

CLIMATE INVESTMENT FUNDS

CIF/DMFIP.3/2
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REVISED DRAFT DESIGN DOCUMENT FOR THE FOREST
INVESTMENT PROGRAM, A TARGETED PROGRAM UNDER THE SCF
TRUST FUND

Background to Revised Draft Design Document

1. In accordance with decisions and recommendations of the SCF Trust Fund Committee and the Second Design Meeting on the Forest Investment Program(FIP), the draft *Design Document for the Forest Investment Program, a targeted program under the SCF Trust Fund*, prepared by the second design meeting and dated March 11, 2009, was circulated for review and submission of written comments.
2. The document was circulated to:
 - (a) participants in the second design meeting,
 - (b) the SCF Trust Fund Committee Members, and
 - (c) country focal points for the CIF (where such focal points have been identified).
3. The revised document was also posted on the CIF website (www.worldbank.org/cif) with a general invitation for comment.
4. The Administrative Unit received twenty-one sets of comments: ten from governments and eleven from other stakeholders. The comments received have also been posted on the CIF website.
5. On the basis of the comments received, the following revised document has been prepared (see Annex). It is hoped that this document will facilitate the work of the third design meeting and advance efforts towards a consensus proposal.
6. In preparing the revised document, the following process was followed:
 - (a) comments that were primarily of an editorial nature, but did not significantly altered the intention of the text prepared by the second design meeting, were incorporated in the revised text.
 - (b) comments proposing a substantive change to the scope of the document or raising issues which were previously discussed but for which there was not consensus support in previous discussions are included in the text within brackets.
 - (c) comments proposing changes to the text which were previously discussed and for which there was agreement not to include in the design were not reintroduced.
 - (d) suggestions to lift brackets that were included during the second design meeting were not accepted, as there continues to be a divergence of views of those issues.
7. Comments were also invited, and received, on the information notes that were prepared for the second design meeting. There was general agreement in the comments received that it was unnecessary at present to revise the information notes, since to the extent that the issues addressed in the notes have a bearing on the design of the FIP, it was preferable to include that information in the design document itself. It was further noted that the FIP Sub-Committee, once established, would be responsible for elaborating the operational procedures and guidance for the FIP, and that many of the issues raised in the information notes would need to be revisited in the course of that work.

REVISED DRAFT DESIGN DOCUMENT FOR THE FOREST INVESTMENT PROGRAM, A TARGETED PROGRAM UNDER THE SCF TRUST FUND

I. BACKGROUND

1. There is increasing consensus that addressing climate change is central to the sustainable development, economic growth and poverty reduction agenda. Increasing the resilience to climate change needs to combine both mitigation and adaptation measures. A delay in reducing greenhouse gas (GHG) emissions would significantly constrain opportunities to achieve lower stabilization levels and is likely to increase the risk of more severe climate change impacts. Climate change impacts have the potential to reverse hard-earned development gains and progress towards achieving the Millennium Development Goals.

2. Deforestation and degradation are the second leading cause of global warming. They account for approximately 18% of global greenhouse gas (GHG) emissions and over a third of emissions from developing countries. Although there remain divergent opinions as to how deforestation and forest degradation should be included in any future climate change regime, there is an emerging consensus that this issue must be effectively addressed. Several reports indicate that tackling forest loss is a critical activity in achieving stabilization of greenhouse gas concentrations in the atmosphere at a level that avoids the worst effects of climate change.

3. A recent 2007 UNFCCC study of investment and financial flows for forestry, reported that additional global investment and financial flows are needed to address the mitigation potential of forest-related measures. Additionally, while the direct and indirect drivers of deforestation and degradation are well known, there is limited knowledge regarding the relative effectiveness of alternative approaches to reversing those drivers under different national circumstances. Despite several decades of investment in efforts to reduce deforestation and degradation, there remain few examples of rigorous impact assessment, monitoring, and evaluation that would enable specific outcomes to be associated with specific interventions. There is thus an urgent need for the design of new investments in improved forest management to incorporate an explicit learning agenda to close this knowledge gap.

