, Guyana and Honduras did not receive financial support to prepare their investment plans.[49] For more information on FIP country details, see Annex E.

The criteria and process for country selection differed from phase 1 to phase 2. Many phase 1 countries were large and densely forested, with a mix of high and low capacity; however, Burkina Faso is neither large nor heavily forested. Phase 2 countries tended to be smaller, with less remaining forest cover.

Although one objective of FIP is to support countries in implementing their REDD+ strategies, REDD+ readiness was not a priority in selecting phase 1 countries.[50] During the first phase of country selection in 2010, many countries were still in the process of developing their REDD+ strategy, and some had chosen not to participate in REDD+. For example, Brazil was selected as a FIP pilot country despite choosing not to develop a REDD+ framework.[51] Burkina Faso was selected as a FIP pilot country and had not yet started its REDD+ readiness process.[52]

In May 2015, phase 2 countries were chosen based on a methodology rather than the four criteria used in phase 1 country selection. The methodology included three sections with four to five subcomponents per section, with points associated with each subcomponent. The three sections were (1) contribution to climate mitigation; (2) potential to generate enhanced development co-benefits; and (3) country readiness and capacity for implementation. The expert group noted in their report to the FIP Sub-Committee that REDD+ readiness is embedded in FIP design, and therefore a country requesting FIP investments would have developed a national REDD+ strategy or would be engaged in an equivalent approach.[53] The experts also noted that some countries use FIP funding to build on the momentum from planned REDD+ activities. REDD+ progress was extensively discussed in the comments and justification for scoring provided for each country submitting an expression of interest.

Based on the report from the 2015 expert group, the expressions of interest submitted were of a higher quality than the 2010 submissions. Even so, the second-round expressions of interest varied significantly in quality. It was reported that the strongest submissions had benefited from technical support prior to submission. Discussions with MDBs confirmed that they had assisted some countries, mostly in response to an explicit request, by providing guidance, peer review, translation, and other relevant information.[54] Many countries that were scored highly by the 2015 expert group had received and evidently benefited from FCPF, UN-REDD, Pilot Program for Climate Resilience (PPCR), and related REDD+ support.

The 2015 country selection report indicated that countries were establishing REDD+ mechanisms and filling capacity gaps. These measures allowed countries to effectively absorb FIP funds and successfully implement proposed investments. For example, Mozambique was able to build on the momentum of the REDD+ readiness, supported by FCPF and other relevant World Bank projects in implementation at the time of investment plan development by using the same coordination mechanism established for REDD+.[55]

1.3. DEEP-DIVE INTO THE DESIGN OF THE FIP

Given that most of the FIP projects are still being implemented, and some are currently being prepared, this report does not review all four supporting objectives of the FIP. This report only examines and synthesizes experiences from early results with an eye toward FIP's potential transformational change in developing countries' forest-related policies and practices.

The definition of transformational change that has been tailored to the FIP is *systemic and long-lasting changes that drive reductions in deforestation and forest degradation while*

leading to increased livelihood co-benefits and poverty reduction at scale.

According to transformational change in the Climate Investment Funds report,[56] the role of CIF's design in supporting transformational change is unique compared with other climate funds, as CIF programs are designed to be strategically relevant to transformational change and design features are included that support the likelihood of transformational impact. These include a country-led programmatic approach, explicit consideration of transformational change at the design phase, large investments using a range of concessional financing tools, delivery of financing through MDBs, and flexible and predictable funding.[57]

A programmatic approach is one of the core elements in CIF design needed to realize the CIF ambition of achieving transformational change. An evaluation of the CIF's programmatic approach[58] emphasized that CIF is the first climate fund to use a programmatic national investment planning approach as its primary delivery modality. Furthermore, the evaluation mentions that the *CIF's choice to use such an approach at the country level was partially motivated by the global aid effectiveness agenda that spurred on program-based approaches in the wider development cooperation community during this time, as well as by relevant lessons that were coming out of the Global Environment Facility's (GEF) experience*.[59] In response to concerns about the project-by-project modality, development cooperation agencies were beginning to use program-based approaches to bolster coordination, maximize impact, and strengthen national ownership.[60]

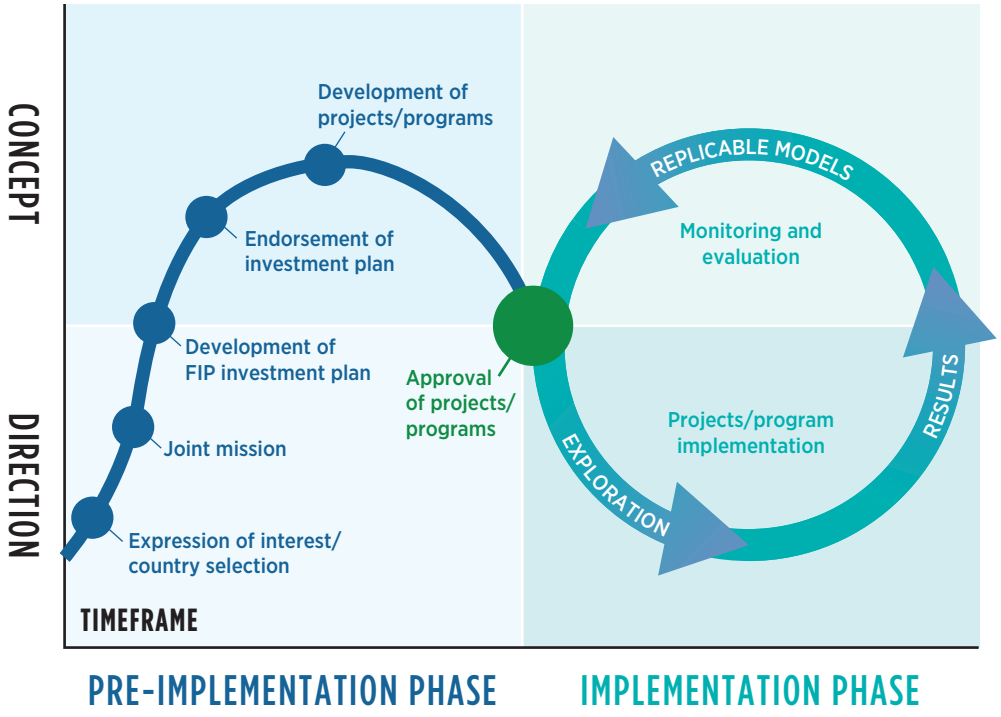
To achieve the CIF objective of transformational change, the FIP utilized a programmatic approach that would find solutions to reducing deforestation and forest degradation with synergistic benefits, which are benefits that result from being greater than the sum of their parts. The programmatic approach has four main features: country ownership; an appropriate mix of instruments; a cohesive financial architecture; and long-term engagement.[61] The programmatic approach is especially relevant for the FIP because its success relies on linking FIP investments with the overall national REDD+ and development strategy, as well as collaboration between national ministries and stakeholders from civil society and the private sector. To ensure continued programmatic approaches in the FIP, reporting on the investment plan is one of the pillars of the FIP monitoring and reporting (M&R) system, which annually assesses progress toward the national FIP goals.[62]

In practice, all stakeholders should be actively involved in developing FIP programming. The programmatic approach also includes joint development and implementation of FIP programming with the support of the five MDBs. Along these lines, stakeholders achieve more by working programmatically than they would have achieved individually. As envisioned in the FIP design, the program works across multiple sectors to find innovative forest solutions and reduce the pressures on forests from other sectors; this is also known as forest-smart interventions.[63]

By design, the FIP programmatic approach process includes two phases: pre-implementation and implementation. To better understand the FIP system, a causal loop diagram of the FIP programming process has been developed (Figure 3). A causal loop diagram aims to identify the dynamics of systems. Here, the pre-implementation stage consists of expression of interest, selection of countries, joint missions, development and endorsement of the FIP investment plan, and development and approval of projects and programs. The implementation phase consists of project implementation and monitoring and evaluation. There are two types of feedback loops in the FIP systems as presented below: the reinforcing phase (pre-implementation) and the balancing phase (implementation phase).

Figure 3 shows that in the pre-implementation phase, five reinforcing elements (expression of interest/country selection, joint mission, development of FIP investment plan, endorsement of investment plan, and development of projects

FIGURE 3 Causal Loop Diagram



or programs) are significantly impactful. The pre-implementation phase gains momentum up to the concept phase, where it often slows down, until it reaches the approval stage of projects and programs. After the approval process, the implementation stage is a continuous loop and repeats its cycle from project implementation, results and then to monitoring and evaluation, eventually leading to replicable models.

To understand each element that drives the system dynamics within the causal loop diagram, it is important to look at the FIP systems map, which represents each dynamic element and its interrelation within the system. The next chapter presents a dynamic hypothesis, based on an evidence-informed depiction of relationships as the result of qualitative and quantitative methods to complex systems mapping.

2 EARLY RESULTS FROM THE DESIGN AND IMPLEMENTATION OF FIP PROGRAMMING THROUGH SYSTEMS MAPPING

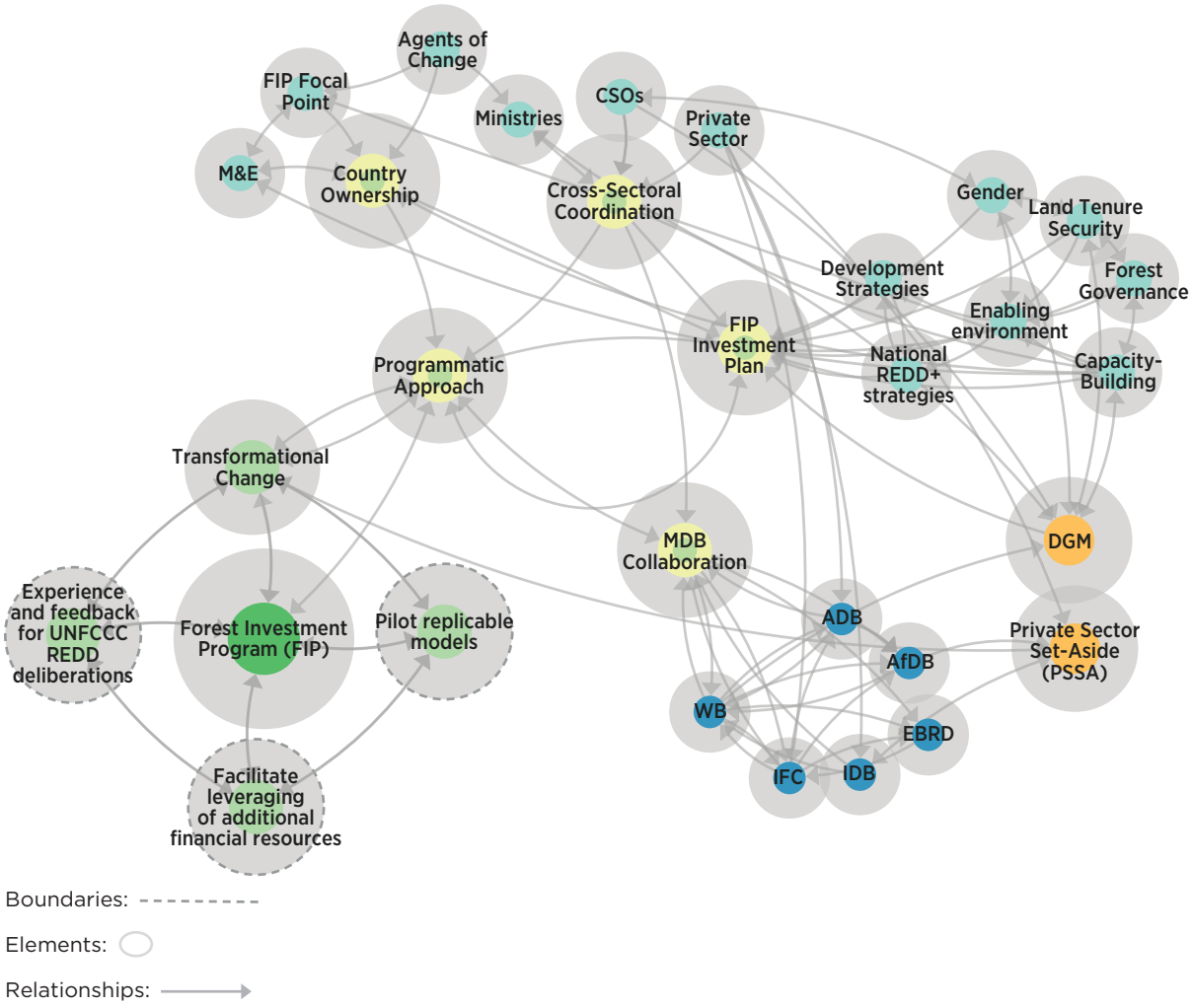
This section examines the FIP programmatic approach through steps within the pre-implementation and implementation stages, to achieve transformational change in a country (criteria for transformational change are listed in Annex G). These steps are outlined in the previous section. Based on the culmination of research and interviews with relevant FIP stakeholders, the FIP systems map (Figure 4) illustrates an exploration of the FIP system, communicates an understanding of the program's complexity, and allows for identifying knowledge gaps, intervention points, and insights.

This map can be read by tracing how the elements and actors feed into the FIP element in the bottom left of the figure. The creation of the FIP systems map was an iterative process. Based on the gathered data, the process included observing who was involved in the system, how these stakeholders interacted with each other, and the context in which these stakeholders operated. Understanding each of these aspects shed light on how the whole system behaves. To guide the generation of the FIP systems map, the following elements were determined: boundaries, elements, relationships, and dynamics.

BOUNDARIES As indicated in Chapter 1, given that most FIP projects are being implemented, and some are currently being prepared, this report does not review all four supporting objectives of the FIP. Therefore, the systems map draws a line within the FIP system to illustrate the edge of the present system that is being examined. Thus, the boundary of the FIP systems map is to explore and synthesize experiences from early results with an eye toward potential FIP transformational change in developing countries' forest-related policies and practices.

ELEMENTS The generation of elements emerged from the quantitative and qualitative data, so a shared understanding of the grouping criteria was achieved. Each element represents a complex set of interventions reflecting the collective subjectivity of the FIP systems.

FIGURE 4 FIP Systems Mapping



The elements of the FIP system, under Transformational Change, include:

1. The Programmatic Approach
2. MDB Collaboration
3. Cross-Sectoral Coordination
4. Country Ownership
5. FIP Investment Plan
6. Monitoring and Evaluation
7. FIP Focal Points
8. Agents of Change
9. Ministries
10. CSOs
11. Private Sector
12. Development Strategies

RELATIONSHIPS The FIP system elements have differing, nonlinear relationships with each other. A notable example is the relationship between the main objective, actors, and FIP activities on the one hand, and the instruments (e.g., Dedicated Grant Mechanism (DGM), PSSA) and cross-sectoral themes (e.g., gender) on the other, with some relationships mixing the two together. The systems map shows how elements are connected to other elements in the system.

DYNAMICS The dynamics are explored in the connection between different elements and are explained later in the report.

The FIP systems map attempts to map all themes and stakeholders within the system. Although generated solely from the data results, the map captures the generality of how the FIP system has been uncoupled from both transformational change and the programmatic approach. Based on the culmination of research and interviews with relevant FIP stakeholders, each FIP thematic area has been explored and synthesized into early lessons from FIP design and implementation thus far.

The following section explains different pieces of the FIP system and its dynamics and demonstrates the nature of the complexities characterizing the emerging systems.

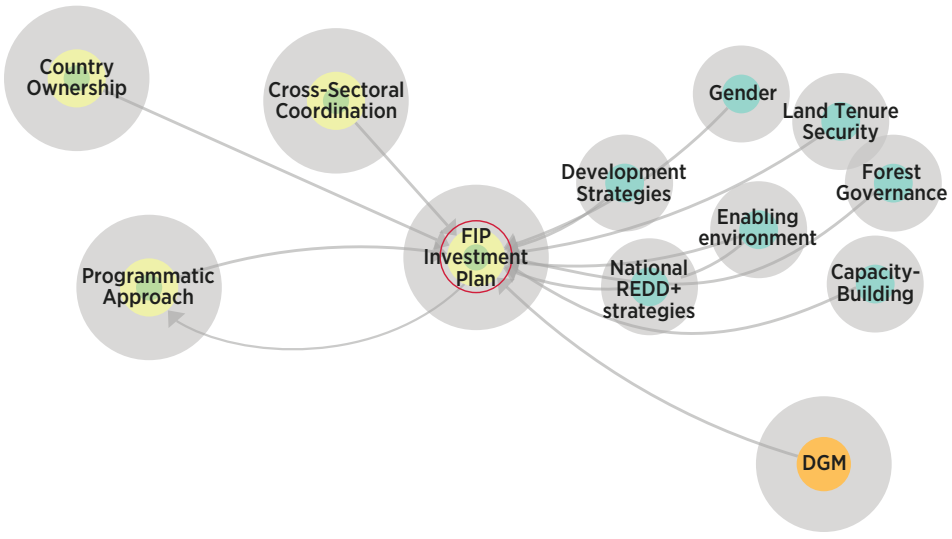
2.1. DEVELOPMENT OF AN INVESTMENT PLAN

The investment plan is the first step a country takes to initiate FIP programming and is also related to step 1 toward transformational change. The investment plan spells out the challenges and opportunities in the forest sector while highlighting the most critical, cross-cutting aspects of forest management that can be addressed through FIP investments.[64] The FIP investment plan is developed by the country and is expected to become a part of the national policy framework. Figure 5 presents the interconnections of the FIP investment plan and its dynamics with other elements.

