

CLIMATE INVESTMENT FUNDS

FIP/SC.3/3
March 2, 2010

Meeting of the FIP Sub-Committee
Manila, Philippines
March 17, 2010

FIP OPERATIONAL GUIDELINES

Proposed Decision by FIP Sub-Committee

The FIP Sub-Committee reviewed document FIP/SC.3/3, *FIP Operational Guidelines*, and agrees to the procedures and modalities described in the document, subject to comments of the Sub-Committee. The Administrative Unit was requested to revise the programming document on the basis of the comments made during the meeting and to circulate the final document for approval by mail.

Purpose of Document

1. This document sets out the procedures that will be followed under the Forest Investment Program (FIP) to program and plan its investments. It is based on the programming flowchart that was established in the FIP Design Document (summarized below). These guidelines clarify the process for steps 6-10; steps 1-5 are detailed in other FIP guidance documents (FIP/SC.1/3, *Proposed FY10 Work Program for the FIP Sub-Committee*, FIP/SC.1/4/Rev.1, *Criteria for Selecting Expert Group Members under the Forest Investment Program, Terms of Reference and Working Modalities*, FIP/SC.1/5/Rev.1 *Criteria for Selecting Country and Regional Pilots under the Forest Investment Program*). It also sets out the process for developing the indigenous peoples and local communities grant mechanism as well as procedures for monitoring and evaluation.

FLOWCHART FOR FIP PROGRAMMING

PRE-PROGRAMMING PHASE

1. FIP-SC to agree upon number of country or regional pilots and criteria for country selection.
2. CIF Administrative Unit, through Multilateral Development Banks (MDBs), to inform countries of program and invite expression of interest.
3. Expert Group to recommend a short-list of country or regional pilots, applying approved selection criteria.
4. Selection of country or regional pilots by FIP Sub-Committee.
5. Selected countries invited to confirm interest to participate (and identify a focal point and establish their national-level multi-stakeholder steering committee).

PROGRAMMING PHASE

6. Country-led joint MDBs mission to assist the development of Investment Strategy.
7. Endorsement of Investment Strategy by FIP Sub-Committee for further development of programs and projects concepts identified in the Investment Strategy.
8. Preparation of FIP investment programs and projects.
9. Decision(s) on FIP financing for programs and projects by FIP Sub-Committee.
10. Further processing of projects in accordance with MDB procedures, including final approval.

(A more detailed business process flowchart for FIP operations is presented in Annex A.)

2. Consistent with paragraph 33 of the FIP Design Document, “the FIP programming process should take fully into account existing sustainable development plans, national climate change efforts, forest-related programs, and ongoing and planned MDB operations in the country’s forest sector, and should build on other climate and forest funding sources and initiatives in a manner that is complementary and leverages further financial support.”

Country-led Joint MDB Missions

3. The purpose of the country-led joint MDB mission (“Joint Mission”) is to collaborate with the pilot country (-ies) in preparation of its FIP Investment Strategy. This section covers the purpose, process and output of the Joint Mission. Detailed guidance for preparing the Investment Strategy, including an annotated outline, is provided in Annex B.

4. *Country request.* Once the FIP Sub-Committee has approved the pilots, selected countries will be invited to confirm their interest in participating in the FIP. During this period, MDB staff members familiar with the country will work on an informal basis with country clients to inform them in more detail about the purpose, principles and procedures of the Joint Mission. Once a pilot country (-ies) has confirmed its interest, the MDBs will work with country clients to prepare for the mission. Prior to the joint programming mission, the designated FIP focal point for a selected country should send a request to the CIF Administrative Unit through the appropriate Country Director of the World Bank Group and/or RDB for a Joint Mission to initiate preparation of the Investment Strategy.

5. *Initial preparation and possible scoping mission.* Pilot countries are likely to have available substantial analytical, strategic and programming work in the areas of forestry, natural resource management, rural development, and climate change. This will inform the preparation of the Investment Strategy. This may include budget and planning documents, forestry and/or climate change strategies (including REDD+ strategies or action plans), forest-relevant sector strategies and Poverty Reduction Support Programs (PRSPs) in the case of low-income countries. Programs supporting forest and forest landscape management may fall under the mandate of a range of organizations, including agriculture, forestry, environment, energy and social protection agencies, and may form part of local-level programs as well as central government activities. Programs are also likely to have been developed with a broad range of development partners. Lead country agencies/institutions may wish to assemble this documentation themselves, or MDBs may provide assistance in consolidating background material and preparing for the joint programming mission through a short scoping mission. MDBs should factor these costs in their plans for FIP administration and oversight.