4. The Bali Action Plan calls for: “consideration of policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.”

5. Significant multilateral efforts to prepare developing countries for large scale efforts to reduce emissions from deforestation and forest degradation (REDD¹) are underway, first and foremost through the World Bank facilitated Forest Carbon Partnership Facility and the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD). These and other efforts, including

¹ For purposes of the Forest Investment Program, REDD should be construed to mean activities consistent with paragraphs 1 (b) (iii) of the Bali Action Plan.

national and bilateral programs in some developing countries, are expected to identify large scale investment needs that will be prerequisites for the success of REDD activities on a national and global level.

6. Agenda 21 adopted at the United Nations Conference on Environment and Development (UNCED) recognized the need to strengthen forest-related national institutions, to enhance the scope and effectiveness of activities of the management, conservation and sustainable development of forests, and to effectively ensure the sustainable utilization and production of forests' goods and services in both developed and developing countries. The Millennium Development Goals, the Johannesburg Declaration on Sustainable Development and the Plan of Implementation of the World Summit on Sustainable Development all recognized the critical role of sustainable forest management. A significant number of international and regional agreements, organizations and agencies are at the core of the forest financing architecture, with programs and projects implemented at the sub-national, national, regional and international levels. Many such programs and projects will contribute to the context and foundation for REDD initiatives by facilitating the readiness of countries to participate in REDD, including their ability to address the drivers of deforestation and forest degradation and to enhance the sustainable management of forests. Key organizations include Multilateral Development Banks (MDBs), UN, members of the Collaborative Partnership on Forests (CPF), bilateral aid programs, international NGOs, philanthropic organizations and the private sector.

7. The Strategic Climate Fund (SCF) was established to provide financing to pilot new development approaches or to scale-up activities aimed at a specific climate change challenge or sectoral response through targeted programs. An important objective of the SCF is to maximize [co-]benefits of sustainable development, particularly in relation to the conservation of biodiversity, natural resources ecosystem services and ecological processes [, and the protection of the rights of indigenous peoples and local communities and improvements of rural livelihoods]. A Forest Investment Program (FIP) is to be established as a targeted program under the SCF to mobilize significantly increased funds to reduce deforestation and forest degradation and to promote improved sustainable forest management, leading to emissions reductions and the protection of carbon reservoirs².

8. Under the SCF the MDBs are to mobilize new and additional financing for adaptation and mitigation programs to address climate change that are country-led and designed to support sustainable development and poverty reduction. Activities financed by the FIP should be based on a country-led approach and should be integrated into country-owned development strategies, consistent with the Paris Declaration [and bearing in mind the Monterrey Consensus of the International Conference on Financing for Development].

9. The FIP will draw upon the IPCC and the IPCC Good Practice Guidance (2003) for agreed definitions and terms related to forests and climate change while recognizing the evolving vocabulary within the UNFCCC process³.

² Governance Framework for the Strategic Climate Fund, paragraph 10b.

³ It has been proposed that a list of references for forest-related definitions applied by the FIP is included in an annex to the design document.

II. OBJECTIVES, PURPOSE AND SCOPE OF THE FIP

10. The main purpose of the FIP is to support developing countries'[, including least developed countries',] REDD-efforts, providing up-front bridge financing for readiness reforms and public and private investments identified through national REDD readiness strategy building efforts, while taking into account opportunities to help them adapt to the impacts of climate change on forests and to contribute to multiple benefits such as biodiversity conservation and rural livelihoods enhancements. The FIP will finance efforts to address the underlying causes of deforestation and forest degradation and to overcome barriers that have hindered past efforts to do so.