An important step in integrating the investment plan into the national policy framework, and ultimately for including the investment plan in the national development paradigm, is to define all drivers of deforestation that originate from different sectors of the economy. All FIP countries included extensive lists of both direct and indirect drivers of deforestation in their investment plans; however, the link between these drivers and project activities was not always made.[65] The solutions described by many investment plans did not mention the drivers of deforestation[66] or described only the indirect drivers of deforestation.[67]

Each country had the opportunity to mention laws and policies considered relevant to the implementation of FIP in their investment plans. Several countries mentioned only a few policies by name but outlined the different sectors pertinent to the FIP, while others listed all possible national-level policies. The average number of policies listed was about eight per country; however, phase 2 countries listed on average of nine policies each, while phase 1 countries listed fewer than seven (see Figure 21 in Annex E). There was not a significant difference in the number of phase

FIGURE 5 FIP Investment Plan Dynamics



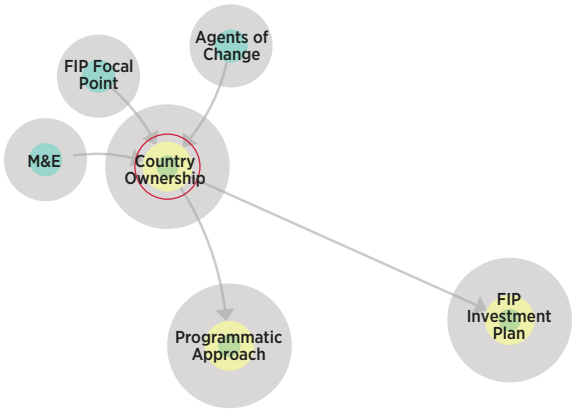
1 and phase 2 countries that listed REDD+ policies as relevant to the FIP. Countries ranged from listing three policies to listing 15.

Project activities were discussed in detail in the annex of each investment plan, where the problem and solution proposed by the project activities were laid out. The extensive list of drivers was often shortened and paraphrased in the description of drivers that a specific project was designed to solve. Other investment plans mentioned drivers of deforestation only in a very broad sense, for example, "[activities will support] forest protection from the various drivers of deforestation and forest degradation."[68] In total, seven countries, four of which were phase 1 countries, were missing links between drivers of deforestation identified in the investment plan and drivers of deforestation described in proposed project activities, and five countries only made this link in one of the two analyzed project descriptions (see Annex E). This shows that many countries had trouble linking drivers of deforestation to their proposed project activities.

2.2. COUNTRY OWNERSHIP

It is crucial that a country feels ownership of its investment plan. This helps ensure that the priorities set out in the investment plan are included in cross-sectoral policy making and can lead to long-term engagement. Country ownership (see Figure 6) is also an important component of step 1 towards transformational change. There have been examples of country ownership leading to cross-sectoral policy changes. In Mexico, a national agreement was signed between Cómision Nacional Forestal (CONAFOR, the national forestry commission under the Environment Ministry) and Secretaria de Agricultura y Desarrollo Rural (SAGARPA, the ministry of agriculture and rural development) in areas in which agriculture and forestry intersect.[69] FIP in Ghana is integrated with the existing Natural Resources and Environmental Governance Technical Coordination Committee to implement donor-funded natural resources and environment programs.[70] The Ministry of Environment in Burkina Faso now has a coordinated approach to all rural development, with permanent secretaries who communicate with other ministries, including the forestry ministry.[71]

FIGURE 6 Country Ownership Dynamics

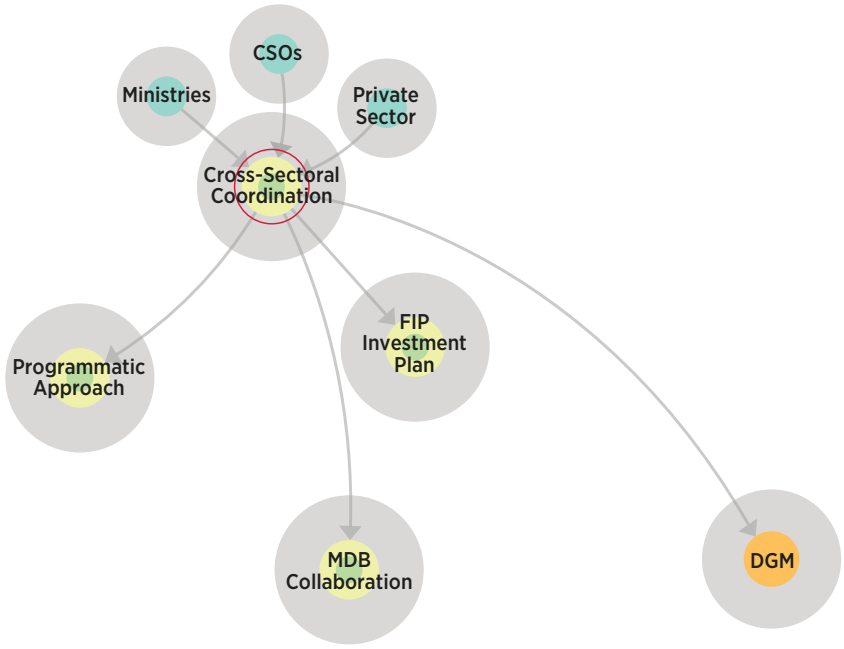


It is important to determine who is responsible for drafting the FIP investment plan. This has ramifications for country ownership and, ultimately, for long-term engagement. It was observed during the first and second phases that some countries hire external consultants to draft the investment plan on their behalf, due to lack of time or capacity constraints within country government staff. When relying on external consultants, it is crucial to ensure that they work in close collaboration with key government staff at every phase of the process so that FIP programming is fully supported and owned by the government agencies responsible for their implementation. It is essential to build capacity and retain staff that has worked on investment plan development and implementation, which creates the necessary country ownership[72] and institutional memory.

2.3. CROSS-SECTORAL COORDINATION

Institutional coordination, although difficult to implement consistently, is integral to finding cross-sectoral solutions (see Figure 7) to address

FIGURE 7 Dynamics of Cross-Sectoral Coordination



deforestation and forest degradation in the FIP and is the focus of step 2 toward transformational change. To reduce institutional coordination barriers, FIP emphasizes creating explicit and concrete arrangements for country-level management of investment plans through central coordination units and ensuring that the FIP focal point can reach high-level decision makers in relevant sectors.

These arrangements have helped establish national forest mechanisms led by the government and including actors from public sector agencies, civil society, the private sector, and multilateral and bilateral organizations, with a mandate to advise and provide oversight on policies and activities. This type of institutional coordination will help elevate FIP goals to the national level in national development strategies (e.g., five-year plans) and ensure that they are prioritized and provided with the necessary budgetary resources.

The FIP is in the early stage of country program implementation. However, national REDD+ dialogues initiated by the UN-REDD/Forest Carbon Partnership Facility (FCPF) or both, have been ongoing in some FIP pilot countries since as early as 2007, such as the DRC, Ghana, Mexico, Peru, and Lao PDR. As an initiative that supports countries' REDD+ efforts, it is vital that the FIP capitalizes on and strengthens such existing REDD+ coordination mechanisms. This is already being done in the DRC, Lao PDR, and Mexico, where FIP planning, consultations, and implementation are coordinated through these mechanisms.[73] Most Pilot Program for Climate Resilience (PPCR), FIP, and Scaling Up Renewable Energy Program (SREP) pilot countries incorporate country coordination mechanisms into their investment plans through dedicated projects managed and coordinated by a central coordination unit or shared between central or sector ministries and local project implementation teams.[74]

A FIP focal point is chosen within a government ministry to coordinate national FIP activities and is responsible for selecting FIP stakeholders and organizing coordination workshops, with the help of the lead MDB.[75] The FIP focal point is responsible for establishing a new or identifying an existing cross-cutting, multi-stakeholder, national level steering committee and needs to have the required mandate and capacity to reach high-level decision makers in key sectors. In many interviews, respondents suggested that the Ministry of Finance is often the best-placed

government agency for the FIP and other REDD+ finance. However, the finance ministry must rely on the agriculture, forestry, and environment ministries for the technical knowledge needed to conduct program activities, further necessitating the need for close coordination.

For example, in Brazil, the government decided to involve four ministries: the Ministry of Finance, where the focal point team would be based; the Ministry of Environment; the Ministry of Science and Technology; and the Ministry of Agriculture. Each ministry would be responsible for a project, of which there are currently six, not including the DGM and the investment plan development grant. To ensure coordination, the Ministry of Finance sends a representative to the FIP subcommittee meetings that take place twice a year. A separate FIP project in Brazil on institutional coordination ensures that the ministries and other stakeholders coordinate on FIP projects. This independent coordination project is a positive example for countries that are in the process of designing their investment plans, because this project designates funds specifically for coordination, helping to ensure accountability and a clear delineation of roles and responsibilities.

In Lao PDR, confusion was created when one of the FIP projects was moved between two agencies. The project was first implemented by the Ministry of Natural Resources and Environment (MONRE), which is in charge of climate change agreements, and was then moved to the Ministry of Agriculture and Forestry (MAF), which is in charge of production forests. Then the decision was made to move it back to MONRE. The changes in management caused confusion in decision making and took time to resolve, confounded by a lack of capacity within the ministries that made it difficult to manage the project successfully.

In Mexico, CONAFOR is leading the National REDD+ strategy, which the FIP portfolio is helping to support. CONAFOR, through the national REDD+ strategy, promotes coordination and synergy between different actors at national and subnational levels. CONAFOR was chosen as the lead agency because of its past work on forestry and climate change issues, and its mandate to convene other stakeholders, including other ministries that are relevant to deforestation drivers. According to one FIP stakeholder in Mexico, "The causes of deterioration of forest ecosystems are associated with diverse structural problems, many of them outside of the forest sector so that the actions are carried out with a landscape vision. In the case of Mexico's National REDD+ Strategy (ENAREDD+), a model of intervention is proposed that seeks to improve the coordination of public policies and mechanisms of intergovernmental collaboration, through the promotion of sustainable models of territorial management. In this sense, we are working to strengthen collaboration with SAGARPA and other national and state secretariats that affect the territory, mainly in the agricultural sector."[76]

Ghana's FIP implementation arrangement is integrated with the existing Natural Resources and Environmental Governance Technical Coordination Committee+ (NREG TCC+), established in 2010 to facilitate the implementation of natural resources and environment donor-funded programs. The committee is also responsible for guiding Ghana's REDD+ agenda and includes representatives of key donor agencies, the private sector, CSOs, and traditional authorities. This is an example of FIP building upon existing national coordination mechanisms that have been shown to work well, rather than creating new coordination mechanisms from the ground up.

In Peru, the Ministry of Environment (Minam) is the FIP focal point while the Ministry of Agriculture (Minagri) is the agency responsible for forests. Some stakeholders from Peru mentioned that concerns were raised over the capacity of Minam to manage FIP funds. Furthermore, climate change issues are in the jurisdiction of Minam, but the Ministry of Economy and Finance (MEF) also has a climate change unit that has been supported by the IDB.

In Burkina Faso, the Ministry of Environment has a coordinated approach for all rural development, with permanent secretaries that communicate with ministries of other relevant sectors. This implies that the government recognized early that forestry and climate change are also rural development issues. This recognition has helped prioritize funding for forestry in national budget cycles.

Additionally, cross-sectoral coordination is integral for the effective management of funds across levels of government and for FIP implementation to be consistent with FIP project design. For example, the FIP has worked with partner countries to find innovative schemes for allocating funds from the national to the subnational level. Changes in fund allocation can be made incrementally, through dialogue between national, regional, and local governments. Local governments often face perverse incentives to obtain the necessary budget for mandated activities, such as using land concessions to generate revenue from forests, which in some cases can drive illegal logging. The FIP can work with national governments to tailor project objectives to the investment priorities of local and regional bodies.

A World Bank-led FIP project in Indonesia aims to help the Kesatuan Pengelolaan Hutan (KPH) program by strengthening the capacity of local governments, community groups, and license holders to manage forests, while addressing weaknesses in legislation. The project also establishes links with small and medium enterprises and has paved the way for the KPH program to be scaled up and attract additional funding. The opportunity for dialogue between KPHs, local government, and communities fostered by the project is helping to change the mindset in Indonesia concerning local government budget allocation.

Considering Indonesia is made up of over 17,000 islands spread out over 4,000 miles, it is especially important for Indonesia to connect FIP national-level design with on-the-ground implementation. Indonesia has endeavored to decentralize its forest management through KPHs. Indonesia proposed creating these forest management units to address the issues of poor forest resource allocation, inefficient permit management, and overlapping tenure claims. Since 2008, efforts to promote KPHs have gained momentum, and KPHs are a central component of the FIP in Indonesia. KPHs are the basis for managing all forest areas and engaging in close collaboration with local government, community groups, local industries, license holders, and other stakeholders. They contribute to subnational growth and community well-being while aligning land use planning with subnational spatial plans.

However, KPHs cannot yet engage in dialogue with provincial bodies to consider forest resource management in their fund allocation decisions, due to lack of capacity. Some districts in the country receive more budget resources for forestry than others, because budget allocation is dependent on economic activity and does not consider the forest resources present in the district. For these budget allocations to appropriately reflect the value of forests in each district, forests need to be accounted for and valued.

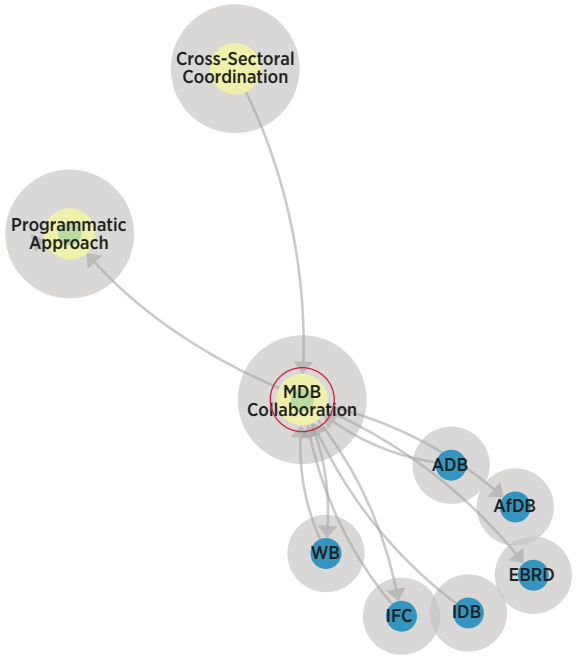
In Lao PDR, a special provision includes profit sharing from log sales within provincial agencies, even within agencies that are not related to forests. Provinces with large harvest volumes, therefore, generate more profit and have more funds to use throughout the provincial agencies. There are no subsidies or financial support from the MAF to its provincial or district forestry departments, so there is a substantial difference in budgets between provinces with large and small harvest volumes. Many of the provinces with small harvest volumes rely entirely on international assistance.

In Peru, forest policies generally are written at the national level while forest management is carried out on the regional or local level, leading to a lack of coordination across levels of government. This exacerbates the inconsistencies between laws on paper and their implementation on the ground due to lack of coordination across levels of government.

2.4. MDB COLLABORATION

The FIP programmatic approach spurs MDB collaboration (see Figure 8) based on the comparative strengths of each MDB.[77] MDB collaboration is relevant to both step 1 and step 4

FIGURE 8 Dynamics of MDB Collaboration



toward transformational change. Some MDBs stated that *"the programmatic approach allowed increased flexibility for the MDBs to collaborate."*[78] Several expressed hopes that the program development process could be changed but had differing opinions as to how. Many countries with strong programmatic features in the investment planning phase reverted to a project-oriented approach in the implementation phase.[79] The expectations for sustaining the programmatic approach were not fully aligned with the operational or incentive systems of the MDBs.[80] Several governments and CSO stakeholders said that *"MDB coordination was lacking in the implementation phase, especially regarding different reporting requirements of the borrower governments from the MDBs."*[81]

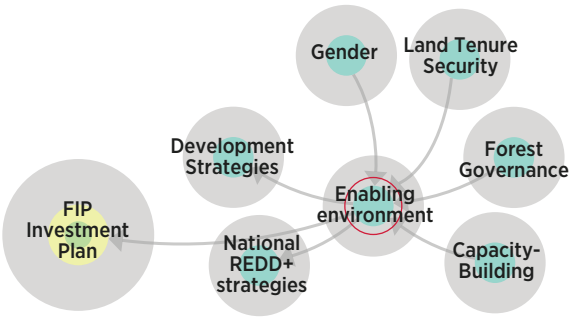
Since the initial meetings to establish the CIFs, the principle of MDB collaboration in support of country-driven investment plans has been the foundation for CIF design and implementation. MDBs play several roles—working with CIF administrative unit (AU) to facilitate the CIFs' work and with pilot countries to design, develop, and implement programs and projects, including annual stakeholder workshops and other events for the exchange of ideas. Experience to date shows the need for continued MDB engagement beyond the point of investment plan endorsement to help strengthen country institutions to undertake these tasks. MDBs engage with outside actors—bilateral development agencies and development partners–to promote co-financing. MDBs also bring extensive technical expertise and project management capabilities essential for developing and implementing CIF programs, and share experiences for integrating climate change into their regular lending and policy assistance.