6. A preparation grant of up to \$250,000 for the development of the Investment Strategy may be made available to the country for additional work if it is required to complete the Investment Strategy, including stakeholder consultations and planning sessions. Funding would be within the envelope requested for Investment Strategy but made available up-front to complete the preparation process. In this case, the mission should identify the additional work and other activities, and prepare terms of reference as well as a proposed budget for the strategy preparation for early approval by the FIP Sub-Committee through a decision by mail. The proposal should clearly identify how the country will collaborate with the MDBs during the preparation process. Governments may ask MDBs to have an equal role or ask one of the MDBs to assume a lead administrative role in accessing FIP grant funding for the preparation of the Investment Strategy. This grant will be government-executed. Each MDB would use its own procedures to channel the funds to an appropriate national institution.

7. The Government and MDBs should prepare terms-of-reference (TOR) for the joint mission. The TOR should include the mission composition, budgetary requirements for each MDB, Government and MDB contacts (name, institution, telephone number and e-mail address) as well as the preliminary schedule of meetings, consultations and travel.

8. *TOR approval and division of labor.* The TOR, once developed by the Government, should be submitted to the MDB Committee for approval of the programming budget to finance the MDB costs. Once approved by the MDB Committee, the CIF Administrative Unit and the Trustee will allocate the approved funds to cover the costs of the mission and preparation of the Investment Strategy. The MDB Committee discussion will be held no later than four weeks before the expected date of departure of the mission to allow time for the FIP Sub-Committee to be notified of the mission. The CIF Administrative Unit will notify the FIP Sub-Committee of the agreed joint mission four weeks in advance and post this information on the CIF website. This advanced notice is intended to facilitate the participation of other development partners and stakeholders in country-led consultations during the joint mission. This is consistent with paragraph 34 of the FIP Design Document that “the FIP-SC members and active observers will be informed in advance of the joint mission”.

9. The TOR for the Joint Mission should identify the roles and responsibilities of each MDB, and arrangements for collaboration with other relevant partners in supporting the government in the development of the Investment Strategy.

10. *Joint mission.* The objective of the joint mission is to collaborate with the pilot country or countries in developing and costing an Investment Strategy for programs and projects to be implemented that are consistent with the overall FIP objective and meet the investment criteria for programming priorities under the FIP (see document FIP/SC.3/4 *Investment Criteria and Financing Modalities*). The Government will lead and coordinate the mission, which should include key government, non-government, including indigenous peoples and local communities; and private sector stakeholders as well as other development partners, including the Forest Carbon Partnership Facility, UN-REDD (where relevant) and bilateral development agencies/ banks. The mission

should highlight the importance of diagnosis, stakeholder consultation and results orientation. The mission should include consultative workshops and appropriate field trips. A report summarizing agreed key findings, information on stakeholder consultations, including those with indigenous peoples and local communities, and next steps should be prepared and approved by the Government. The report will be posted on the CIF website.

11. The Government will take the lead in coordinating the preparation of the Investment Strategy. A key feature of the joint mission will be the engagement at the country level with local communities, indigenous peoples groups, the private sector, UN and bilateral and other potential partners. Consistent with paragraph 37 in the *FIP Design Document*, “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 provincial, state and local authorities, indigenous peoples and local communities, NGOs, private sector and other members of civil society”.

12. Such collaboration should strengthen ownership, serve to identify activities of other development partners that can contribute to the objectives of the Investment Strategy, mobilize co-financing for FIP programs and projects, ensure harmonized policy support and promote complementarity with activities of other development partners (see Annex C on possible collaboration with bilateral development agencies/banks).

Endorsement of Investment Strategy

13. The Investment Strategy should be reviewed and approved through appropriate internal government procedures. Consistent with paragraph 34 of the *FIP Design Document*, “drafts of investment strategies will be publicly available in country for purposes of consultation”. The draft of the Investment Strategy should be made available for public information and comment on a government website at least two weeks prior to its submission to the CIF Administrative Unit. Prior to submission to the CIF Administrative Unit, there may be a need for a short follow-up mission to reach agreement with Government on the proposal and next steps. Once approved, the designated Government FIP focal point will send the final strategy to the CIF Administrative Unit to be included in the agenda for the next meeting of the FIP Sub-Committee for endorsement. “Investment strategies will be submitted to the FIP Sub-Committee for review and endorsement for the further development of activities in such plans for FIP financing. Final 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” (paragraph 34 of the *FIP Design Document*).