11. The FIP will be designed to achieve four specific objectives:

- a) To serve as a vehicle to finance large scale investments 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 and that lead to an effective reduction of deforestation and forest degradation and enhance the sustainable management of forests;
- b) To promote transformational change by combining a high degree of cross-sectoral ownership at the national level with a scale of international funding larger than is typically associated with forest finance, by supporting change of a nature and scope sufficient to catalyze nationally significant shifts from 'business as usual' policies, practices and development paths, including scaling up private sector investment, by piloting activities that generate their own value over time and/or by reinforcing ongoing progress towards conservation and sustainable use of forests, while resulting in globally significant reductions in forest-based emissions trajectories;
- c) To generate understanding and learning of the links between the implementation of forest-related investments, policies and measures and long-term emission reductions and conservation, sustainable management of forests and the enhancement of forest carbon stocks in developing countries. By committing to apply rigorous a priori and ex post impact assessment of programs and projects, the FIP will ensure that the outcomes and effectiveness of FIP-supported interventions in reducing deforestation and degradation can be measured; and
- d) To pilot replicable models to leverage additional and sustained financial resources for REDD – that is, to demonstrate approaches to implement REDD efforts in partnership with other sources of public and private finance to increase the volume and sustainability of support, and through this to provide valuable experience and feedback in the context of the UNFCCC deliberations on REDD.

[12. In addressing the underlying causes of deforestation and forest degradation the FIP will support and promote, inter alia, investments in the following areas:

- a) institutional capacity, forest governance and information;
- b) investments to increase forest benefit yields; and
- c) investments outside the forest sector necessary to reduce the pressure on forests.]

III. FIP PRINCIPLES

13. The principles set out in the Governance Framework of the Strategic Climate Fund (SCF) apply to the FIP. In addition to the general SCF principles the following principles will apply to the FIP:

General FIP principles

- a) **Climate change mitigation potential.** FIP investments should lead to significant reductions in deforestation and forest degradation and promote policies and measures for improved [sustainable forest management][sustainable use of forests] that lead to emissions reductions and[/or] conservation and enhancement of carbon reservoirs;
- b) **Address drivers of deforestation and degradation and avoid perverse incentives.** FIP investment strategies, programs and projects should assess and address the direct and underlying drivers of deforestation and degradation within and outside the forest sector, and ensure a holistic national approach to REDD. Economic incentives and benefits systems should [support sustainable forest practices by all stakeholders, including local forest dependent communities and, the private sector, where present, as well as the maintenance of ecosystem services][support measures that reduce or eliminate pressures on the forest and support sustainable forest practices, particularly those of indigenous peoples and local communities, that do not contribute to degradation or deforestation and support the maintenance of ecosystem services. Such measures should include improvements in forest governance, tenure and policy regimes, and demand-side management aimed at reducing demand for and trade in timber and agricultural products derived from degraded or converted forest land];
- c) **Contribute to sustainable development.** The FIP should contribute to the livelihoods and human development of [forest dependent communities][indigenous peoples and local communities] as well as generate biodiversity benefits and ecosystem services;

Principles for the design and implementation of FIP activities

- d) **National ownership and national strategies.** FIP pilot programs should be country-led and –owned, should build on, enhance and strengthen existing nationally prioritized REDD efforts, and should respect national sovereignty;

- e) **[Inclusive processes and participation of all important stakeholders, including indigenous peoples and local communities.** FIP-supported programs at the country or regional level should be designed and implemented with the full and effective participation and involvement of – and with respect for the rights of – indigenous peoples and local communities, building on existing mechanisms for collaboration and consultation. FIP-financed activities should, moreover, be based upon effective collaboration between indigenous peoples and local communities, government ministries, private sector and financial institutions in planning and implementing programs. FIP should also seek to engage other major stakeholders, such as major groups identified by Agenda 21;]

Alternative for sub paragraph (e):