2.5. ENABLING ENVIRONMENT: FOREST GOVERNANCE

Strong forest governance is the backbone of building a functional enabling environment (see Figure 9) for reducing deforestation and forest degradation and is relevant to step 8 toward transformational change. Forest governance is seen as important to FIP as exemplified through its inclusion as a monitoring indicator. Here, forest governance refers to the "norms, processes, instruments, people, and organizations that control how people interact with forests."[82] The report discusses forest governance's inclusion in the FIP investment plans primarily.

Addressing gaps and inconsistencies in forest governance also includes identifying all the drivers of deforestation, both the processes involved and the organizations and institutions responsible. The causes of deforestation and forest degradation are associated with entrenched societal and cultural norms and policies, many of them outside of the forest sector.[83] Common direct drivers of deforestation include logging, agricultural land conversion, and clearing land for human settlements, among others. Indirect drivers, such as population growth, rural poverty, or misaligned policies, are often the root cause of direct drivers. Table 2 lists the most common drivers of deforestation and forest degradation identified in FIP investment plans. (See Figure 6 in Annex E for drivers by country).

FIGURE 9 Enabling Environment Dynamics



Identifying the drivers of deforestation is the first step in helping a country outline the opportunities to address them. The investment plan could be considered a dynamic document, with the flexibility to consider changing circumstances and new opportunities.[84] The enabling forest governance environment has been generally recognized for its essential role in transformational potential and has generally been considered in FIP programming. Forest agencies have an active role to play here, but they need the support of other key ministries that are involved in planning and economic development.

Laws and regulations are essential aspects of the enabling environment and can sometimes discourage private sector involvement, undermining the private sector's ability to have an active role in the FIP. If the private sector is not actively involved in forest governance, there is no guarantee of immediate uptake of improved land management practices on the ground from project activities, which could result in the continuation of illegal practices following the conclusion of the investment project. Moving to more sustainable practices that ultimately result in sustainable or certified supply chains requires high upfront investment and transaction costs incurred by training, permitting, local authorization, new equipment purchases, or third-party verification, in which forest ministries have an important role to play.

A robust enabling environment is also very relevant to the participation of the private sector in the FIP, and the private sector itself is an essential factor in forest governance and in many countries' drivers of deforestation. However, private sector participation in both FIP and forest governance more broadly has been less than hoped for. Some reasons for this include limited interest from governments to allocate FIP financing to private sector activities and varied expectations from both the private sector and the government. According to an MDB stakeholder, except for Brazil and Indonesia, it was difficult for countries to prioritize the private sector in investment plans in the form of private sector projects or financing. Private sector challenges were especially pronounced in the FIP because, unlike ministries of energy or finance, ministries of environment are not as accustomed to involving the private sector.[85]

TABLE 2 Most Common Drivers of Deforestation and Forest Degradation

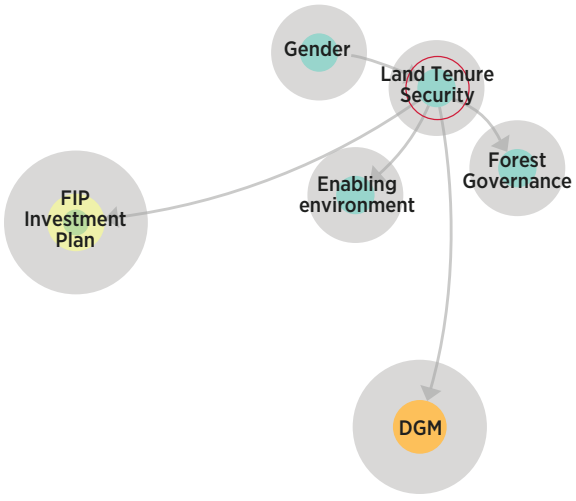
Top 6 Direct Drivers	Top 6 Indirect Drivers
Agriculture	Weak Forest Governance
Illegal Logging	Insecure Land Tenure
Legal Logging	Population Growth
Mining	Poverty
Fires	Economic Disincentives to Keep Forests
Livestock	Lack of Monitoring and Law Enforcement

2.6. ENABLING ENVIRONMENT: LAND TENURE SECURITY

Land tenure security (see Figure 10), as a component of a strong enabling environment, is an important indicator in the FIP M&E framework and as part of FIP programming and is relevant to step 8 of transformational change. Improving land tenure security was a higher priority for some countries than others as expressed in investment plans and project proposals. Only four countries linked land tenure issues to deforestation in their investment plans explicitly; however, the acknowledgment of strong land tenure's impact on reducing deforestation and forest degradation and in improving livelihoods was made consistently across investment plans.

Several interviews mentioned that land tenure rights and enforcement are crucial factors for transformational impact in FIP.[86] Many stakeholder interviews also reinforced the notion that secure land tenure for forest-dependent communities and indigenous peoples was an essential part of a strong enabling environment for FIP investments.[87] A clear land tenure framework is conducive to more effective law enforcement, local communities' participation—including women and indigenous peoples, project implementation, and a better business environment for investments in forests. Several FIP countries are supporting the promotion of secure land tenure with the help of FIP, including Mozambique, Burkina Faso, Indonesia, and Peru, among others.

FIGURE 10 Dynamics of Land Tenure Security



Numerous FIP projects support the strengthening of land tenure. Many DGM projects have a component dedicated to the strengthening of land tenure rights for indigenous and local communities, while other FIP projects are supporting the improvement and harmonization of laws relating to land tenure. There are notable gender gaps in land tenure in several FIP countries, which are often exacerbated by the lack of tenure rights for other vulnerable groups such as indigenous peoples and local communities. Enforcement of tenure rights is a component of land tenure security, which is also being strengthened by FIP projects in Lao PDR and Burkina Faso, among others.

The MozFIP endeavor is a series of projects aimed at improving the enabling environment for forest and land management. MozFIP was able to leverage co-financing from IDA. The Project Appraisal Document includes a steering committee composed of representatives from other ministerial sectors, NGOs, the private sector, development partners, and other entities, to ensure coordination and oversight.

MozFIP aims to strengthen land tenure of local communities and small and medium landholders, improve their capacity to manage natural resources, and enhance community capacity for land use management and multi-stakeholder planning. The objectives will be achieved by the land delimitation of approximately 160 communities and strengthening community-based organizations, as well as promoting the use of geospatial tools at the provincial and district levels to improve land use planning. The FIP is also supporting an innovative approach to land tenure in Ghana, according to the FIP results report.

The Burkina Faso Decentralized Forest and Woodland Management Project supports the

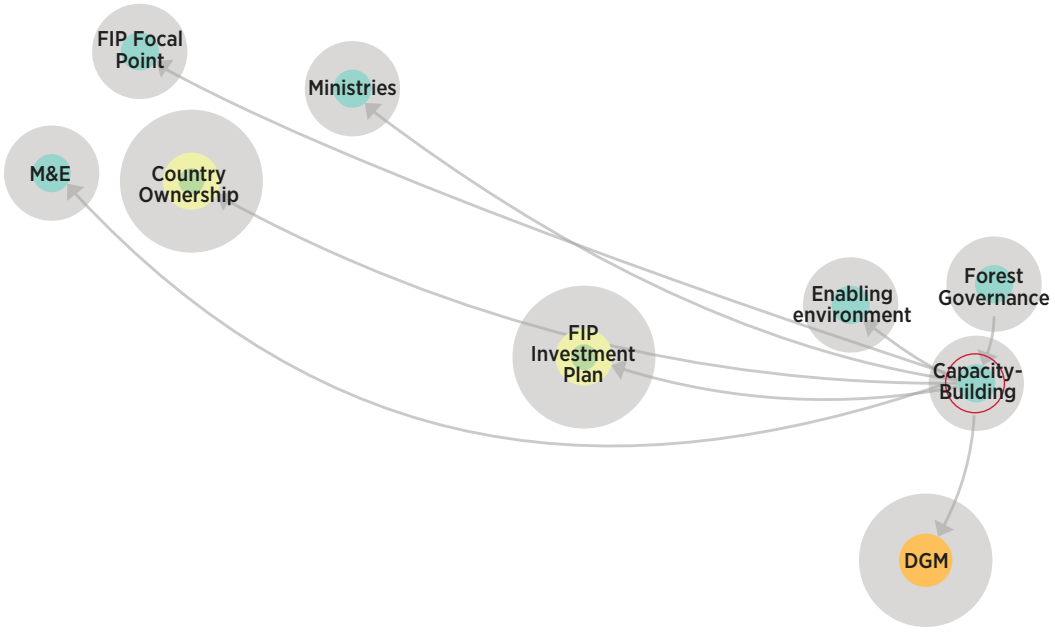
implementation of community-based natural resource management processes in 32 communes. This project complements the DGM in Burkina Faso by promoting the participation and increased capacity of indigenous peoples and local communities and supporting land tenure promotion at the national level.

The DGM in Peru helps indigenous communities in the Peruvian Amazon gain secure land tenure by funding brigades of communities that navigate the complicated and lengthy process of land titling. The project has a goal of 310 native communities recognized and at least 130 native communities and 780,000 hectares demarcated, titled, and registered with the Superintendencia Nacional de los Registros Públicos (SUNARP, the national public registry). The land tenure process in Peru often takes more than two years and is composed of more than 20 steps, with involvement from four different government ministries. An agricultural evaluation, including a soil sample and a land survey, is required to gain the title. Land tenure security is central to the well-being of indigenous communities, reducing deforestation in the Peruvian Amazon, and strengthening indigenous people's role in forestry management and decision making.[88]

2.7. ENABLING ENVIRONMENT: CAPACITY BUILDING

Capacity building is a critical component of a strong enabling environment (see Figure 11) because it ensures that those implementing FIP projects have the necessary skills.[89] Capacity building is an important component of step 8 towards transformational change. It ensures that a country has the required financial, human, technological, legal, and institutional resources. Management of the forest sector tends to be composed of complex, multi-sectoral initiatives that often require national- and subnational-level forest agencies to be skilled, well-equipped, and financially sustainable. Forest agencies should establish performance standards, codes of conduct, and internal accountability to foster capacity building. According to FIP stakeholders, a minimum level of capacity is needed within forest administration to be able to manage large investment funds, such as those provided by FIP.[90]

FIGURE 11 Dynamics of Capacity Building



The first step in FIP programming is to address capacity constraints and look for possible capacity building solutions.[91] The FIP portfolio composition demonstrates the importance of investments in capacity development and strengthening.[92] Some capacity building activities include supporting human resources and equipment for law enforcement purposes, the inclusion of local communities in decision-making processes, and capacity building to undertake social, economic, and environmental appraisals. Without addressing the identified capacity constraints, FIP investments may not have a long-lasting effect on the forests of partner countries.[93] A long-term plan for funding capacity building is needed to ensure the sustainability of investments beyond FIP.

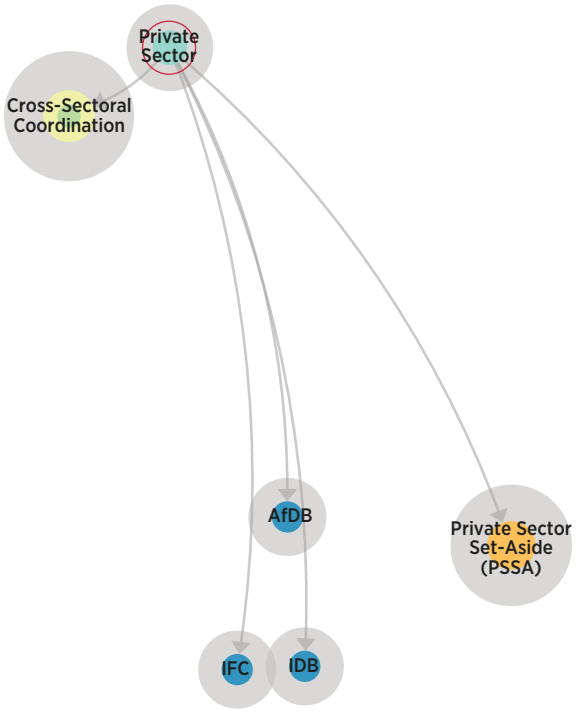
Some FIP countries have shown steps towards improving capacity within forest ministries and other ministries with forest responsibilities. For example, in Lao PDR, IDA and FIP co-financed the Sustainable Forestry for Rural Development–Scaling Up (SUFORD-SU). This project assisted in developing a set of management tools,[94] including a national forestry reporting system and monitoring and reporting systems to document management and budgets. These systems have contributed to improving the transparency and efficiency of the forest ministries and have addressed many symptoms of poor forest governance identified during project development. The SUFORD-SU project has also helped strengthen the capacity of the Departments of Forestry and Forest Inspection.

Mexico is supporting the capacity of both technical advisors in forestry and, by extension, forest communities and *ejidos*.[95] FIP in Mexico has been supporting a certification program for technical advisors to its national forestry commission that allows forest communities and *ejidos* to receive advice from qualified professional staff.

2.8. PRIVATE SECTOR ENGAGEMENT

Private sector investment (see Figure 12) in the FIP is crucial in the transfer of innovative technologies, innovative business models, and sustainable supply chains, and is an important component of step 6. Although there was no explicit goal for private sector engagement or funding, the intention to leverage private sector financing with FIP resources and thereby scale up the impact of public financing is explicit in FIP's foundational documents.[96] Specifically, "partnership with [the] private sector" is an allocation criterion (among eight others) in FIP's prioritization of investment strategies, programs, and projects eligible for FIP funding.[97]

FIGURE 12 Private Sector Dynamics



As part of its programmatic approach, FIP encouraged participation by the private sector in transforming land management and land use practices and invited private sector actors to engage during investment plan preparation, to identify potential firms with which to implement projects in line with FIP goals.

The private sector arms of MDBs are responsible for selecting a suitable partner firm to implement relevant components of FIP programming, and to monitor compliance with the social and environmental safeguards upon which funding is contingent. According to the May 2019

Semi-Annual Operational Report, $25.8 million has been allocated to private sector projects.[98] Co-financing in implementation amounts to $30 million across all FIP countries. Total approved projects in FIP amount to $533 million in funds, 5% of which is private sector funding.

The private sector stakeholders involved in FIP country programming include national and multinational agriculture companies, small and medium enterprises (SMEs), cooperatives, producer associations, and smallholders. Their involvement differs depending on many factors, including the country in which they are working, their sector, and their size.[99] Private sector actors have used various entry points in national FIP processes to get involved in the design and implementation of FIP activities.

Challenges encountered during the initial phases of FIP programming preparation led to delays in implementation. Causes of these delays, as explained later, include limited interest from governments to allocate FIP financing to private sector activities, varied expectations from the actors involved, and the perception of investments in land use practices as high risk among many private sector actors. According to an MDB stakeholder, it was difficult for many countries to prioritize private sector financing in investment plans. Private sector challenges were especially pronounced in FIP because MDBs and country governments were cognizant of the costs and concerns in designing FIP investments targeting the private sector.[100] As emerged from consultations with MDBs, the length of the process and the excessive government requirements (a focus on certain geographic locations or specific commodities) were sometimes perceived as obstacles by private actors who disengaged from the investment plan development.[101]

Private investments in land use practices, or agricultural and forest products in general, are perceived as high risk. Investments in land-based production take time to produce returns. For example, rubber trees and palm trees each take five to seven years to start producing yields, depending on soil and climate conditions,[102] and timber takes even longer. There is no flexibility to stop or shift production without incurring losses to the upfront investment for the planting of crops once the investment has been made.

Furthermore, laws and regulations pertaining to land use can discourage private sector involvement. There is no guarantee of immediate uptake of improved land management practices on the ground; this could result in continuing illegal practices following the investment project's conclusion. Moving to more sustainable practices that ultimately result in sustainable or certified supply chains requires high upfront investment and transaction costs. These costs are incurred by training, permitting, local authorization, new equipment purchases, or third-party verification. Opportunity costs associated with avoided use of forest resources also mean potential financial loss for the company.