14. The FIP Sub-Committee should consider the country’s forestry and climate-related goals and whether the proposed Investment Strategy realistically supports those goals. More specifically, the FIP Sub-Committee should assess the Investment Strategy

according to the consolidated FIP investment criteria (see FIP/SC.3/4 *Investment Criteria and Financing Modalities*) that include:

- (a) Climate Change Mitigation
- (b) Potential Demonstration Potential at Scale
- (c) Cost-effectiveness
- (d) Implementation Potential
- (e) Integrating sustainable development (co-benefits)
- (f) Safeguards

15. These consolidated criteria provide the guiding framework for the FIP Sub-Committee to consider whether an Investment Strategy makes the case for initiating transformational impact.

16. The FIP Sub-Committee will be requested to endorse the Investment Strategy as a basis for moving forward together with a FIP resource envelope for individual programs or projects. Based on the endorsed Investment Strategy, steps will be taken to proceed with development and preparation of programs or projects for FIP co-financing. Prior to appraisal, an MDB will seek approval from the Sub-Committee for FIP financing for each program and project.

Preparation of FIP Investment Projects and Programs

17. The preparation of FIP investments will be consistent with paragraphs 35 and 36 of the FIP Design Document:

“35. 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. 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.

36. The FIP programming, approval and supervision processes will follow the MDB’s policies and procedures, including the relevant MDB’s disclosure policy.”

Preparation Grants

18. The endorsement of the Investment Strategy by the FIP Sub-Committee is not only the basis for moving forward to develop proposed project and program concepts but also allows the FIP Sub-Committee to approve funding requested for project preparation.

A preparation grant can be made available to enable country preparation for each project or program component in accordance with MDB procedures. The grant amount will be included in the FIP funding available for the Investment Strategy endorsed by the FIP Sub-Committee but will be made available prior to approval of FIP funding for the project to finance country-driven preparation activities. Preparation and implementation of the investments will follow the respective MDB procedures, including social and environmental safeguards, procurement and financial management. Funds for project preparation grants would be included within the envelope requested for the Investment Strategy. Proposals for project preparation grants should be included in the Investment Strategy, and the FIP Sub-Committee would be requested to approve the requested funding when it endorses the Investment Strategy.

Decision on FIP Financing for Projects and Programs

19. As part of the endorsement of an Investment Strategy, the FIP Sub-Committee will provide comments on draft concept notes¹ annexed to the Investment Strategy and approve project preparation grants for the proposed activities.

20. Prior to appraisal of a program or project, a program or project proposal will be submitted to the FIP Sub-Committee for approval of FIP financing. Such approval may be sought through a decision by mail of the FIP Sub-Committee.

21. When the FIP Sub-Committee decides on financing for a specific project or program, it will approve the proposed financing modality (grant or concessional loan), or range of proposed financing modalities (grant, concessional loan, guarantee and/or equity), in case of private sector projects or programs. Guidance on financing modalities is provided in a separate note.

22. The MDB will re-circulate a project to the FIP Sub-Committee for review and a second approval, if the final project or program design results in: (i) GHG savings that are less than 85% of the original estimate; or (ii) the changes require an increase in FIP co-financing of the project's budget; or (iii) the ratio of funding from MDB/other financing sources to FIP funding decreases more than 10% from the original leverage ratio. In such cases, the project or program document will be resubmitted to the FIP Sub-Committee for approval of FIP financing on a no-objection basis for a period of 10 working days prior to being submitted through the MDB's internal approval processes. Other changes to a project or program design will be reported by the MDB through annual reports but will not require further approval by the FIP Sub-Committee.

MDB Processing of Investments

¹ The terminology differs slightly among MDBs, e.g. in the IDB, the equivalent to a *Project Concept Note* is a *Technical Cooperation Profile*.

23. The FIP Investment Strategy will include concept notes for proposed activities or program components to be financed by the FIP, including technical assistance and other investments involving the public and/or private and non-sovereign entities. Detailed preparation of each activity will be pursued in accordance with the procedures of the MDB(s) partnering with the country on the activity. A specific activity or program component may involve one or more MDBs and co-financing by other development partners and the private sector. Such concept notes will be developed into program or project proposals following the endorsement of the investment Strategy.