[[Inclusive processes and effective participation of all important stakeholders, including indigenous peoples and local communities. FIP-supported programs at the country or regional level should be designed and implemented with the full and effective participation and involvement of – and with respect for the rights of – indigenous peoples and local communities, including the right to free, prior and informed consent, consistent with international agreements, legal standards and norms, such as *inter alia* the United Nations Declaration on the Rights of Indigenous Peoples, the Convention on the Elimination of all forms of Discrimination Against Women and the Convention on Biological Biodiversity. FIP processes should build on effective mechanisms for collaboration and consultation where they exist. Such participation requires transparency in all phases of the FIP process, from the development of FIP programs, projects and strategies, to their implementation and evaluation. All stakeholders, including indigenous peoples and local communities, must have equal, full and timely access to information, including draft documents, prior to decision-making. Opportunities must be provided for stakeholders to hold decision-makers accountable where programs, projects and strategies have not been carried out as promised through the FIP process.]

- f) **Coordination with other REDD demonstration efforts.** The FIP should complement, be coordinated with, and cooperate closely with other REDD demonstrations initiatives and ongoing REDD efforts, such as FCPF and UN-REDD. Where applicable the FIP should build on the readiness work funded by FCPF, UN-REDD and other initiatives and should generate lessons for, and be informed by, other REDD initiatives on how to achieve scale and transformational impact in the implementation of REDD activities;
- g) **Measurable outcomes and results-based support.** The FIP should be results based over time, and should promote measurable outcomes with regard to the effectiveness of FIP investments on REDD, improvements in forest governance, livelihoods, climate resilience, biodiversity and other forest benefits. Transparent performance measures and procedures for performance assessment should be part of the project design and should serve as a basis for course correction during the implementation in close collaboration with the relevant actors at the national or regional level;

- h) **Piloting.** The FIP should support national or regional pilot programs in order to demonstrate how to scale up public, private and other resources and activities so as to achieve transformational change;
- i) **Forest related governance.** The FIP should capitalize on the lessons learned concerning inclusive and effective governance reform and enhancement of law enforcement in other environmental sectors. FIP should support such reforms as an integral part of necessary measures and policies to ensure forest related climate change outcomes. Forest governance criteria and indicators should be integrated into project design as well as into performance assessments to ensure measurable outcomes;
- j) **[Safeguarding High Conservation Value Forests.** The FIP should [in principle] safeguard high conservation value forests and should not support the conversion or degradation of such forests [, unless highly necessary];]

Alternative for sub paragraph (j):

[Safeguarding the integrity of natural forests. Consistent with its objectives, the FIP should safeguard natural forest and should not support the conversion, deforestation or degradation of such forests;]

- k) **Partnership with private sector.** The FIP should develop and implement models for working with, and leveraging resources from the private sector, including financial institutions, in effective implementation of REDD investment strategies, programs and projects;
- l) **Cooperation with other actors and processes.** The FIP should complement the forest-related aims and objectives of other global environmental conventions and processes, such as the Convention on Biological Diversity, the UN Convention to Combat Desertification, the Non-Legally Binding Instrument on all Types of Forests of the UNFF, and the International Tropical Timber Agreement. It should cooperate closely with other international/bilateral agencies and partnerships, such as the CPF, and with other relevant stakeholders, including IPGs, NGOs, and the private sector;
- m) **Early, integrated and consistent learning efforts.** Learning opportunities should be integrated into FIP programming from the start, including, where applicable, identification of national or regional pilot program approaches with significant potential for replication, and building in mechanisms for learning lessons from both successes and failures in collaboration with relevant stakeholders. The FIP should proactively communicate these lessons to UNFCCC and others engaged in REDD efforts. The FIP should also seek to incorporate into its activities lessons learned from other relevant initiatives.

IV. COUNTRY ELIGIBILITY

14. Country eligibility of the FIP will be based on:

- a) Official Development Assistance (ODA)-eligibility (according to the Organization for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) guidelines);
- b) An active MDB country program. For this purpose, an “active” program means where an MDB has a lending program and/or on-going policy dialogue with the country.