In other instances, businesses were found to be noncompliant with environmental and social safeguards required by the MDBs. IFC's exclusion criteria applied to companies with either a poor credit record or companies that have implemented activities that led to deforestation. In Indonesia, for example, consultations revealed little interest from the private sector in participating in FIP, despite Indonesia being one of the only FIP phase 1 countries to have allocated concessional finance to the private sector in its investment plan. The exclusion criteria of the IFC prevented the identification of a suitable company, despite the hundreds of companies considered.[103] The current reality in many FIP countries is that it is difficult to find companies that are in compliance with social and environmental standards.

Unpredictability in a company's strategies and business priorities is an additional risk factor to MDBs. In Lao PDR, the main challenge for IFC consisted of the disengagement of the partner company after 1.5 years of design due to an internal decision by the company to shift its strategy toward timber exports from Lao PDR. IFC had to identify another candidate and adapt the project accordingly.

However, another project in Lao PDR supports the development of business models for

community-based reforestation of degraded and underutilized land. IFC, through community forestry partnerships with companies such as Stora Enso, aims to enhance the technical skills of farmers to improve their productivity, while mitigating climate change. The firm complies with IFC's Environmental and Social (E&S) Performance Standards and is collaborating with IFC to improve compliance with the standards. Stora Enso has concluded successful partnerships around the world and was therefore well positioned to receive FIP grant funding. In Ghana, a public-private partnership is producing certified lumber from a plantation established on degraded lands.

In Brazil, three companies, with the support of the IDB, have established a silvopastoral system for palm oil trees and cattle. This project in Brazil aims at building the first value chain for vegetable oil production without land use change. Funded through the IDB, the project is based on cooperation between the German company Innovative Oil and Carbon Solutions (INOCAS GmbH), the Paradigma Oleos Vegetais in Carmo do Paranaiba, Brazil, and the cooperative Coopatos, whose members are smallholder milk producers with 60 hectares of pasture land each, on average.

The Macauba palm tree is a native species that is more drought-resistant than other commercial varieties of palm. By integrating trees in existing pastures, plant oil will be produced without deforestation or land use change and will increase pastures' productivity by providing shade and fodder for cattle. The introduction of a new value chain, including oil, fodder, and biomass granulate will create additional income for over 200,000 seasonal workers during Macauba's October to January harvest season, usually a period of unemployment following the coffee season.

BOX 1 Innovative Approaches to Support Small and Medium Enterprises

The Inter-American Development Bank (IDB) financed a project in Mexico to provide lines of credit to small and medium enterprises (SMEs). A lack of credit among SMEs is a barrier for many community forest enterprises (CFEs, many of which are owned by indigenous communities) to access the credit and technical assistance needed for developing their businesses. This was the first FIP project with private sector involvement. It is a pioneer project with the Multilateral Investment Fund (MIF), the private sector innovation lab of the IDB that develops financing models to be replicated locally and globally.

The low private investment in forestry companies in Mexico prompted IDB to adopt a "demonstration approach" in this project to create lines of credit to show that CFE projects are viable from both a financial and environmental standpoint. Financiando el Desarrollo del Campo (FINDECA), a private financial institution in the social sector, has leveraged its experience to act as the financial intermediary. The FIP credit is then channeled through producers by means of new forest credit products developed by the project.

The design and supply of adequate financial products by private institutions like FINDECA have helped CFEs obtain credit. The use of credit in Mexican pesos, and not in US dollars, has proven to be a successful strategy. FINDECA, in coordination with the Fondo Mexicano para la Conservacion de la Naturaleza, was authorized a credit line of USD 265,000 to provide working capital for community forest enterprises to further develop sustainable projects.

This "demonstration approach" led to more coordination among ministries of agriculture and environment, which allowed the scaling back of some perverse incentives in the agriculture sector that could drive deforestation. Financial companies and national banks started to see the forest sector as a profitable business, thanks to the innovations brought about by FINDECA. Finally, the indigenous and local communities and smallholder farmers that manage forest plantations now have stable and consistent access to finance that they can use to grow their local economies further.

2.9. PRIVATE SECTOR SET-ASIDE (PSSA)

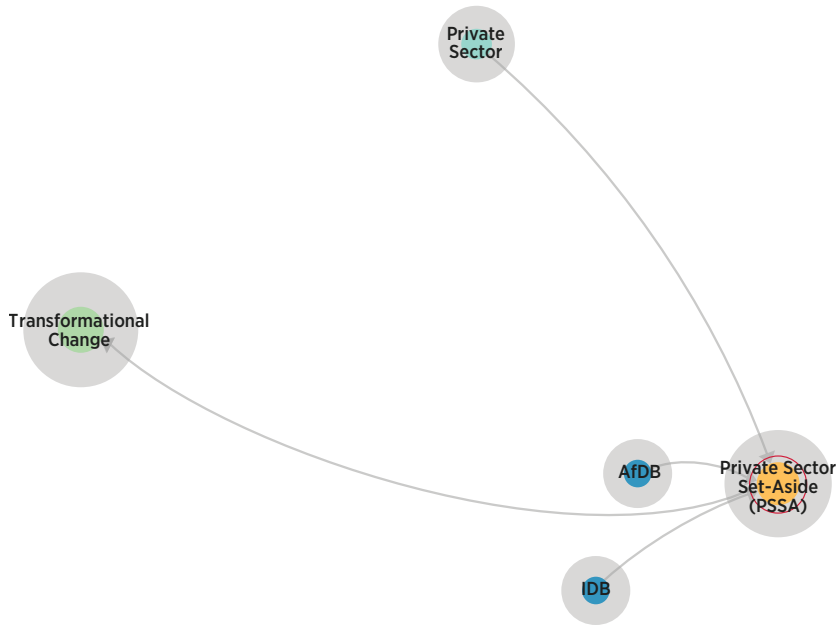
The private sector set-aside (PSSA) (see Figure 13) was designed in 2012 to boost the allocation of FIP financing to the private sector and is relevant to step 6 towards transformational change. In recognition of the challenges of private engagement through the investment plan process, and to boost the programmatic approach, the set-asides were designed to overcome several of these challenges. A funding window was provided to support private sector investments in line with FIP programming objectives through competitive allocation of concessional funding to innovative projects. The financing could be direct (through the private sector arms of the MDBs) or indirect (through the public sector arms of the MDBs). FIP concessional finance totaling $56 million was made available for the PSSA.

Overall, the set-aside mechanism did not result in a substantial increase in private sector engagement in FIP. Despite doubling the resource allocation made available to the private sector in the investment plan stage, only a few concepts were proposed and of these, even fewer were endorsed due to low innovation potential and poor design. The PSSA consists of three projects that have been approved and begun implementation, including Burkina Faso, Ghana, and Brazil, for a total of $17.3 million (less than half of the available funding).

The structure and the process of the PSSA were not well aligned with that of MDB private sector operations. The amount of resources offered through the set-aside was fairly low, therefore there were not sufficient incentives for MDBs to promote the program among clients, resulting in the low number of concepts presented.[104] Also, the limited time available to develop the concepts has been a constraint on quantity, quality, and innovation. There was confusion among project developers, country focal points, and MDBs about whether grant resources and/or local currency loans would be available to support projects under the set-aside. An assessment of several projects seeking PSSA funds is shown in Figure 20, Annex E.

Proposals have been made to address structural challenges and improve the set-aside program in its current version. In 2014 the CIF commissioned a review of the PSSA across its programs to take stock of activities and propose design

FIGURE 13 Dynamics of PSSA



BOX 2 Challenges in the Private Sector Set-Aside Funding Window

A review of the CIF Private Sector Set-Aside (PSSA) program identified four structural challenges that undermine the set-aside process:

1. The integration of the set-asides into the MDB processes was insufficient. The process is too lengthy for the limited amount of resources available. There is a need to reduce transaction costs and increase internal incentives.
2. The geographic restriction on the countries eligible to apply for the set-aside resources limits the number of high-quality project concepts submitted and accepted.
3. The terms on which resources are available, and uncertainties over those terms, create confusion among project developers, phase 1 country representatives, and some MDBs. For example, there was confusion over whether grant resources and/or local currency loans were available, and under what circumstances.
4. Potential project developers lack awareness and, in some cases, the capacity to engage effectively with the set-asides.

corrections. Box 2 summarizes PSSA program challenges. Overall, the PSSA tackles constraints related to the competitive allocation of resources based on the quality and innovation of projects, and the tensions with the limited time frame and the high burden on MDB internal processes.

Three options have been proposed to amend the PSSA to deliver forest-smart benefits more effectively:[105]

Option "A" aims to increase competition by allowing a broader range of organizations to act as intermediaries (e.g., national and other regional development banks, social entrepreneurs/impact investors, and others). This option would require a change in the CIF/FIP structure, which currently allocates resources only through MDBs.

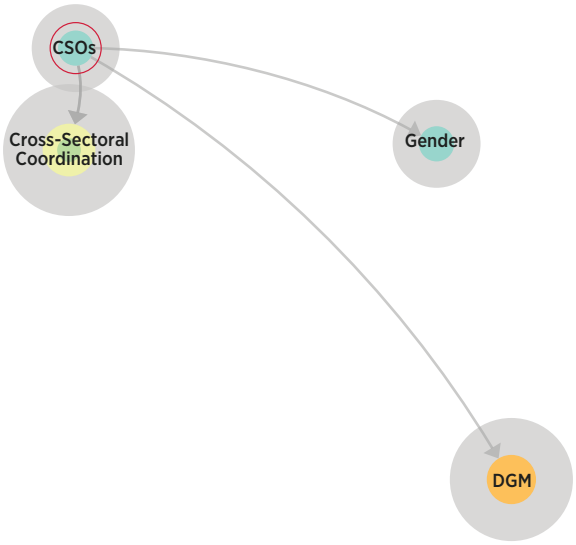
Option "B" would adopt a more programmatic approach, allowing MDBs to collaboratively identify private sector funding opportunities while the sub-committee would identify key themes of interest. This option would increase clarity and alignment of the proposals, but it would limit the competitive allocation of resources, as it would rely mainly on MDB's operational channels with a limited role for the Expert Group in the review process.

Option "C" is a compromise between options "A" and "B". By having a permanently open set-aside window, as opposed to the one-off set-aside window opened in 2013, MDBs would bring forward concepts that could be checked for quality and innovation against absolute indicators. This would remove the pressure to identify projects at a specific time while possibly expediting the review and approval process given the reduced administrative burden on the Expert Group.

2.10. CIVIL SOCIETY ENGAGEMENT, GENDER, AND SOCIAL INCLUSION

Civil society engagement (see Figure 14) and, more broadly, stakeholder engagement, are crucial to ensuring that FIP investments have been developed with multiple perspectives and build upon the collective knowledge base of all stakeholders. Stakeholder engagement is also important to step 7 and step 4 towards transformational change. Regional consultations are the first

FIGURE 14 Dynamics of Civil Society Engagement and Gender Inclusiveness



step in stakeholder engagement and help ensure a broad and inclusive dialogue process. Most FIP countries held regional consultations with a variety of stakeholders in attendance from the start of FIP programming. From 2010 to 2013, during the preparation of the eight phase 1 investment plans, at least 17 organizations and 989 stakeholders were represented.[106] During the investment plan preparation of the 15 phase 2 countries, at least 3,772 stakeholders were consulted.[107] Civil society organization (CSO) observers have stated that stakeholder engagement in FIP has improved over time, and the process could be adapted by other funds.[108]

Brazil held a set of informational workshops in Brasilia, (a central location for many Cerrado inhabitants), prior to the consultations, but did not include other locations. Burkina Faso did not hold regional consultations but did compensate participants for travel expenditures to the capital. Tunisia, a phase 2 country, had never held stakeholder consultations on forests before. During FIP investment plan development, for the first time, a wide range of stakeholders gathered and collectively set priorities for the forest sector, which resulted in a novel multi-sectoral approach to forests in the investment plan.[109]

Civil society involvement in consultations also depends on the network and capacity of the CSO focal point to convey information to other FIP country stakeholders.[110] An engaged regional CSO observer will drive broad civil society and indigenous peoples' participation during FIP programming. A high level of information flow from the CSO observer to national civil society groups is crucial for greater awareness of consultation dates and locations.

For example, during consultations in Indonesia, where there is a strong network among the CSO focal point and local communities, stakeholders were able to express their concern that many drivers of deforestation would not be properly addressed in FIP programming. An interviewee mentioned that many community members were concerned that an influx of money to the government agencies managing forests in Indonesia would merely increase the level of corruption and result in harms to local communities and indigenous people.[111]

The FIP CSO observer and focal point for Latin America is located in Peru and has a good relationship with the active indigenous organizations in the country.[112] Many indigenous groups and other stakeholders expressed interest in guiding the direction of the Peru investment plan, after what they believed was a process that did not effectively engage stakeholders. These stakeholders requested the titling of indigenous and community lands in the Amazon as a precursor to the implementation of FIP programming, and to link comprehensively with the DGM to ensure that REDD+ results-based payments would be fairly distributed to the land's traditional occupants. Peru was delayed in its investment plan development, but increased consultation ultimately resulted in a more inclusive process, according to stakeholders.[113,114]

Several interviewees stated that DGM is one of the most innovative aspects of the FIP. The structure of the DGM calls for implementing sub-projects across the areas prioritized in the investment plan. According to some DGM stakeholders, the FIP has given indigenous peoples more voice in the government and has added credibility to some of their priorities.[115]

The representation of women in consultations and planning for the FIP has consistently been lower than that of men. Only seven investment plans disaggregated participation in consultations by gender; in these cases, participation of women in consultations was less than half, ranging from 42 percent to 5 percent (Figure 14 in Annex E). Only Burkina Faso, Cambodia, Ecuador, Ghana, Guatemala, and Zambia had a gender focus in project activities, such as providing support for women-owned cooperatives or providing a platform for women to be involved in decision making in the forest sector. Of those six countries, only Burkina Faso, Ghana, and Guatemala have received funding to implement their investment plans. However, there are several FIP projects with a strong gender component, including the Forest and Climate Change project in Mexico, which aimed to reduce barriers to women's participation by taking an institutional approach and supporting gender inclusion through the planning, budgeting, and monitoring of activities.[116]

There is a particular focus on gender in DGM projects, and a majority of the current DGM projects have a gender quota, either in the number of women-led projects or the amount of money designated for women-led projects.[117] Other DGM projects have a gender focus included as a project selection criterion.[118] Certain DGM countries have more women beneficiaries than men, and have led to the development of female entrepreneurial activities, from women led woodworking in Mexico to Shea butter production in Burkina Faso.

Although it is not mandatory to include a gender focus in project activities, it is encouraged in the FIP design documents to take gender considerations into account.[119] Almost all investment plans mentioned women as a vulnerable group or mentioned the inclusion of women throughout the report but did not often discuss gender considerations in detail. For this reason, counting the number of times gender was mentioned in an investment plan was considered a good measure of how thoroughly an investment plan covered gender.

2.11. MONITORING AND INFORMATION SHARING

The FIP Monitoring and Reporting (M&R) system (see Figure 15) relies on four principles: country ownership; a participatory approach; the use of mixed methods; and learning by doing.[120] The FIP M&R system is part of step 8 towards transformational change. The FIP M&R toolkit is composed of several common indicators, including GHG emission reductions, livelihood co-benefits, biodiversity and other environmental services, governance, tenure rights and access, and capacity development. Like the consultation process within the FIP, the use of the FIP M&R system is said to be time intensive but helps ensure commitment to an inclusive and programmatic process, by allowing for further MDB collaboration as well as sharing lessons learned among stakeholders.[121] The FIP country

FIGURE 15 Monitoring and Information Sharing Dynamics

BOX 3 Burkina Faso Uses Technology to Identify Gaps and Find Solutions

In Burkina Faso, FIP is supporting the creation of land use schemes with TerriStories®, an innovative methodology that empowers local actors to identify local challenges and come up with collaborative solutions[a]. There are other methods of using technology to monitor and share information more effectively, and many of these methods[b] allow local communities to be responsible for the use of this technology, which helps to fill gaps in monitoring capacity from government agencies.

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a. FIP (Forest Investment Program). 2017b. "FIP Operational and Results Report." CIF, Washington, DC. https://www.climateinvestmentfunds.org/sites/default/files/meeting-documents/fip_19_3_orr_1.pdf

b. Many of these methods are mobile phone–based and include Sapelli, POI mapper, Open Street Map, and Rainforest Connection. A new app called Forest Watcher allows users on the ground to access data from Global Forest Watch offline to see if satellites detect deforestation nearby. The GLAD system, also from Global Forest Watch, has prevented illegal activities in the Peruvian Amazon and has allowed local communities to defend their lands. These systems have been used in Brazil, Ghana, and Indonesia, and many have plans of scaling to other countries.

focal point also has an integral role in the M&R system. The FIP M&R toolkit has been recently revised and improved to most effectively guide countries in their monitoring and reporting.[122]

The first step in monitoring is choosing a set of indicators as part of a country's results framework to provide a roadmap for monitoring and assessing the investment plan. Monitoring and reporting on the investment plan assures that the FIP portfolio is assessed programmatically, providing the base for continued programmatic approaches. The results framework serves as the foundation of the M&R system. Results frameworks are designed to be flexible and composed of themes, including reducing greenhouse gas emissions, enhancing institutional capacity, improving land tenure, and reducing biodiversity loss, among other livelihood co-benefits.[123]

Countries differ in their implementation of monitoring indicators. For example, Peru included monitoring in project components, and aims to set up a national forest monitoring system in real time with the help of FIP.[124] One of the FIP projects implemented by the World Bank is dedicated to improving monitoring systems for forest fires in the Cerrado in Brazil.[125] This project is built on the work done by the National Institute for Space Research (INPE) on monitoring forest fires (For more information on what countries included in their results frameworks, see Annex E).