Indigenous Peoples and Local Communities Grant Mechanism

24. The FIP Design Document calls for a dedicated grant mechanism to be established under the FIP to provide grants to indigenous peoples and local communities in pilots to support their participation in the development of FIP investment strategies, programs and projects. Grants to indigenous peoples and local communities should be an integral component of each pilot and linked to the Forest Investment Strategy in order to ensure a comprehensive lessons learned process from local to the national level and vice versa.

25. The scope of activities eligible for support from the grant mechanism may include:

- (a) strengthening the capacity of these groups to play an informed and active role in national REDD processes in general and FIP processes in particular;
- (b) recognizing and supporting their tenure rights, forest stewardship roles, and traditional forest management systems;
- (c) participation of these groups in the development of the FIP investment strategies, programs and projects; and
- (d) implementation of projects as an integral component of pilots.

26. Once the FIP Sub-Committee has agreed on the establishment of the dedicated grant mechanism, including operational principles and priorities, funding and approval modalities and governance of the grant mechanism, indigenous peoples and local communities in pilots countries access the grant resources for activities fitting their needs and consistent with the Investment Strategy.

Monitoring and Evaluation

27. Country-level monitoring of programs and projects should be coordinated through a multi-stakeholder national-level steering committee. Pilot country governments 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 local authorities, indigenous peoples and local communities, NGOs, the private sector, and other members of civil society.

28. Beyond being participatory, the monitoring of the Investment Strategy as well as its individual components should be transparent and verifiable. National systems of independent forest monitoring developed over the last decade should be adapted to incorporate REDD+ and could 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 reduced or prevent deforestation and forest degradation.

29. The FIP Sub-Committee should report to the SCF Trust Fund Committee on results, outcomes and lessons learned from the pilots achieved and the programmatic, country and project level, based on the monitoring results of the MDBs and the results of the FIP Sub-Committee's review of effectiveness and impact of FIP programs and activities. This should be done according to the FIP Results Framework (to be reviewed and approved by the FIP Sub-Committee) and MDBs should strive to incorporate a consistent sub-set of indicators in their project and program level monitoring frameworks to support the overall FIP Results Framework.

30. 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 will be published and made publicly available.

Annex A: Business Process Flowchart for FIP Operations

Steps/Actions Required	Who is Responsible?	Performance Standards
<p>I. Concept & Preparation</p> <p>1. MDBs conduct joint mission(s) to provide inputs to the Investment Strategy</p> <p>MDB identification mission for program and projects proposed as part of Investment Strategy</p> <p>Public disclosure and finalization of the Investment Strategy</p> <p>Approval of Investment Strategy by Government.</p>	<p>MDB(s) and Recipient Country Government</p>	<p>According to criteria and guidelines established by FIP Sub-Committee (SC), including coordination with other development partners.</p> <p>MDB investment lending guidelines for identification and project concept review.</p> <p>Public disclosure at least two weeks prior to submission of IS to CIF Administrative Unit</p>
<p>2. Sub-Committee reviews and endorses Investment Strategy, and agrees on MDB designation for operations, eligibility and priorities for programs and projects, and indicates notional resource envelope for such activities.</p> <p>Sub-Committee approves of requested preparation grants for proposed projects and programs.</p>	<p>FIP Sub-Committee</p>	<p>In-person or virtual review by the FIP Sub-Committee as soon as an Investment Strategy has been submitted for endorsement</p>
<p>3. MDB supports preparation of individual investments by borrower or private sector client.</p> <p>Examples of key MDB steps: project concept note review,</p>	<p>Borrower/client & MDB</p>	<p>According to MDB operational policies and procedures, consistent with endorsed Investment Strategy</p>

<p>quality enhancement review, appraisal decision.</p> <p>MDB to include an external technical peer reviewer in its standard review/clearance steps for project processing.</p>		
<p>II. Appraisal-Negotiations-Board-Effectiveness</p> <p>4. MDB submits program or project proposal to FIP Sub-Committee for no-objection approval of trust fund financing.</p> <p>Upon FIP Sub-Committee approval, Trustee commits funding to MDB</p>	<p>MDB & FIP Sub-Committee</p> <p>Trustee</p>	<p>Virtual review as necessary.</p>
<p>5. MDB conducts appraisal, negotiates legal agreement with borrower or legal contract with private sector client, and submits project for approval by its Board.</p> <p>Resubmission to FIP Sub-Committee if there are substantial changes in project objectives, design and/or financing.</p>	<p>MDB</p>	<p>Appraisal within 3 months of FIP Sub-Committee no-objection approval.</p> <p>According to MDB operational policies and procedures. Target: Investment Strategy review by FIP Sub-Committee to Board submission in 12 months.</p>
<p>6. Signing and effectiveness of legal agreement with borrower or legal contract with private sector client</p>	<p>MDB and borrower or client</p>	<p>Applicable MDB procedures and standards</p>
<p>III. Implementation & Supervision</p> <p>7. Project implementation, including monitoring of physical and financial progress in achieving results.</p>	<p>Borrower or client</p>	<p>As provided for in the legal agreement and project operational manual.</p>