V. CRITERIA FOR SELECTION OF PILOT PROGRAMS

15. Transformational impact through a few programs should be prioritized over limited impact in many programs. The selection of pilot programs should be based on the following criteria:

- a) Country or regional pilot countries should have the potential to lead to significantly reduced greenhouse gas emissions from deforestation and forest degradation or further efforts to conserve, sustainably manage or enhance [significant carbon reservoirs in forests][natural forests, protecting biodiversity and rural livelihoods while maintaining important carbon stocks];
- b) Program potential to contribute to FIP objectives (see “Section II. Objectives, Purpose and Scope of FIP”), and adherence to FIP principles (see “Section III. FIP Principles”);
- c) Country preparedness and ability – institutional and otherwise – to undertake REDD initiatives and to address drivers of deforestation, taking into account government efforts to date and government willingness to move to a strategic approach to REDD and to integrate the role of forests into national sustainable development;
- d) Country distribution across regions and biomes, ensuring that pilot programs generate lessons on how to go to scale with respect to immediate action to curb high rates of deforestation and degradation, conservation of existing carbon stocks within pristine forests (high forest, low deforestation countries), enhancement of carbon stocks on degraded forest lands and building effective capacities for sustainable forest management.

VI. FIP SUB-COMMITTEE

16. Consistent with the SCF Governance Framework, the SCF Trust Fund Committee will establish a Sub-Committee for the FIP to oversee the operations and activities of the Pilot Program.

17. It is proposed that the FIP-SC consist of:

- a) up to six representatives from contributor countries to the FIP, identified through a consultation among such contributors, and at least one of which should be a member of the SCF Trust Fund Committee;

- b) a matching number of representatives from eligible recipient countries to the FIP, selected on a regional basis and identified through consultations among such countries, at least one of which should be a Member of the SCF Trust Fund Committee. For this purpose, an eligible recipient country means any country which is eligible under Section IV above; provided, however, to the extent that any country is selected as pilot country for the FIP at the time of the selection of the representatives, any such country on the list of pilot countries shall be given priority to represent eligible recipient countries under this paragraph;
- c) [Two representatives each from indigenous peoples, NGOs, and the private sector, identified through an open and inclusive self-selection process.]

18. [Members referred to in paragraphs 17(a) and 17(b) will be [consultative and] decision-making Members. Members referred to in paragraph 17(c) will be decision making members on all matters, except with respect to decisions made in accordance with paragraph [21(g)][21 (c,d,e and g)] for which they will be non-decision-making members.]

19. All pilot countries under the program, members of the MDB Committee and the Trustee may attend the FIP-SC as observers.

20. To ensure good linkages and effective cooperation with key partners so as to promote the efficient use of resources and complementarity with other sources of financing, the FIP-SC should invite as active observers:

- (a) representatives of intergovernmental organizations with a mandate to promote forest and climate change investments, including the FAO, FCPF secretariat, the Global Environment Facility, ITTO, UNDP, UNEP, UNFCCC, UNFF, and UN-REDD technical secretariat.

- [(b) representatives of civil society, including non-governmental organizations, indigenous peoples and local communities, and the private sector. Civil society representatives should be identified through an open and inclusive self-selection process, consistent with the decision on observers taken by the SCF Trust Fund Committee. Equity and balanced representation should include consideration of gender representation, balanced representation among regions and balanced representation between international and local or national organizations.]⁴

Functions of the FIP-SC

21. The FIP-SC will be responsible for:

- a) agreeing upon the number of country or regional pilot programs;
- b) approving the terms of reference for, and the composition of, the expert group;

⁴ Provisions related to observers from civil society will need to be clarified once paragraphs 17 and 18 are agreed.