There is significant potential to harness information communication technology (ICT) to modernize forestry work in spatial planning, timber tracking, chain of custody, forest cover monitoring, and forest information systems. Examples of ICT in FIP countries include the Smart Phone Information Reporting and Intelligence Tracking (SPIRIT) system in Lao PDR to monitor illegal logging and the use of drones in Burkina Faso to monitor forest cover in partnership with an AfDB implemented FIP project.[126]

2.12. THE DEDICATED GRANT MECHANISM

The Dedicated Grant Mechanism (DGM) is a mechanism within the FIP that directly allocates funds to indigenous people and local communities (IPLC), and is the only mechanism in the CIF, or in REDD+ that directly involves IPLC. The DGM will be explored more deeply in a separate report because it is executed by a separate entity. Discussion of the DGM mechanism began in 2009, and the first DGM project was approved in 2015.[127] The Saweto DGM in Peru, for example, will invest in integrated forest landscape management in regions that are particularly vulnerable to deforestation and have the potential to produce the most social and environmental co-benefits.

Many of the lessons learned for the DGM mirror those of the FIP. There are complexities with the governance of the DGM as well as unclear coordination mechanisms between the Global Steering Committee (GSC), Global Executing Agency (GEA), World Bank TTLs, and the FIP, among others.[128] Other issues are more specific, such as the lack of funding for National Executing Agency (NEAs) to participate in meetings, and a lack of translation and interpretation needs met between the GEA and the GSC members. Gender equality continues to be an unmet goal.

However, the DGM is innovative in a few respects. The DGM is a unique global mechanism in that it is one of the few MDB mechanisms that transfers funds to an executing organization instead of a borrower country government. Community driven development has been practiced since 2000 in many country governments, but never before at a global scale.[129] The DGM provides funding directly to indigenous peoples and local communities to design and implement FIP pilot projects. These projects must fit the context of the investment plan but can range from expanding traditional forest management systems to strengthening land tenure systems on indigenous lands.

There was a Learning Review of the DGM in early 2019 that showed the DGM has been leading to broader and potentially more transformational impacts than its initial theory of change had predicted.[130] The review found that sub-projects were so far meeting community needs, bringing improved technical capacity, and resulting in greater inclusion of marginalized groups. It also found that there were improved outcomes on land rights, and natural resource management and income-generating activities. In terms of outcomes for the implementers of the DGM (including the NEAs, the GEA, and the World Bank), the report found that the DGM has led to improved relationships with IPLCs, but that there is a reputational risk if the implementation of projects takes longer than expected.

According to the 2019 Annual Report of the DGM, there are 13 DGM country projects, and nine of those have been approved by both the FIP and the World Bank, including the Global Learning and Knowledge Exchange.[131] There have been more than 427 sub-projects and micro-projects implemented by the DGM, with more than 200,000 beneficiaries. The DGM has reached a crucial juncture where new funding will soon be needed. Many country DGM programs have expressed interest in sourcing their own funding going forward, but it should be acknowledged that any breaks in funding may represent a challenge in maintaining the motivation and trust of communities that are important for the DGM to continue to operate successfully.[132]

EARLY LESSONS AND RECOMMENDATIONS

3

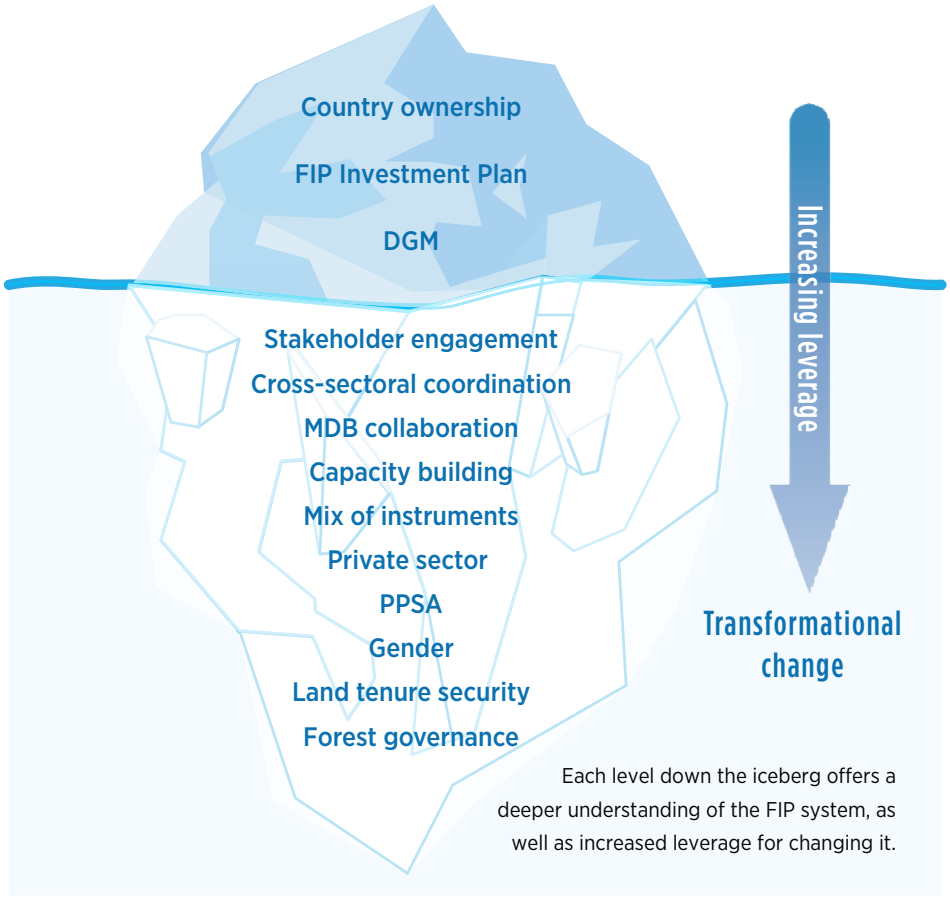
One of the main supporting objectives of the Forest Investment Program (FIP) is transformational change *to invest in Reducing Emissions from Deforestation and Forest Degradation (REDD+)* countries to reduce global deforestation and carbon emissions while recognizing the values of forests to both ecosystems and people. The application of a systems thinking approach in this report aimed at understanding the FIP systems as a whole, and to illustrate how various elements within a system influence one another, instead of reacting to individual problems that arise within the system. This report highlights that most of the constraints on achieving a transformational change are influential challenges rather than purely technical problems. That does not mean that there are no technical problems in the program. However, to achieve transformational change on a large scale, dealing with influential challenges is critical.

Systems thinking provides a way to understand adaptive challenges. Often, underlying problems are far removed from the initial symptoms that are observed (see Figure 16). This means that we will not see them unless we dedicate reasonable resources and expertise to understanding the system. Systems thinking provides analytical tools and a way of seeing problems that can help further understanding of the system. As such, it can make a significant contribution to problem identification and context assessment when designing forest-related programs. This report has applied a systems thinking approach to understand the FIP program as a whole, as it is vital to have a high degree of understanding of how systems work and where leverage points exist within the system.

A greater understanding of systems in the FIP and how they interact helped to illustrate interventions that bring long-term change to how the FIP system operates. A crucial part of systemic change in the FIP is a change in the relationships between elements and underlying factors to achieve transformational change.

DEVELOPMENT OF AN INVESTMENT PLAN The FIP investment plan provided a platform for policy dialogue that aims to incorporate multiple sectors. Investment plans that integrated sectors beyond forestry, such as agriculture, rural development, mining, and others created a more holistic picture of the challenges and opportunities in reducing deforestation. Although many FIP countries could explain the challenges facing forests in a multi-sectoral manner, not all were able to design multi-sectoral investment projects. Because of this, not all FIP

FIGURE 16 FIP Iceberg Model



programming is cohesive with national policies or across a country's FIP portfolio.[133] The investment plan, as the cornerstone of the FIP, can help integrate forests into the development framework of each country, and lead to transformational impact.

COUNTRY OWNERSHIP Overall, the FIP has enabled countries to take ownership over their investment plan by clearly stating their priorities for reducing deforestation, ensuring that they are included in cross-sectoral policy making. This inclusion of strategies to reduce deforestation in cross-sectoral policies could help lead to long-term engagement among the forestry sector and others. For example, the development of the Brazil investment plan was led by the Ministry of Finance, a powerful actor within the Brazilian federal government, which brought the Agriculture, Environment, and Science and Technology Ministries together in a novel inter-ministerial arrangement. This helped elevate the forest agenda to high levels of government within Brazil.

It is crucial to establish responsibility for drafting the FIP investment plan. In cases where the government is relying on external consultants, close collaboration with key government staff at every phase of the process is needed so that FIP programming is fully supported and owned by the government agencies responsible for their implementation.

CROSS-SECTORAL COORDINATION The FIP experience shows that country coordination arrangements differ based on a country's existing institutional capacity, the focus of the program, private sector engagement, and the number of institutions and agencies involved.

In countries where these mechanisms are in place, the preference is to build on existing structures as opposed to creating new arrangements. The placement of the FIP focal point in the right government ministry, one that has the authority, resources, and mandate to address the relevant drivers of deforestation and forest degradation while bringing together stakeholders, can make a significant impact on the success of FIP programming. Additionally, it is crucial to delineate the roles and responsibilities of each institution clearly and accurately during the investment plan development phase, as well as to establish accountability measures for each role. Awareness of FIP investments throughout government ministries, especially within the finance ministry, is a crucial factor in FIP success.

MULTILATERAL DEVELOPMENT BANK (MDB) COLLABORATION MDB collaboration was found to be useful during the investment plan development phase, however there was often less collaboration during the implementation phase. Leveraging the strengths of each MDB can allow for more efficient collaboration in national FIP programming. MDB focal points play a critical role in strengthening MDB collaboration. Thus, an agreement between MDBs at the outset on roles, responsibilities, and an overall approach will lead to better outcomes. When initiating preparation of investment plans in a country, MDBs should meet at the outset to agree on roles, division of tasks, and an overall approach–set by the government–for the use of CIF resources. Experience shows that a clear division and attribution of roles and responsibilities among MDBs leads to better cooperation and better outcomes. MDBs should jointly inform governments how the Climate Investment Funds (CIF) process works and clearly explain to governments their options for accessing and utilizing CIF resources, including the ability to tap resources to support private sector investment.

ENABLING ENVIRONMENT: FOREST GOVERNANCE The enabling forest governance environment has been recognized for its essential role in transformational potential and has generally been considered in FIP programming. At the highest levels of government, there should be recognition of the transformative potential of FIP investments, complemented by an overall acknowledgment of the contribution of forestry to the economy. Not accounting for the total value of forest products and services and failing to produce adequate data on the contribution of forests to gross domestic product (GDP) and community livelihoods usually results in undervaluing forests and forest resources.

Common direct drivers of deforestation included in the FIP investment plans are logging, agricultural land conversion, or clearing land for human settlements, among others, while indirect drivers such as population growth, rural poverty, or misaligned policies are often the root causes of direct drivers.

ENABLING ENVIRONMENT: LAND TENURE SECURITY Many countries focused on improving land tenure security and enforcing rights through FIP programming and specifically the Dedicated Grant Mechanism (DGM), to support a strong enabling environment for reducing deforestation and forest degradation. Numerous FIP projects support strengthening land tenure, and many DGM projects have a component dedicated to strengthening those rights for indigenous and local communities. However, only four countries linked land tenure issues to deforestation in their investment plans. Other FIP projects support the improvement and harmonization of various laws and enforcement of tenure rights.

ENABLING ENVIRONMENT: CAPACITY BUILDING The FIP portfolio composition demonstrates the importance of investments in capacity development and strengthening. FIP capacity building activities include supporting human resources and equipment for law enforcement purposes, including local communities in decision-making processes, and capacity building to undertake social, economic, and environmental appraisals. For example, Lao PDR has taken steps toward improving capacity within forest ministries, which contributed to improving the transparency and efficiency

of the forest ministries and addressed many symptoms of poor forest governance identified during project development. In Mexico, capacity support was provided to both technical advisors in forestry and by extension forest communities and *ejidos.*

Making the case to ministries at the national and provincial levels that local forestry offices need support requires evidence and data as well as demonstrated potential through local pilot projects that have shown results. As more FIP projects conclude, there will be more results at the local level that will help support implementing projects at regional and local levels and contribute to the improved capacity of local and field staff.

PRIVATE SECTOR ENGAGEMENT Private sector engagement in FIP did not occur to the extent envisioned, due to varied expectations from both government and the private sector, noncompliance with social and environmental safeguards, and the perception of investments in land use practices as high risk from many private sector actors. Despite a few successes, the private sector is often referred to as the "missing player" in the global forest investment arena. Minimizing private sector investment risks was one reason for FIP to actively engage in direct private financing to spur first movers and push for the further leveraging of resources. Agriculture remains the largest driver of deforestation, and therefore interacting with big agribusinesses is an essential pathway to reducing deforestation. In each successful case, private sector involvement is tailored to the needs of the forest sector in the country context. By removing barriers that prevent small and medium enterprises (SMEs) and community-based enterprises from accessing finance, projects were developed to connect agriculture and forestry from a landscape perspective and, in the case of Mexico, contributed to balancing public incentives for agriculture and forests. International Finance Corporation (IFC) and Inter-American Development Bank (IDB) have designed interventions focusing MDB and government attention on forest-smart interventions in agribusiness.

Private sector participation in both FIP and forest governance more broadly, has been less than hoped for. Some reasons for this include limited interest from governments to allocate FIP financing to private sector activities and varied expectations from both the private sector and the government. Private sector challenges were especially pronounced in FIP because, unlike Ministries of Energy, Ministries of Forestry are not accustomed to involving the private sector.

CIVIL SOCIETY ENGAGEMENT AND GENDER INCLUSIVENESS Civil society engagement has improved over the lifetime of FIP and has resulted in more inclusive and representative FIP programming, but engagement and participation of women could be improved. Outcomes of the DGM for the World Bank include improved relationships with indigenous peoples and local communities (IPLCs), improved IPLC acceptance of FIP projects, and more IPLC engagement with REDD+.[134] This improved engagement with and acceptance of FIP projects is helping foster a mutually beneficial relationship, leading to more meaningful engagement long-term. Civil society organization (CSO) engagement in FIP is a positive example for other climate funds for its high level of flexibility and transparency.[135] CSO observers have stated that stakeholder engagement in FIP has improved over time, and other funds could adapt the process.[136] FIP has been able to benefit from joint consultations for Forest Carbon Partnership Facility (FCPF) readiness, which has also helped improve coordination between the two funds. DGM is one of the most innovative aspects of the FIP, as the structure of the DGM calls for the implementation of sub-projects across the areas prioritized in the investment plan. According to some DGM stakeholders, the FIP has given indigenous peoples more voice in the government and has added credibility to some of their priorities. Regarding gender, the representation of women in consultations and planning for the FIP has consistently been lower than that of men. Almost all investment plans mentioned women as a vulnerable group or

mentioned the inclusion of women throughout the report but did often not discuss gender considerations in detail. Overall, stakeholders achieve more by working in a programmatic manner than they would have achieved individually, which also builds the foundation for meaningful long-term engagement.

MONITORING AND INFORMATION SHARING FIP countries differed in their implementation of monitoring indicators. For example, Peru included monitoring in project components and aims to set up a national forest monitoring system in real time with the help of FIP.[137] One FIP project implemented by the World Bank is dedicated to improving monitoring systems for forest fires in the Cerrado in Brazil.[138] It was observed that FIP has a significant potential to harness ICT to modernize forestry work in spatial planning, timber tracking, chain of custody, forest cover monitoring, and Forest Information Systems. Examples of ICT in FIP countries include the Smart Phone Information Reporting and Intelligence Tracking (SPIRIT) system in Lao PDR, which monitors illegal logging, and the use of drones in Burkina Faso to monitor forest cover, in partnership with an African Development Bank (AfDB)–implemented FIP project.[139] The monitoring and reporting system of the FIP has been improved over time and can help assess the level of programmatic approaches being taken. A clear results framework can help guide monitoring and reporting towards FIP goals.