Disbursement of funds following processing of withdrawal applications.	MDB	Applicable MDB policies and procedures.
8. Supervision and amendments of project activities under implementation, including reallocation of loan proceeds.	MDB	Applicable MDB policies and procedures.
IV. Evaluation & Completion Reporting		
9. Evaluation	Borrower/client	As provided for in legal agreement and project operational manual.
10. Program or project completion report Upon submission of such report to Board, MDB submits final completion report to CIF Administrative Unit	MDB	Applicable MDB policies and procedures. Within [10] working days of Board submission.
11. Independent review of the program or project completion report	MDB Evaluation Department	Applicable MDB policies and procedures.
12. Annual Portfolio Review submitted to CIF Administrative Unit. Administrative Unit convenes annual portfolio review meeting, prepares overview report on Fund operations, and forwards MDBs' annual portfolio reviews to FIP Sub-Committee. Review and adoption of FIP Annual Report on Fund operations.	MDB Administrative Unit FIP Sub-Committee	Reporting from Results Measurement System Decision at regular meetings of FIP Sub-Committee

Annex B: Guidance for Preparing the Country-Level Investment Strategy

Principles, Objectives and Outcomes

Principles. The Investment Strategy should be country-led and country-driven, and should be designed and implemented within the broader context of sustainable development and poverty reduction to help pilot countries initiate and facilitate steps towards transformational change in forest related policies and practices.

FIP funding should be additional to current ODA and should allow for blending grant and highly concessional finance with domestic and international public and private financing. When concessional loans are provided, the grant element of the loan should be sufficient to cover the additional costs of climate mitigation. This financing will be made available through the MDBs. The processing of FIP financed projects and programs will follow the MDBs' established policies and procedures.

The Investment Strategy should adopt a programmatic approach, building as much as possible on existing work and development strategies, including REDD readiness programs and strategies, and should clearly demonstrate the initiation of transformational change in forest-relevant sectors and monitorable contributions to emissions reductions. Specific investment criteria are spelled out in the *FIP Investment Criteria and Financing Modalities* (FIP/SC.3/4).

Objectives. The objectives of the Investment Strategy are to:

- (a) initiate and facilitate steps towards transformational change in developing countries' forest-related policies and practices;
- (b) pilot replicable models to generate understanding and learning about the links between 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;
- (c) facilitate the leveraging of additional financing resources for REDD+, leading to an effective and sustained reduction in deforestation and forest degradation, thereby enhancing the sustainable management of forests; and
- (d) provide valuable experience and feedback in the context of UNFCCC deliberations on REDD+.

Immediate Outcomes of the Investment Strategy. The immediate outcomes of the Investment Strategy are:

- (a) enhanced institutional capacity, forest governance and availability of information;
- (b) integration of climate mitigation measures and other forest ecosystem service considerations in the forest sector; and
- (c) reduction of pressure on forests from other land use sectors.

General Elements of a FIP Investment Strategy

The following general structure for the Investment Strategy is suggested, recognizing that country or regional circumstances may differ. The Investment Strategy would likely cover the following areas, consistent with the consolidated investment criteria for programming priorities in FIP pilots (FIP/SC.3/4 *Investment Criteria and Financing Modalities*):