- c) approving pilot country selection criteria and guidance to be followed by the expert group.
- d) selecting pilot countries based on the recommendations of the expert group;
- e) approving programming priorities, operational criteria and financing terms and modalities for the FIP, including modalities for private sector activities;
- f) endorsing further development of activities in investment strategies for FIP financing;
- g) approving FIP financing for programs and projects;
- h) ensuring complementarity between activities foreseen for the FIP and activities of developing countries, relevant regional organizations and initiatives and other development partners active in the field of climate change and forests, including the FCPF and other MDB efforts, UN-REDD and other UN efforts, and GEF;
- i) ensuring that the FIP program builds in provisions for evaluating the performance and effectiveness of FIP investments and for developing full reporting criteria and a performance measurement framework;
- j) periodically reviewing and publishing the effectiveness and impact of FIP programs and activities, and ensuring that “lessons learned” are applied to future FIP investments and transmitted through the SCF Trust Fund Committee to the UNFCCC and other stakeholders; and
- k) exercising such other functions as they may deem appropriate to fulfill the purposes of the FIP.

VII. EXPERT GROUP

22. An Expert Group should be established by the FIP-SC to make recommendations on selection of country or regional pilot programs for the FIP. The FIP-SC should provide to the Expert Group appropriate selection criteria and guidance. The Expert Group should make recommendations to the FIP-SC on short-list of country or regional pilot programs.

23. The Expert Group should include individuals, acting in their personal capacities, chosen on the basis of their expertise, strategic and operational experience and diversity of perspectives, including knowledge of scientific, economic, environmental and social aspects of conservation and sustainable use of forest ecosystems and climate change, gender and forestry, private sector, governance and institutional and development planning. The Expert Group members should be selected in accordance with criteria to be approved by the FIP-SC, taking into account professional qualifications of the experts. The group should be gender balanced, include experts from both developed and developing countries, indigenous peoples and local communities, and should receive support required to fulfill their functions properly.

VIII. FIP PROGRAMMING PROCESSES⁵

24. Prior to convening of the Expert Group the FIP-SC should determine the number of pilot programs to be financed and criteria for country selection. [Thereafter the Administrative Unit should inform eligible countries, through the country offices of the MDBs, of the pilot program and invite submission of an expression of interest by governments to be considered as a pilot country.]

25. The FIP-Sub Committee will select pilot country and regional programs taking into account the recommendations of the Expert Group. [Thereafter the Administrative Unit should inform selected countries, through the country offices of the MDBs, and invite submission of a confirmation of interest by the government to participate in the FIP].

26. For each selected country or regional pilot program the MDBs concerned, including both the public and private sector units, will organize a joint mission to support the government or group of governments to develop an investment strategy. The development of the investment strategy should be inclusive, transparent and participatory, involving sectoral ministries, sub-national entities, development partners working in the country, including bilateral development agencies, NGOs, indigenous peoples and local communities, the private sector and other stakeholders. Investment strategies should take fully into account existing national forest-related programs and national sustainable development strategies, ongoing and planned MDB operations in the country's forestry sector and should build on other climate and forest funding sources and initiatives, complementing the activities supported by them and leveraging further financial support.

27. The FIP-SC and observers invited to the SC will be informed in advance of the joint mission. The outcome of the collaborative exercise will be a [draft] investment strategy, developed under the leadership of, approved and owned by, the government of the recipient country, for the use of FIP resources through a joint MDB program. Investment strategies will be submitted to the FIP-SC for review and endorsement for the further development of activities in such plans for FIP financing. [Proposed investment strategies will be made publicly available in-country and on the FIP website at the same time as they are submitted to the FIP-SC, allowing sufficient time for public review and comment before FIP-SC endorsement].

28. After endorsement of the investment strategy by the FIP-SC, concepts for projects and programs will be developed through a government led process by the countries into detailed proposals. In developing such proposals governments should indicate whether the program or project is to be executed by national, regional, or local governments, indigenous peoples or their organizations, community based organizations, NGOs, private enterprise or other members of civil society. The processing of a program or project will follow the MDB's policies and procedures for appraisal, MDB approval and supervision [including the relevant MDB's disclosure policy]. [Documents related to proposed programs and projects will be made publicly available in-country and on the FIP website at the same time as they are submitted to the FIP-SC, allowing sufficient time for public review and comment before FIP-SC approval].

⁵ See the Annex to this document for a flowchart of the programming process.