PRIVATE SECTOR SET-ASIDE (PSSA) The private sector set-aside was created to revive private investments in FIP programming but was not as useful as hoped in spurring more private sector engagement due to short deadlines for concept proposals and misaligned expectations. The structure and process of the PSSA were not well aligned with those of MDB private sector operations. Additionally, the resources offered through the set-aside were fairly low, and there were not sufficient incentives for MDBs to promote the program among clients, resulting in the low number of concepts presented. Also, the limited time available to develop the concepts has been a constraint on quantity, quality, and innovation.

Furthermore, confusion was registered among project developers, country focal points, and MDBs about whether grant resources and/or local currency loans would be available to support projects under the set-aside. The internal contradiction within the existing model is in its intention to allocate resources competitively while placing structural limitations on the level of competition.

3.1. CONCLUSION

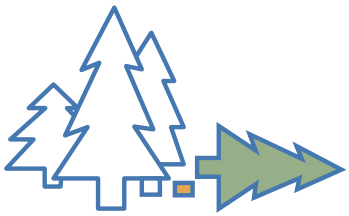
This report has demonstrated that observing the FIP system in many situations provides early lessons from its design and implementation that potentially will contribute to transformational change in a country. The nature of the forest sector is increasingly complex, and the application of systems thinking across the program provides an opportunity to distill the scale and the depth of our impact.

It has been recognized that transformational change is dynamic and unpredictable, and that incremental change represents a valuable contribution in progressing toward future cumulative transformational change.[140] However, as discussed in Chapter 2, there are already numerous signs of steps toward transformational change in the design and early implementation of the FIP.

It is important to note that the timescale of transformation depends highly on the sector and the market context in question.[141] Avoiding bias towards projects that offer early wins and ensuring sufficient resources and realistic expectations for projects addressing more complex and long-term barriers is an important consideration for transformational change.[142]

The adaptive capacity of a program such as FIP to learn from past mistakes and build on past successes will prove to be a critical factor in transformational change. It should be recognized that one-size-fits-all solutions, while tempting,

do not work in a sector as complicated and interconnected as forestry. Possibly the most important lesson for FIP is learning when and how all FIP participants can best collaborate, including fostering collaboration among MDBs, government agencies, the private sector, and forest-dependent peoples. Furthermore, FIP should actively seek to pair investment funds with technical assistance that allows barriers to be addressed, or actively partner with other initiatives that are doing so.[143] Although collaboration is unequivocally more difficult than working alone, the synergistic benefits from the truly effective collaboration will result in sustainable transformational change for people and the forests that all depend on.



ANNEXES

ANNEX A - KEY TERMS

Agent of change — someone who is able to have a particularly important role within an organization or project due to their position or experience.

Civil society — the "third sector" of society, along with government and business. It comprises civil society organizations and non-governmental organizations.

Co-benefits of climate change mitigation — positive benefits such as poverty reduction or improved air quality related to the reduction of greenhouse gases as defined in the 4th Assessment Report of the Intergovernmental Panel on Climate Change.

Co-financing — when two or more institutions contribute financing to a country or project.

Community-driven development — an approach in which community groups have control over planning decisions and investment resources for local development projects.

Concessional finance — loans extended on more generous terms than market loans. The concessionality is achieved either through interest rates below those available on the market or by grace periods, or a combination of these. Concessional loans typically have long grace periods.[144]

Demonstration approach — involves showing by reason or proof, explaining, or making clear by use of examples.

Development paradigm — based on the concept of well-being that can help define public policy but does not embody a set of prescriptions.

Ecosystem services — ecosystem services are grouped into four broad categories: provisioning, such as the production of food and water; regulating, such as the control of climate and disease; supporting, such as nutrient cycles and crop pollination; and cultural, such as spiritual and recreational benefits.[145]

Ejido — a system of communal land tenure in Mexico.[146]

Executing agency — the organization directly managing a project.

FIP Sub-Committee — responsible for overseeing the operations and activities of the program and is made up of 6 representatives from FIP contributor countries and an equal number of representatives from FIP partner countries.

Forest smart — taking a comprehensive look at landscapes to understand how forests are being affected by activities in other sectors, and how to enhance the benefits that we derive from forests.[147]

Indigenous peoples — inheritors and practitioners of unique cultures and ways of relating to people and the environment.[148]

Land-use planning — the scientific, aesthetic, and orderly disposition of land, resources, facilities and services with a view to securing the physical, economic and social efficiency, health and well-being of urban and rural communities.

Multi-sectoral approach — refers to collaboration among various stakeholder groups (e.g., government, civil society, and private sector) and sectors (e.g., health, environment, and economy) to jointly and synergistically achieve an outcome.

Opportunity cost — the loss of potential gain from other alternatives when another alternative is chosen.

Programmatic approach — has four main features, including country ownership, an appropriate mix of policy instruments, a cohesive financial architecture, and long-term engagement. In the context of the FIP the programmatic approach is especially relevant for MDB collaboration, the multi-sectoral approach, and stakeholder engagement throughout FIP programming.

Transformational change — defined by The Transformational Change Learning Partnership as "Strategic changes in targeted markets and other systems with large-scale, sustainable impacts that accelerate or shift the trajectory toward low-carbon and climate-resilient development."[149] For the purposes of the FIP, transformational change can be defined as "Systemic and long-lasting changes that drive reductions in deforestation and forest degradation while leading to increased livelihood co-benefits and poverty reduction at scale."

ANNEX B - COUNTRY GROUPINGS

GROUPING 1 — PHASE 1 VS PHASE 2

Phase 1

Burkina Faso*
Brazil
Democratic Republic of Congo*
Ghana*
Indonesia
Lao PDR*
Mexico
Peru

Phase 2

Bangladesh*
Cambodia*
Cameroon*
Côte d'Ivoire*
Ecuador
Guatemala
Guyana*
Mozambique*
Nepal*
Republic of Congo*
Rwanda*
Tunisia
Uganda*
Zambia*

*IDA Countries

GROUPING 2 — BY REGIONS

West Africa

Burkina Faso
Ghana
Côte d'Ivoire

Central Africa

Cameroon
DRC
Republic of Congo

East Central Africa

Uganda
Rwanda

Southern Africa

Mozambique
Zambia

Central America/ North America

Guatemala
Honduras
Mexico

South America

Guyana
Brazil
Ecuador
Peru

MENA

Tunisia

South Central Asia

Nepal
Bangladesh

South East Asia

Cambodia
Lao PDR
Indonesia

GROUPING 3 — BY FUNDING

Received funding

Burkina Faso
Brazil
Côte d'Ivoire
DRC
Ecuador
Ghana
Guatemala
Indonesia
Lao PDR
Mexico
Mozambique
Nepal
Peru
Republic of Congo

Didn't receive funding

Bangladesh
Cambodia
Cameroon
Guyana
Honduras
Rwanda
Tunisia
Uganda
Zambia

GROUPING 4 — BY FOREST COVER AND POPULATION DENSITY/ DEFORESTATION RATE

High forest cover, high deforestation rate: (over 9 million hectares of forest)

Cambodia
Cameroon
Côte d'Ivoire
Ecuador
Ghana
Indonesia
Mozambique

High forest cover, low deforestation

DRC
Guyana
Lao PDR
Mexico
Peru
Republic of Congo
Zambia

Low forest cover, high deforestation (under 9 million hectares of forest)

Brazil Cerrado
Burkina Faso
Guatemala
Honduras
Rwanda
Uganda

Low forest cover, Low deforestation

Bangladesh
Nepal
Tunisia

ANNEX C - INTERVIEW QUESTIONS

GENERAL QUESTIONS

- Could you explain your role in the FIP? Which countries were you involved with? What has your experience been with other IP development processes?
- Do you see any parallels from your experience that translates to other FIP countries?
- Do you think there are opportunities to align FIP better with other Multilateral Development Bank (MDB) projects? Or certain mechanisms of lending?
- Do you think there has been effective coordination across MDBs and bilateral partners in the FIP pilot countries? What about coordination with REDD+ activities in general?
- How can FIP ensure more attention is paid by the government to the forest sector in FIP pilotcountries?
- What do you think were the biggest problems in FIP? How could these be fixed going forward? What should new FIP countries do differently?
- How many consultations did you attend in preparation for other countries investment plans?
- What do you think are some best practices for consultations?

CSO SPECIFIC QUESTIONS

- As a FIP CSO observer, do you have any reflections on how FIP has changed over time?
- Do you have advice for CSOs in other countries that will be going through this process in the future?

MDB SPECIFIC QUESTIONS

- What do you think of the programmatic approach?
- How would you define the transformational approach? What does it mean to you?
- What are your experiences with MDB coordination?
- How did you engage other stakeholders in the development of the IP?

PRIVATE SECTOR SPECIFIC QUESTIONS

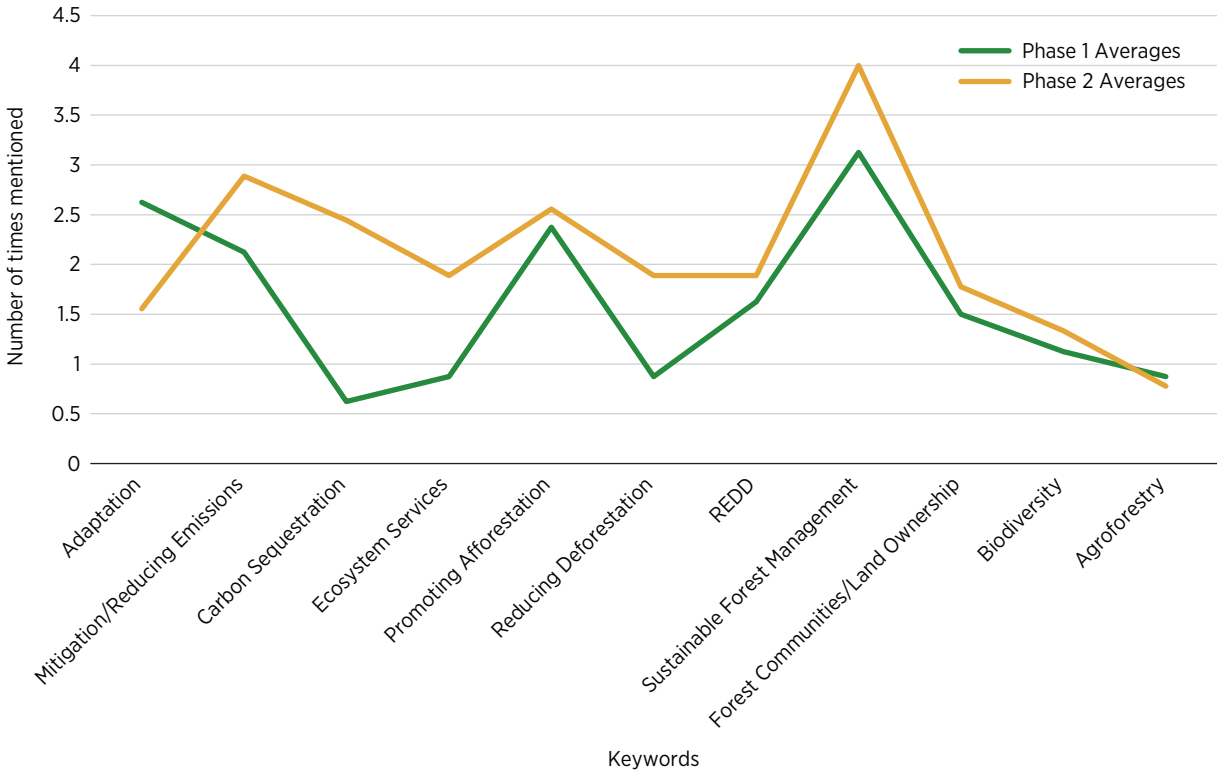
- What is a reasonable timeline for engaging the private sector?
- Are there any examples of effective private sector engagement that FIP can look to?
- How did the Private Sector Set Aside work?

ANNEX D - NDC ANALYSIS

FIGURE 1 Ghana and Côte D'Ivoire NDC Comparison

	Ghana	Côte D'Ivoire
Commitments	Support enhancement of forest carbon stocks through 5,000 ha per annum enrichment planting and enforcement of timber felling standards	Sustainable forest management and targeting 20 % forest cover in the National Forest Code in 2014
Funding Requests	0	0
Adaptation	0	0
Mitigation	5	0
Carbon Sequestration	5	1
Ecosystem Services	9	0
Afforestation	4	2
Reducing Deforestation	4	1
REDD+	2	2
Sustainable Forest Management	7	5
Forest Communities/Land Ownership	3	0
Biodiversity	5	2
Agroforestry	3	0
Soil Management	4	0
Indigenous Forest Communities	0	0

FIGURE 2 Forest Language in NDCs



ANNEX E - INVESTMENT PLAN COUNTRY COMPARISONS

FIGURE 3 Investment Plan Assessment Framework

Indicator	Sub-Indicator
Drivers of Deforestation	
	Indirect in investment plan
	Direct in investment plan
	Indirect in project proposals
	Direct in project proposals
Placement of GHG reductions in results framework	
Number and sector of ministries involved in FIP	
REDD+ Strategy status	
Time taken	
	To submit investment plan
	For endorsement of investment plan
	For first project approval in reality vs in investment plan
List of MDB activity for all implementing MDBs	
List of other bilateral and multilateral initiatives	
List of relevant national policies to proposed FIP programming	
Co-financing estimates in IP	
	Per project
	Per component
	With sources of co-financing
Reference to FAP (in IPs after 2016)	
FIP coordination body explicitly described	
Proposed project dedicated to governance	
Proposed project dedicated to private sector	
Law enforcement mentioned?	
Law enforcement addressed?	
Stakeholder engagement	
	Process described?
	Feedback from consultations included?
	Number of organizations/stakeholders represented
	Regional consultations?

(*continues on next page*)

FIGURE 3 Investment Plan Assessment Framework (*continued*)

Indicator	Sub-Indicator
Women's involvement	
	Number of times gender mentioned in IP
	Percent of women in consultations
	Gender component in any of the projects?
Information dissemination	
	Included in results framework
	Included in consultations
	Existing strategy
Conflict resolution mechanism status	
Benefit sharing	
	Mentioned how many times?
	Where in the investment plan?

FIGURE 4 Information Dissemination

Country	Included in Results Framework?	Included in Consultations?	Existing Strategy?
Bangladesh		x	x
Brazil	x		
Burkina Faso	x	x	
Cambodia	x		
Cameroon		x	
Côte D'Ivoire		x	
DRC		x	
Ecuador		x	x
Ghana	x		
Guatemala	x		x
Indonesia	x		x
Lao PDR	x	x	
Mexico	x		x
Mozambique		x	
Nepal			x
Peru		x	x
Republic of Congo		x	x
Rwanda	x	x	x
Tunisia	x		x
Uganda	x		
Zambia			x

FIGURE 5 Level of Transformation Scorecard[150]

Country	1	2	3
Brazil	5	3	1
Burkina Faso	4	6	1
DRC	4	6	
Ghana	4	6	
Indonesia	5	2	1
Lao PDR	6		3
Mexico	2	5	2
Peru	N/A	N/A	N/A

FIGURE 6 Drivers of Deforestation

Country	Drivers of Deforestation Listed	Drivers in Project 1	Drivers in Project 2	Directly Linked?
Bangladesh	Clearing of forest land, use of forest resources, for human settlement, agriculture, timber, fuelwood and housing materials, Unsustainable forest management, natural disturbances, cyclones, increased salinity	Forest degradation and fragmentation, predominantly due to socioeconomic pressures	Population pressure, forest land use conversion for agriculture, deforestation and over exploitation of forests, etc. are important drivers of forest degradation and deforestation	Project 1 and 2
Brazil	Land conversion to agriculture and cattle ranching, fire	Reduce deforestation and degradation	Reduce deforestation and degradation	
Burkina Faso	Incorrect sustainable forest management, land conflicts, legal statuses	Social protection activities	Harmonization of legal/ regulatory framework.	Project 2
Cambodia	Land concessions, poverty, unclear land rights, fuelwood	Corridor approach, increase income	Illegal logging	Project 1
Cameroon	Agriculture, agro-industries, infrastructure, population increase and migrations from neighboring countries, extraction of minerals, access to regional and world markets	Agriculture, mining, infrastructure, poor legal and economic environment	Wood energy and timber harvesting as well as overgrazing and mineral excavation	Project 1 and 2
Côte D'Ivoire	Agriculture, timber harvesting, mining, socio-economic drivers	Formalize land tenure, develop plantations, restore natural forests	Oversight efforts	
DRC	Fuelwood, agriculture	Afforestation/reforestation	Afforestation/reforestation	
Ecuador	Agriculture, development policies, lack of clarity in land tenure, lack of updated zoning	Agriculture, mining, land tenure	Agriculture, mining, land tenure	Project 1 and 2
Ghana	Agricultural expansion and logging	Reducing deforestation in forest areas and surrounding areas		
Guatemala	Small/medium scale agriculture, population growth, fuelwood, illegal activities, forest fires	Strengthen capacity, agroforestry and restoration		
Indonesia	Conversion to agriculture, commercial logging, uncontrolled fires, mining	Uncontrolled fires		Project 1
Lao PDR	Shifting cultivation, illegal logging, logging for house construction	Forest protection	Reduce need for logging for house construction	Project 1 and 2
Mexico	Agriculture, and development investments	Forest management, sustainable use of Non-Timber Forest Products (NTFP), restoration and reforestation		
Mozambique	Agriculture, biomass energy, illegal logging, weak implementation of rules	Legal reform, strengthen governance	Reforestation	Project 1

