

Economic
Development

Biodiversity

Protected areas

Conservation

livelihoods

Forest Investment Program (FIP)

Forest values

First Design Meeting

Considerations Guiding the Design of the Forest Investment Program (FIP)

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October 16-17, 2008



Potsdam Mandate

“Potsdam Mandate”

- To establish a FIP by the end of 2008 within the SCF framework
- FIP to mobilize significantly increased funds to
 - reduce emissions from deforestation and forest degradation, and to
 - promote sustainable forest management and
 - protect carbon reservoirs
- FIP to be developed based on a broad and transparent consultation process taking into account country-led priority strategies and build on complementarities between existing forest initiatives



Underlying Causes of Deforestation

Underlying Causes of Deforestation

- Socio-economic drivers
- Extra-sectoral policies
- Investment in unsustainable logging
- Weak capacities and inefficient financial resources
- Poor governance and corruption
- Undervaluing forests
- Unclear land tenure and rights
- No access to capital



Drivers of deforestation

*Blaser and Robledo
(2008)*

Driver of Deforestation	Rate of Deforestation/ Degradation % of total	Area (Millions ha/a)
Small scale agriculture & Shifting cultivation	42	5.5
Commercial scale agriculture crops	20	2.6
Cattle ranching	12	1.6
Fuelwood & NTPF Gathering	6	0.7
Commercial scale logging (both legal and illegal)	14	1.8
Traded fuelwood and charcoal	6	0.7
Total	100	12.9



Potential of Climate Change Mitigation Measures of Forestry Activities in Non-Annex I Countries

Potential of various Forest Mitigation Measures

Region	Reduced deforestation and degradation (REDD)	Improved Forest Management (IFM)	Afforestation/ Reforestation (A/R)	Total	Share %
	(million tCO ₂ / yr in 2030)				
Total Non-Annex I	3,900	3,910	3,370	11,180	100
Share, %	35	35	30	100	
Share of the global potential %	99	68	83	81	
Note: Potential at cost equal or less than USD 100/t CO ₂ :					

Source: IPCC. 2007. Climate Change 2007: Mitigation. Contribution of Working Group III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change. Cambridge, United Kingdom and New York, NY, USA.





Climate Change Mitigation Potential of Different Forest Measures




SDN Forests

Deforestation rate\relative forest cover	Low forest cover countries	High forest cover countries
Countries with high deforestation rate	REDD: high/medium potential IFM: low/no potential (Restoration: high potential) A/R: high potential	REDD: high potential IFM: high potential A/R: high potential
Countries with low deforestation rate	REDD: low/no potential IFM: low/no potential (Restoration: medium potential) A/R: high potential	REDD: medium potential IFM: high potential (Restoration: low potential) A/R: low/medium potential
Countries with zero deforestation/increasing forest area	REDD: no potential IFM: low potential (Restoration: low/medium potential) A/R: medium potential	REDD: no potential IFM: high potential (Restoration: low/no potential) A/R: low potential



Investment Gap with FCPF and UNREDD

SDN Forests

Readiness (FCPF Readiness Fund, UNREDD)	Investment Needs	Payments for Emission Reductions (FCPF, Voluntary Markets, Post-Kyoto Mechanism, non-market incentives)
<ul style="list-style-type: none">▪ Emissions reference scenario▪ Forest carbon inventory▪ Stakeholder consultations▪ Identification of the drivers of deforestation/ degradation▪ Elements of a national strategy to reduce emissions from deforestation and degradation▪ Development of monitoring and verification system▪ Capacity building	<p>Closing the Gap through FIP?</p> 	<ul style="list-style-type: none">▪ Performance-based payments (against measured reductions in emissions from deforestation or degradation)



Seeking your
feedback on
the 7 Key
Questions

7 Key Questions

- Objectives and scope of the FIP
- Type of investments to be financed through the FIP
- FIP as a pilot program or made more broadly available
- Ensuring that FIP is aligned with country priorities
- What elements to include in the FIP design to harness synergies with other initiatives and funding mechanisms, including leveraging FIP financing from other sources
- Instruments to use in FIP financing
- How to ensure an inclusive FIP Sub-Committee



Mitigation - Reducing Emissions and Enhancing Sinks

Adaptation

Question 1

What are the

Key
Objectives
of the
FIP

REDD
Carbon
Payments
(FCPF)

CDM
BioCF

Forest
Investment
Program ?

Forest Investment Program ?
UNFF ?
GEF ?
Bilaterals ?
Private Sector?

REDD
Readiness
(FCPF, UNREDD)

SDN Forests





What is the scope of the FIP?

Question 1

What are the
Key Objectives
of the
FIP

- Filling current investment gaps in REDD?
- Broader mitigation approach...?
- Including adaptation?
- Improve forest livelihood functions?
- Other “co-benefits”?
- Focus on all types of forests or on tropical forests only?



Potential Investments in...

Question 2

What type of investments should be financed through the FIP?

- Institutional capacity, forest governance and information
- Increasing forest benefit yields by forest resource investments
- Investments outside the forests sector



Question 3

Develop
FIP as a
pilot
program
or make
it more
broadly
available
?

- Need for upfront, at-scale investments in pilot countries?
- Open access for a larger number of individual approaches and country projects?



Question 4

How can the FIP be aligned with country priorities?

- To achieve consistency with National development priorities including national forest programs?
- To develop a shared vision among national forest stakeholders?
- To liaise with FCPF and UNREDD stakeholder processes?
- To make use of the new GFP program?



Question 5

How to harness synergies with other initiatives and funding mechanisms?

- Broad consultative process at country level?
- Joint programming exercises with international partners and bilateral donors?
- Build synergies with GEF, FCPF, UNREDD and other initiatives?
- What is the relationship with other international processes/instruments, such as UNFF, CBD, CCD?



Question 6

What instruments to maximize climate benefits and who should be the beneficiaries?

- Using a range of concessional financing instruments?
 - o Grants
 - o Concessional loans
 - o Risk mitigation instruments
 - o Others
- Combine FIP financing with existing ODA mechanisms?
- Link with private sector?
- Transfer mechanisms?
- Funds accessible to governments, private sector, civil society, etc?



Question 7

How to
structure the
FIP
Sub- TF
Committee?

- **Who should be observer/member of the Sub- TF Committee?**
- **Additional voting rights (civil society, Private Sector)?**
- **How to make effective decisions?**



**Your
Feedback
sought on
Seven Key
Questions**

- 1. What are the objectives and scope of the FIP?**
- 2. What type of investments should be financed through the FIP?**
- 3. Should the FIP be designed as a pilot program or should it be more broadly available?**
- 4. How can the FIP be aligned with country priorities?**
- 5. What elements should be included in the FIP design to ensure harnessing synergies with other initiatives and funding mechanisms, particularly leveraging FIP financing from other sources?**
- 6. What instruments should be used in FIP financing?**
- 7. How can the FIP Sub-Committee be inclusive of interested stakeholders?**