29. Governments of pilot countries should establish, or identify an existing, cross-cutting multi-stakeholder national level steering committee to assist in program planning, implementation, monitoring and evaluation, which should include representatives of sub-sovereign entities, indigenous peoples and local communities, NGOs, private sector and other members of civil society.

[IX. INDIGENOUS PEOPLES AND LOCAL COMMUNITIES DEDICATED INITIATIVE

30. The full and effective, continuous participation of indigenous peoples and local communities in the design and implementation of FIP pilot programs and national investment strategies is [a logical consequence of their rights under international agreements and is] crucial to the success of those programs. This participation will be highly dependent on strengthening the capacity of these groups to play an informed and active role in national REDD processes in general and FIP processes in particular, as well as on recognizing and supporting their tenure rights, forest stewardship roles, and traditional forest management systems. Specific grants should be made available to indigenous peoples and local communities as a component to each of the pilot programs and for indigenous peoples' and local communities' participation in the FIP and national investment plan process.

31. The scope of activities eligible for support from a dedicated grant mechanism for indigenous peoples and local communities (and their designated support organizations) should include, inter alia, support for [clarifying and securing land tenure and natural resource rights and sustainable traditional forest management systems of indigenous peoples and local communities][securing and strengthening customary land tenure and resource rights and traditional forest management systems of indigenous peoples and local communities; support, including capacity building as required, for the development of pilot project proposals by indigenous peoples and local communities and their implementation; and support for the involvement of indigenous peoples and local communities in monitoring and evaluation of forest activities, [in conformity with relevant national laws and regulations].

32. The operational principles and priorities, funding modalities and governance of such a grant mechanism should be developed through broad, transparent consultation with indigenous peoples and local communities (and their designated organizations) across all forest regions, and should build upon lessons learned from existing mechanisms. The terms of reference (ToR) for the development of a proposal for a dedicated mechanism will be drafted by the IP and civil society representatives selected to participate in FIP design meetings (or a subset thereof), in consultation with indigenous communities and local communities, and a qualified consultant(s) identified. A proposal will be presented to the final design meeting of the FIP-SC.]

X. MONITORING AND EVALUATION

33. Country level monitoring and evaluation should be coordinated through the multi-stakeholder national level steering committee referred to in paragraph 29. [Monitoring at the country level should be independent, participatory (including through involvement of indigenous peoples and local communities, and civil society organizations in data collection and analysis), transparent and independently verified. Systems of independent forest monitoring (IFM) developed over the last decade can be adapted to incorporate REDD and should be developed where they do not exist. This type of monitoring will enable

independent assessment of the legal, social, economic, enforcement and management dimensions of forest governance that will be vital to the long-term success of any efforts to reduce or prevent deforestation and forest degradation.]

34. The FIP-SC should report to the SCF Trust Fund Committee on results, outcomes and lessons learned of the pilot programs achieved at the programmatic, country and project level, based on the monitoring results of the MDBs and the results of the FIP-SC review of effectiveness and impact of FIP programs and activities. An independent joint evaluation of the operations of the FIP and its activities will be carried out after three years of operations by the independent evaluation departments of the MDBs. Lessons learned and results achieved through the FIP should be published and made publicly available.

35. [Full reporting criteria and a performance measurement framework will be proposed by the FIP-SC and approved by the Trust Fund Committee of the SCF]. Performance criteria should include, but not be limited to, emissions reductions achieved or emissions avoided.[Criteria must also include indicators of forest governance, including conflict management, clarity of land tenure, improved capacity and coordination of government agencies, forest law enforcement, and respect for rights, as well as indicators of biodiversity maintenance and socioeconomic/livelihood impacts].

Alternative for paragraph 35:

[The FIP Sub-Committee should approve a log frame aimed at measuring the impact of FIP at three levels (FIP program, country program and project). The CIF Administrative Unit, in consultation with the MDB Committee, should prepare this log frame for review and approval by the FIP Sub-Committee.]

Annex: Flowchart for FIP Programming