(*continues on next page*)

FIGURE 6 Drivers of Deforestation (*continued*)

Country	Drivers of Deforestation Listed	Drivers in Project 1	Drivers in Project 2	Directly Linked?
Nepal	Unsustainable and illegal harvesting, Forest fires, Infrastructure development, Overgrazing, Weak forest management, Urbanization and resettlement, Mining/ excavation, and invasive species.	Community based forest management	Timber harvesting laws	Project 2
Peru	Small scale farming, agro-industrial crops, illegal logging, road construction, mining, governance and socio-economic factors	Governance and land-use planning, property rights	Governance and land-use planning, property rights	Project 1 and 2
Republic of Congo	Shifting agriculture, Industrial agriculture, Fuelwood production, Commercial and illegal logging, Mining, Road and urban infrastructure, weak governance, weak intersectoral coordination, poverty, lack of financing options, population growth	Slash and burn agriculture	Fuelwood production and consumption	Project 1 and 2
Rwanda	Agriculture, Infrastructure development, Urbanization, artisanal mining practices, Forest product extraction, mostly firewood, charcoal and timber and, Limited forestry extension services. Indirect include high population growth, lack of awareness	Agriculture, high population density	Population growth	Project 1 and 2
Tunisia	Forest fires, forest clearing, timber extraction, overgrazing, poverty, complex land tenure	Land use planning to reduce agricultural clearing	Reduce degradation from climate change	
Uganda	Agriculture, unsustainable harvesting of firewood and timber, expanding human settlements, livestock, fires, mining, oil exploration	Community based models	Community based models	
Zambia	Land use changes, over-exploitation, forest fires, agriculture (extensive and unsustainable crop/livestock production), energy (heavy reliance on wood fuel such as charcoal and firewood), mining and infrastructure development.	Sustainable forest management, sustainable agriculture and eco-tourism	Sustainable agriculture, tree planting, natural regeneration, efficient biomass energy and promotion of enterprises to increase household incomes	Project 1 and 2

FIGURE 7 Conflict Resolution

Country	Mechanism in Place	Mechanism in Progress	Mechanism Not Mentioned
Bangladesh			x
Brazil			x
Burkina Faso			x
Cambodia			x
Cameroon		x	
Côte D'Ivoire		x	
DRC		x	
Ecuador		x	
Ghana			x
Guatemala		x	
Indonesia		x	
Lao PDR		x	
Mexico	x		
Mozambique		x	
Nepal			x
Peru	x		
Republic of Congo		x	
Rwanda		x	
Tunisia	x		
Uganda		x	
Zambia	x		

FIGURE 8 Co-Financing

Country	Co-Financing Sources Included	Included in Which Projects?	Total Co-Financing Amounts	Co-Financing in Reality
Bangladesh	Other	1, 3	$144.132 million	N/A
Brazil	None	1–4	$57 million	$37.47 million
Burkina Faso	AfDB, FEM	2	$9 million	$17.9 million
Cambodia	GoC, Companies	1–3	$14.1 million	N/A
Cameroon	CAFI, GCF, GEF, KfW, AfDB, AFD	All	$277.2 million	N/A
Côte D'Ivoire	GoCI, Private Sector	1	$9.23 million	$16.74 million
DRC	None	1–5	$37.9 million	$8.25 million
Ecuador	Other	All	$4.3 million	N/A
Ghana	GoG, IFC, private sector	1–3	$20 million	$43.41 million
Guatemala	GoG, Private Sector, NAMA, FCPF, IDB/MIF	1–3	$49.83 million	$41.5 million
Indonesia	ADB, GEF, Japan, IFC, Private Sector	1, 3	$105 million	$6.77 million
Lao PDR	IFC, Private Sector	1–3	$124.9 million	$39.97 million
Mexico	None		$0	$687.02 million
Mozambique	MDTF, IFC, Private Sector	1–2	$13.33 million	$28.81 million
Nepal	Community, private	All	$92.345 million	N/A
Peru	GoP, JICA, IDB, FCPF,	1–4	$37.3 million	$5 million
Republic of Congo	GEF, AFD, GCF, AfDB, EU	All	$14.9 million	N/A
Rwanda	AfDB, GCF, GEF, Private sector	All	$95	N/A
Tunisia	GCF, AfDB,	1–3	$198.5 million	N/A
Uganda	GoU, PPCR, GCF, GEF, AfDB,	1–3	$136.4 million	N/A
Zambia	None	None	0	N/A
TOTAL			$1.44 billion	$932.84 million

FIGURE 9 Co-Financing Amounts

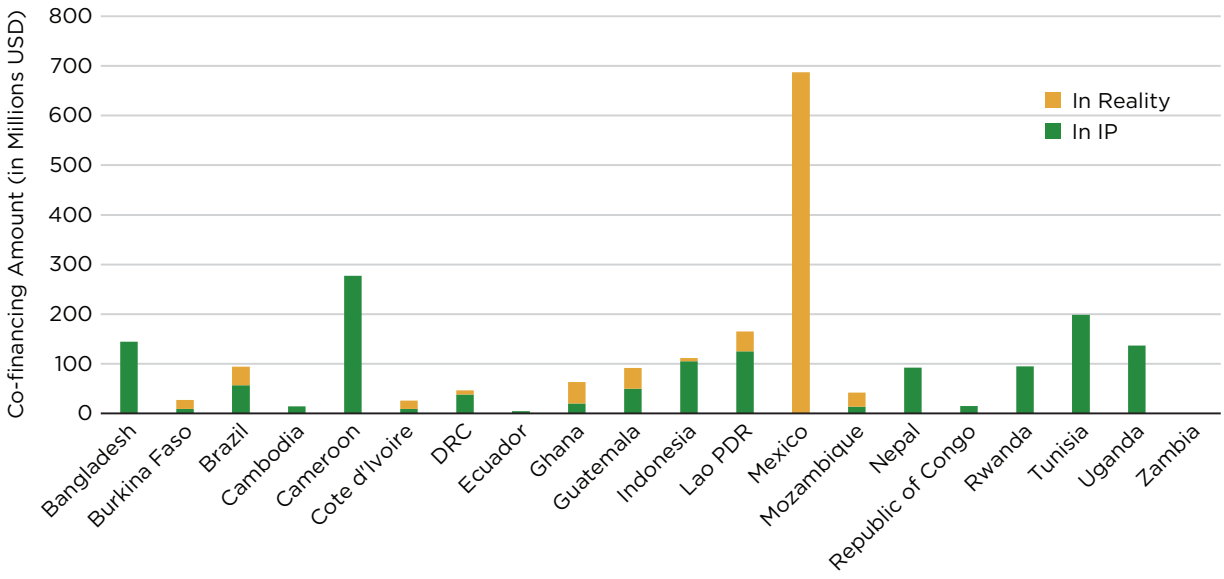


FIGURE 10 Stakeholder Engagement

Country	Process for Stakeholder Engagement?	Feedback from Consultations Included in IP?	Number of National Organizations/ Stakeholders?	Regional Consultations?
Bangladesh	No	No	Not provided	unknown
Brazil	Yes	Yes, annex	46 CSOs, 9 indigenous peoples, 1 traditional community	No
Burkina Faso	No	No	Not provided	No
Cambodia	Yes	No	30 CSOs and INGOs	Yes
Cameroon	Yes	Yes	700 stakeholders	Yes
Côte D'Ivoire	Yes	No	347 members of NGOs and communities	Yes
DRC	Yes	Yes, annex	660 people in local consultations	Yes
Ecuador	Yes	Yes, annex	156 local communities and NGOs	Yes
Ghana	No	Yes, annex	Not provided	Yes
Guatemala	No	Yes, annex	10 organizations	Yes
Indonesia	Yes	Yes	55 CSOs and 7 community orgs	Yes
Lao PDR	Yes	No	6 NGOs	Yes
Mexico	Yes	No	218 members of ejidos, communities, CSOs	Yes
Mozambique	Yes	Yes, annex	159 NGOs and communities	Yes
Nepal	Yes	Yes, annex	1042 stakeholders	Yes
Peru	Yes	Yes	2 NGOs, 2 indigenous organizations and their regional membership	Yes
Republic of Congo	Yes	No	861 stakeholders	Yes
Rwanda	No	Yes	Not provided	Yes
Tunisia	No	No	8 NGOs	Yes
Uganda	Yes	Yes	Not provided	Yes
Zambia	Yes	No	Not provided	No

FIGURE 11 Cross-Cutting Sectors Included in IP Development

Country	Sectors Included
Bangladesh	Ministry of Environment and Forests, Agriculture and Land Use
Brazil	PRONAF (Family production unit), ABC plan (climate change), rural environmental cadastre
Burkina Faso	Ministry of Agriculture, Animal production and Environment
Cambodia	Ministry of Environment
Cameroon	Infrastructure, Mining, Agriculture
Côte D'Ivoire	SODEFOR (forests), ANADER (rural development), OIPR (parks and reserves) and BNETD (technical studies and development)
DRC	Ministry of Energy, Ministry of Land, Ministry of Decentralization and Territory Management, Ministry of Rural Development
Ecuador	Ministry of Agriculture
Ghana	Ministry of Lands and Natural Resources; Ministry of Environment, Science and Technology; Ministry of Food and Agriculture, Ministry of Finance and Economic Planning, and the Cocoa Board
Guatemala	INAB (forests) and Conap (protected areas), Interagency Coordination Group (IACG).
Indonesia	Ministry of Forestry, Ministry of Finance, National Development Planning Agency, Ministry of Environment, Ministry for Economic Affairs
Lao PDR	Ministry of Agriculture and Forestry (MAF), Ministry of Natural Resources and Environment (MoNRE), Ministry of Planning and Investment (MPI), Ministry of Justice (MoJ) and Ministry of Finance (MoF)
Mexico	SAGARPA (Agriculture), and CONEVAL (Evaluation)
Mozambique	Ministry of Land, Environment and Rural Development, Ministry of Agriculture and Food Security, Ministry of Economy and Finance, National Energy Fund, the National Administration for Conservation Areas, and the Fund for Alternative Energies
Nepal	Ministry of Finance, Forest Ministry
Peru	MINAGRI (Agriculture), MINAM (Environment)
Republic of Congo	Ministry of Planning, Ministry of Agriculture, Ministry of environment and tourism, Ministry of Mines and Geology, Ministry of spatial planning and infrastructure, Ministry of Land Affairs, Ministry of Finance, Ministry of Scientific Research, Ministry of Energy and Hydrocarbons, Ministry of Health, Civil Society, and Indigenous Peoples and the Private Sector.
Rwanda	Ministry of Lands and Forestry (MINILAF), Ministry of Agriculture and Animal Resources (MINAGRI), Ministry of Environment (MoE), Ministry of Local Government (MINALOC), Rwanda Water and Forestry Authority (RWFA) and Rwanda Agriculture Board (RAB), Ministry of Infrastructure (MININFRA), Ministry of Trade and Industries (MINICOM)
Tunisia	Forest and pastoral sector
Uganda	Ministry of Water and Environment (MWE), the National Forestry Authority (NFA), Forest Sector Support Department (FSSD) and Directorate of Water Resources Management (DWRM/WMZ); (ii) the Uganda Wildlife Authority (UWA)
Zambia	Forestry, Agriculture, Energy, and Mining

FIGURE 12 Governance and Law Enforcement

Country	Project Focused on Governance?	Law Enforcement Mentioned?	Law Enforcement Addressed?
Bangladesh	Yes	Yes	Yes
Brazil	No	Yes	Yes
Burkina Faso	Yes	Yes	Yes
Cambodia	No	Yes	No
Cameroon	No	Yes	No
Côte D'Ivoire	No	Yes	Yes
DRC	No	No	No
Ecuador	No	No	No
Ghana	No	Yes	No
Guatemala	Yes	Yes	No
Indonesia	No	Yes	Yes
Lao PDR	No	Yes	Yes
Mexico	No	Yes	Yes
Mozambique	Yes	Yes	No
Nepal	No	Yes	Yes
Peru	Yes	Yes	No
Republic of Congo	No	No	No
Rwanda	No	Yes	No
Tunisia	No	Yes	No
Uganda	Yes	Yes	No
Zambia	No	Yes	Yes

FIGURE 13 Proposed Timeline vs Reality

Country	Expected Date of First Project Approval by FIP SC	Actual Date of First Project Approval	Months Delayed
DRC	April 2012	March 2014	23
Mexico	January 2012	November 2011	–3
Ghana	November 2012	December 2014	25
Burkina Faso	May 2013	January 2014	8
Brazil	None	July 2015, no money disbursed	N/A
Peru	December 2014	None	34
Indonesia	November 2013	July 2016	32
Lao PDR	June 2012	May 2016	47
Mozambique	November 2016	March 2017	4
Côte D'Ivoire	December 2016	December 2017	12
Guatemala	March 2018	November 2019	20

FIGURE 14 Gender

Country	Gender Mentioned? Number of Times?	Percent of Women in Consultations	Projects Have Gender Component?
Bangladesh	Yes, 4	No data	No
Brazil	Yes, 6	40.5%	No
Burkina Faso	Yes, 54	No data	Yes
Cambodia	Yes, 11	No data	Yes
Cameroon	Yes, 41	No data	No
Côte D'Ivoire	Yes, 43	No data	No
DRC	Yes, 12	No data	No
Ecuador	Yes, 81	42%	Yes
Ghana	Yes, 13	No data	Yes
Guatemala	Yes, 204	27.2%	Yes
Indonesia	Yes, 20	No data	No
Lao PDR	Yes, 29	No data	No
Mexico	Yes, 12	9.2%*	No
Mozambique	Yes, 29	22%	No
Nepal	Yes, 43	25%	No
Peru	Yes, 10	No data	No
Republic of Congo	Yes, 18	5%	No
Rwanda	Yes, 96	No data	No
Tunisia	Yes, 28	No data	No
Uganda	Yes, 9	No data	No
Zambia	Yes, 29	No data	Yes

FIGURE 15 Linked with Other Sources of Forest Funds

Country	FCPF	Bilateral	Other MDBs	Lists Projects?
Bangladesh	No	USAID, IUCN, JICA, DFID, GIZ, FAO, UNDP, UNEP	ADB	Yes
Brazil	No	Governments of Norway, Germany, England. World Wildlife Fund for Nature (WWF). GEF	IDB	No
Burkina Faso	Yes	Listed in Appendix	AfDB	Yes
Cambodia	Yes (UNDP implemented)	Yes. JICA, South Korea, EU, USAID, CI, IUCN, GERES	ADB project described. IFC engagement described.	No
Cameroon	Yes	KfW, AFD, IUCN, WWF, GIZ	AfDB	Yes
Côte D'Ivoire	Yes	Yes. AfDB, NTF, BOAD, IDB, IFAD, GEF and others described by project.	AfDB country strategy.	Yes
DRC	Yes	Bilateral donors listed by project	AfDB	Yes
Ecuador	No	GCF, Germany and Norway, KfW, GEF, FAO, Italy, GIZ	IDB	Only bilateral
Ghana	Yes	Bilateral donors listed by project	AfDB, IFC.	Yes
Guatemala	Yes	Yes	IDB	No
Indonesia	Yes	Norway, Australia, USAID, Japan, Germany, South Korea	ADB, IFC	No
Lao PDR	Yes	MFA of Finland, JICA, and German cooperation through GIZ and KfW. With an overview on involvement from each.	ADB, IFC.	No
Mexico	Yes	France, Spain, Norway. With activities for each described.	IDB, IFC	No
Mozambique	Yes	Mentioned, but none listed	AfDB, IFC	No
Nepal	Yes	DFID, Finland, Switzerland, FAO, UN-REDD, GIZ, USAID, GCF, GEF, WWF	None mentioned	Only bilateral
Peru	Yes	Germany, Japan, Finland, FAO, Gordon and Betty Moore Foundation	IDB,	No
Republic of Congo	Yes	FAO, EU, AFD, USFS, US Embassy,	AfDB	Yes
Rwanda	No	Netherlands, FAO, EU, BTC, SIDA, USAID, UNDP	AfDB	Yes
Tunisia	Yes	AFD, IFAD, UNDP, GIZ, GEF. Lists of projects in annex	AfDB, EBRD,	Yes
Uganda	Yes	Norway, EU, USAID, UNDP, FAO, GEF	None mentioned	No
Zambia	No	GEF, GCF, BioCF, Integrated Forest Landscape Project, PPCR, Finland, Sweden, Norway, DFID, GIZ, USAID, Nature Conservancy, WWF, Community markets for conservation, Zambia Climate Change Network	AfDB	Yes

FIGURE 16 Benefit Sharing in IPs, Phase 1

Country	Number of Times Mentioned	Where in IP?
Brazil	1	Introduction
Burkina Faso	8	Constraints, project design, drivers of deforestation
DRC	13	REDD
Ghana	26	Transformational change
Indonesia	5	Gender
Lao PDR	16	Gaps, current mechanisms
Mexico	1	Social co-benefit
Peru	0	

FIGURE 17 Benefit Sharing in IPs, Phase 2

Country	Number of Times Mentioned	Where in IP?
Bangladesh	1	Policy and Regulatory Environment
Cambodia	0	
Cameroon	8	Introduction, project descriptions
Côte D'Ivoire	2	Government of Cote d'Ivoire response to reviewer comments
Ecuador	0	
Guatemala	0	
Mozambique	6	Indicator, Multi-sectoral coordination, Institutional reforms, results framework, evaluation
Nepal	22	REDD+ strategy, project descriptions, Nepal Forest Policy, results framework
Republic of Congo	2	Regulatory framework, project descriptions
Rwanda	6	Introduction, Gender issues, Co-benefits,
Tunisia	44	Co-benefits, REDD+ framework, REDD+ working group, Benefit sharing plan, Results framework,
Uganda	8	Regulatory framework, REDD+ framework, project activity, Forest management guidelines
Zambia	13	Regulatory framework, indicator, project activity, Co-benefits, potential risk, REDD+ strategy

FIGURE 18 Land Governance Assessment Framework Scorecard[151]

Country	Score
Burkina Faso	B–
Brazil	B–
Cameroon	C+
Côte D'Ivoire	C+
DRC	C+
Ghana	C+
Guatemala	C
Indonesia (Kalimantan)	D+
Mozambique	C
Peru	B
Rwanda	B+
Uganda	B–
Zambia	C+

FIGURE 19 Time Spent Developing Investment Plan[152]

Country	Draft Submitted	IP Endorsed
Bangladesh	14 months	23 months
Brazil	9 months	12 months
Burkina Faso	8 months	25 months
Cambodia	7 months	9 months
Cameroon	26 months	27 months
Côte D'Ivoire	7 months	8 months
DRC	7 months	8 months
Ecuador	19 months	20 months
Ghana	19 months	30 months
Guatemala	14 months	16 months
Indonesia	19 months	27 months
Lao PDR	10 months	13 months
Mexico	7 months	8 months
Mozambique	8 months	9 months
Nepal	13 months	14 months
Peru	34 months	34 months
Republic of Congo	24 months	26 months
Rwanda	24 months	25 months
Tunisia	7 months	16 months
Uganda	20 months	21 months
Zambia	25 months	26 months

FIGURE 20 Private Sector Set Aside Concept Notes

Project	Total Score	Key Points from Qualitative Assessment	Recommendation
Macauba Palm Oil in a Silvicultural System, Brazil **(APPROVED $3 million JULY 2017)**	37.7	Innovative, cost effective, with livelihood and ecosystem co-benefits. Transformational for silvi-cultural sector.	Fund once comments addressed
Cashew Plantations with Farmer Assoc., Burkina Faso **(APPROVED $4 million DECEMBER 2016)**	33.7	Proven job creation and local governance benefits. Transformational for communities and cashew sector.	Fund once comments addressed
FSC & VCS Certified Teak Plantations, Ghana **(APPROVED $10 million JULY 2016)**	33.3	Robust economics, clear scalability and regulatory aspects, grounded in local context. Transformational for forestry plantation sector.	Fund once comments addressed
Guarantee Fund for Forestry Investments, Mexico **(APPROVED $3 million JAN 2014)**	33.3	Innovative, strong livelihood benefits and transaction cost reduction potential. Transformational for scaling forestry finance.	Fund once comments addressed
Acacia and Palm Oil Plantations in Bandundu, DRC	31.7	Significant livelihood co-benefits. Executing agency may lack technical and human resources for adequate implementation.	Fund only if detailed Due Diligence proves positive
Climate-smart Rural Development, Burkina Faso	28.7	Innovative, integrated business serving local markets, with significant livelihood benefits. Commercial viability of jatropha to be checked.	Fund only if detailed Due Diligence proves positive
Teak on Modified Cerrado Lands, Brazil	28.0	Considerable climate change mitigation, leveraging additional financial resources. Technical sophistication may limit scalability.	Fund only if detailed Due Diligence proves positive
Acacia Plantations in Sud Kwamouth, DRC	23.7	Innovative reforestation with livelihood and community co-benefits. Project has failed to meet targets in past, complex donor relations.	Fund only if detailed Due Diligence proves positive
Forest Plantations, Africa Regional	22.6	Project needs to be reassessed once there is more detailed forestry information and concrete interest from financial intermediary institutions.	Do not fund in current form
Eucalyptus plantations in Maranhao & Tocantins, Brazil	20.3	No quantitative explanation of climate change mitigation and livelihood co-benefits. Unclear as to whether government can follow up project.	Do not fund in current form
LEAF Improved Cookstoves in Kinshasa, DRC	16.0	Business model not sustainable, demand not adequately presented. No cookstove track record in country, no analysis of competition.	Do not fund in current form

ANNEX F - LIST OF BOXES, FIGURES, AND TABLES

TABLES

FIGURES

BOXES

ANNEX G - TRANSFORMATIONAL CHANGE CRITERIA AND DIMENSIONS

To assess the important factors in FIP success going forward the analytical framework from the "Linkages between FIP and REDD+ Readiness" was used. This framework has 15 criteria, 14 of which are included in the FIP Criteria for Initiating Transformational Change. These criteria are listed below:

GOVERNANCE

Political Will
Accountability
Transparency
Coordination and Collaboration
Capacity
Consultation and Participation
Feedback and Grievance Redress

STRATEGY OR EQUIVALENT

Redd+ Strategy or Equivalent Policies
Direct and Indirect Drivers of Deforestation
Carbon Rights, Natural Resource Rights, Land Tenure
Social and Environmental Safeguards
Benefit Sharing Mechanism

MONITORING AND EVALUATION

Reference Level and Monitoring, Reporting, and Verification (MRV)
Registry and Accounting
Other Monitoring

Below is a ranking on transformational change by FIP country according to the IEG report.

FIGURE 21 Transformative Themes in the FIP Investment Plans

Transformative Theme	Brazil	Burkina Faso	Congo, Dem. Rep.	Ghana	Indonesia	Lao PDR	Mexico
New paradigm	+	++	+	+	+		++
Improving forest and other governance; including inter-sector coordination	++	++	++	++	+	+	+
Improving [forest) land tenure and related tree tenure and rights regimes; land use planning	+	+	++	++	++	+	++
Addressing underlying drivers of deforestation	+	++	++	++	+	+	+
Improving the policy and regulatory environment for SFM and REDD+, empowerment of local people and communities and mobilizing private sector	+	++	+	++	+	+	++
Improving access to new flow carbon) technology and alternative livelihood models	++	+	++	+		+	+
Strengthening local capacity in [participatory) SFM and land use	+	+++	++	++	++	+++	+++
Strengthening national institutional capacity		++	+	+	+		
Improving access to finance and leveraging private sector financing; improving business climate	++	+	++	++	+++	+	+++
Improved information and knowledge base	+++	+	+	+			++

*The weight given to a specific transformative theme in each country's FIP investment plan is classified by the following scale: + Marginal weight, ++ Medium weight; +++ Significant weight (e.g., dominating the country FIP portfolio).
Source: All data sourced from FIP Investment Plans.

ANNEX H - LIST OF INTERVIEWS

MDBS

- Ancha Srinivasan, Principal Climate Change Specialist at the ADB. Personal Interview on 8/15/17.
- Ryan Alexander, Multi-lateral funds in Climate and Environment at the EBRD. Personal Interview on 8/21/17.
- Gloria Visconti, Lead Climate Change Specialist at the IDB. Personal Interview on 8/21/17.
- Leandro Azevedo, Senior Climate Finance Officer at the AfDB. Personal Interview on 8/22/17.
- Joyita Mukherjee, Senior Operations Officer at the IFC. Personal Interview on 9/8/17.
- Michael Brady, Senior Officer, Forest Program Manager at IFC. Personal Interview on 10/4/17.

CSOS

- Gertrude Kenyangi. Support for Women in Agriculture and Environment. Personal Interview. August 18, 2017.
- Harlem Mariño. Derecho, Ambiente, y Recursos Naturales. Personal Interview. August 22, 2017.
- Coraina de la Plaza. Global Forest Coalition. Personal Interview. August 30, 2017.
- Archana Godbole. AERF. Personal Interview. September 5, 2017.
- Suyana Huamani, previously with Derecho, Ambiente, y Recursos Naturales. Personal Interview. August 30, 2017.

CIF AND FIP STAFF

Gerhard Dieterle, Former FIP and DGM Program Manager at the World Bank. Personal Interview. March 1st, 2017.

Ian Gray and Ines Angulo, FIP Coordinators at the World Bank. Personal Interviews. March 1st, 2017.

Robert Davis, Senior Forestry Specialist at the World Bank. Personal Interview. May 30th, 2017.

Taoufiq Bennouna, Senior Natural Resources Management Specialist at the World Bank. Personal Interview. May 30th, 2017.

Andrea Kutter, Senior Natural Resources Management Specialist at the World Bank. Personal Interview. March 1st, 2017.

Sandra Romboli, Senior Monitoring and Evaluation Specialist in CIF at the World Bank. Personal Interview. March 1st, 2017.

Tim Brown, Senior Natural Resources Management Specialist at the World Bank. Personal Interview. May 30th, 2017.

Berenice Hernandez and Nacibe Salas, CONAFOR in Mexico (FIP Focal point). Personal Interview. July 25th, 2017.

Shaanti Kaapila, Senior Operations Officer in CIF at the World Bank. Personal Interview. March 1st, 2017.

Nina Doetinchem, Senior Natural Resources Management Specialist in FCPF at the World Bank. Personal Interview. March 2nd, 2017.

Christine Roehrer, Lead Results Based Management Specialist, and Former CIF M&R Expert at the World Bank. Personal Interview. March 2nd, 2017.

Michael Brady, Senior Operations Officer at IFC. Personal Interview. October 5th 2017.

Werner Kornexl, Senior Natural Resources Management Specialist at the World Bank, FIP Mozambique + Indonesia. Personal Interview. October 5th 2017.

Sydney Madeiro, Brazil FIP ABC project. Personal Interview. October 5th 2017.

William Kwende, CEO of Agritech. Personal Interview. October 4, 2017.

Diji Chandrasekharan, Senior Natural Resources Economist Indonesia FIP. Personal Interview. June 30, 2017.

Loic Braune, Senior Natural Resources Management Specialist DRC and Burkina Faso FIP. Personal Interview. June 8, 2017.

Asferachew Abebe, Senior Environmental Specialists Ghana FIP. Personal Interview. October 5, 2017.

Andre Aquino, Senior Natural Resources Management Specialist Mozambique FIP. Personal Interview. May 31, 2017.

ANNEX I - COUNTRY DEMOGRAPHICS

PHASE 1

Brazil

Population: 209.5 million
GNI/Capita: $9,140
Forest Cover in 2010: 498 million ha
Forest Cover in 2016: 492 million ha
Population (Cerrado): 26.4 million people

Burkina Faso

Population: 19.8 million
GNI/Capita: $660
Forested Land in 2010: 5.6 million ha
Forested Land in 2016: 5.3 million ha
Forest dependent: 13 million people

DRC

Population: 84.1 million
GNI/Capita: $490
Forest Cover in 2010: 154 million ha
Forest Cover in 2016: 152 million ha
Forest dependent: 40 million people

Ghana

Population: 29.8 million
GNI/Capita: $2,130
Forest Cover in 2010: 9.2 million ha
Forest Cover in 2016: 9.3 million ha
Forest Dependent: 11 million people

Indonesia

Population: 267 million
GNI/Capita: $3,840
Forest Cover in 2010: 94.4 million ha
Forest Cover in 2016: 91.6 million ha
Forest Dependent: 80 million people

Lao PDR

Population: 7.1 million
GNI/Capita: $2,460
Forest Cover in 2010: 17.8 million ha
Forest Cover in 2016: 18.5 million ha
Forest Dependent: 5.4 million people

Mexico

Population: 126.2 million
GNI/Capita: $9,180
Forest Cover in 2010: 66 million ha
Forest Cover in 2016: 66 million ha
Forest Dependent: 10 million people

Peru

Population: 32 million
GNI/Capita: $6,530
Forest Cover in 2010: 74.8 million ha
Forest Cover in 2016: 74.14 million ha
Forest Dependent: 333,000 people

PHASE 2

Bangladesh

Population: 161.4 million
GNI/Capita: $1,750
Forest Cover in 2010: 1.4 million ha
Forest Cover in 2016: 1.4 million ha
Forest Dependent: 56.9 million

Cote d'Ivoire

Population: 25.1 million
GNI/Capita: $1,610
Forest Cover in 2010: 10.4 million ha
Forest Cover in 2016: 10.4 million ha
Forest Dependent: 13.8 million people

Guatemala

Population: 17.2 million
GNI/Capita: $4,410
Forest Cover in 2010: 3.7 million ha
Forest Cover in 2016: 3.6 million ha
Forest Dependent: 300,000 people

Cambodia

Population: 16.2 million
GNI/Capita: $1,380
Forest Cover in 2010: 10 million ha
Forest Cover in 2016: 9.6 million ha
Forest Dependent: 1.4 million people

Ecuador

Population: 17.1 million
GNI/Capita: $6,120
Forest Cover in 2010: 12.9 million ha
Forest Cover in 2016: 12.6 million ha
Forest Dependent: 300,000 people

Cameroon

Population: 25.2 million
GNI/Capita: $1,440
Forest Cover in 2010: 19.9 million ha
Forest Cover in 2016: 19 million ha
Forest Dependent: 46,000 people

Guyana

Population: 779,004
GNI/Capita: $4,760
Forest Cover in 2010: 16.5 million ha
Forest Cover in 2016: 16.5 million ha
Forest Dependent: 773,303 people

Honduras

Population: 9.6 million
GNI/Capita: $2,330
Forest Cover in 2010: 5.1 million ha
Forest Cover in 2016: 4.7 million ha
Forest Dependent: 2.9 million people

Mozambique

Population: 29.5 million
GNI/Capita: $440
Forest Cover in 2010: 38.9 million ha
Forest Cover in 2016: 38.1 million ha
Forest Dependent: 20.1 million people

Nepal

Population: 28.1 million
GNI/Capita: $960
Forest Cover in 2010: 3.6 million ha
Forest Cover in 2016: 3.6 million ha
Forest Dependent: 18 million people

Republic of Congo

Population: 5.2 million
GNI/Capita: $1,640
Forest Cover in 2010: 22.4 million ha
Forest Cover in 2016: 22.3 million ha
Forest Dependent: 300,000 people

Rwanda

Population: 12.3 million
GNI/Capita: $780
Forest Cover in 2010: 446,000 ha
Forest Cover in 2016: 473,200 ha
Forest Dependent: 35,000

Tunisia

Population: 11.5 million
GNI/Capita: $3,500
Forest Cover in 2010: 0.9 million ha
Forest Cover in 2016: 1 million ha
Forest Dependent: Unknown

Uganda

Population: 42.7 million
GNI/Capita: $620
Forest Cover in 2010: 2.7 million ha
Forest Cover in 2016: 2.2 million ha
Forest Dependent: 6,000 people

Zambia

Population: 17.4 million
GNI/Capita: $1,430
Forest Cover in 2010: 49.5 million ha
Forest Cover in 2016: 48.8 million ha
Forest Dependent: 16.6 million people

ANNEX J - METHODOLOGY

DRIVERS OF DEFORESTATION AND FOREST DEGRADATION IN THE IPS

Only country IPs were used for this analysis. Each country identified overall drivers of deforestation and forest degradation in the body of the IP, generally in Section 1, which describes the country context. Every FIP country distinguished between direct and indirect (sometimes called underlying) drivers of deforestation and forest degradation. The drivers were taken note of, and then compared to the drivers that were discussed in the project proposals. For the most complete project proposal, the study used the outlines in Annex 1 of each country IP, because this was the most complete source of information on proposed project activities. Drivers in each project proposal were taken note of, and then were compared to the overall list of drivers to see if each overall driver was covered by the drivers described in project activities. If multiple project proposals mentioned the same driver, this would only count once for having addressed an overall driver of deforestation.

DEMOGRAPHICS

Data on population and GNI per capita was found from World Bank data. Forest cover information was found from FAOSTAT. The forest dependent population of each country was found from Chao, 2012[153] by the estimates given or by finding an average between the range given.

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