- (a) a brief stocktaking of information on the status of forests and woodlands, their overall biomass, and the trends and key drivers of deforestation/degradation;
- (b) a review of institutional capacities to support the sustainable management of forest resources;
- (c) a review of existing legislation and regulations, and linkages between forest and woodland management and broader central/local processes and governance issues,;
- (d) land rights and land tenure practices, and issues related to illegal activities in the woodland and forest sector;
- (e) an overview of stakeholder groups and their strengths and opportunities in engaging in the implementation of the Investment Strategy, including capacity development needs and means to address broader “voice” and civil society issues, including those of indigenous peoples groups;
- (f) national inventory on forest resources and current levels of deforestation and forest degradation as well as drivers of deforestation and forest degradation and their contributions to GHG emissions;
- (g) linkages of forest and woodland programs to broader country development plans and private sector development processes;
- (h) a summary of ongoing programs addressing forest and woodland management; these are likely to be quite broad-reaching and include participatory natural resource/community development/livelihoods, sustainable forest management, protected area management/forest conservation, watershed management, ecosystem services programs, fuelwood production, reforestation/afforestation programs, REDD demonstration activities, climate change adaptation activities; and plantation management as well as support to sustainable forest enterprises;
- (i) key opportunities and “entry points “ to reduce emissions from deforestation and forest degradation in a cost-effective way, while contributing to local livelihoods and ensuring environmental and social sustainability;
- (j) proposals for individual investments based on national priorities described in national plans or strategies, including the necessary additional analytical and project preparation work, costings, analyses, and fiduciary and governance arrangements.
- (k) concept notes for each investment that include:

- Summary of the proposed project or program, including information on the scope of the investment, including the sector(s) to be addressed;
- Work program, timetable, funding requirements for investments, including implementation arrangements, implementation risks, and implications for FIP assistance.
- A notional FIP allocation for the proposed project or program, an estimate of resources that would be leveraged, and projections of potential carbon emissions reductions from both the co-financed portfolio as well as the larger transformational impact.

More detailed suggestions for structuring the document are provided in this annex in the form of an annotated outline for the FIP Investment Strategy.

Annotated Outline for Investment Strategy

Section 1 Description of the country and sector context (3 pages)

The Investment Strategy will be developed on a country-specific basis to achieve nationally-defined objectives. Therefore, a brief summary of the government's existing forest-relevant development plans or programs that include low carbon objectives related to forests should be prepared, including specific forest or other relevant sectors and climate change strategies. The following sector-specific background information should be provided:

- (a) description of the major national forest-based sources of GHG emissions and projected trends
- (b) status and trends concerning forest and woodland resources
- (c) economic importance of forestry sector (local livelihoods, contribution to GDP, poverty linkages)
- (d) explanation of the key drivers of deforestation and degradation
- (e) summary of national REDD+ program/strategy or equivalent
- (f) summary of other ongoing programs for forest, woodland and wider forest landscape management, including funding sources
- (g) description of forest governance arrangements (legislation, regulations, land rights, institutions and their capacities, participation of key stakeholders including indigenous and other forest communities and accountability arrangements)

Section 2 Identification of opportunities for Greenhouse gas abatement (2 pages)

The Investment Strategy will identify key opportunities for reducing emissions from deforestation and forest degradation as well as the conservation of forest carbon stocks. The interventions should be sufficiently flexible to include a wide range of possible public and private sector activities. The investment opportunities should meet the FIP

investment criteria as outlined in the *FIP Guidelines on Financing and Investment Criteria*.

Section 3 Enabling policy and regulatory environment (1-2 pages)

The Investment Strategy should describe land use and pricing policies, market and regulatory structure, other incentives, and medium-term expenditure framework in the forestry (including REDD readiness) and related sectors to support the operations envisaged in the plan. It should describe the barriers that exist and what the potential impacts of public and private sector interventions could be if these barriers are addressed.

Section 4 Expected Co-Benefits from FIP Investment (1 page)

The Investment Strategy should list the expected co-benefits from FIP investments, including the contribution to the livelihoods, alleviating poverty, and human development of forest dependent communities, including indigenous peoples and local communities, and generation of benefits to sustain biodiversity and ecosystem services; enhance climate resilience, and the promotion of social sustainability.

Section 5 Identification and rationale for projects and programs to be co-financed by FIP (4 pages)

A sub-set of interventions for FIP co-financing should be selected from the wide range of opportunities identified in Section 2. For each project or program, the Investment Strategy should:

- (a) Prioritize activities that: (i) would enable the scaling-up of approaches, forest management models, technologies, and solutions that are successfully piloted but not in routine use, and/or (ii) would help generate working examples of low carbon forest development that might be applied at scale to the country, geographic sub-region or sub-sector.
- (b) Assess the cumulative emissions savings, explaining how investments: (i) would explore new opportunities previously unrealized at scale, and/or (ii) are linked to policy and regulatory change that will stimulate much wider action by creating new opportunities and removing barriers.
- (c) Estimate the replication and scalability potential of the project or program, e.g. its potential impact on the deforestation rate, pace of rehabilitation of degraded areas, conservation of existing forest carbon stocks, REDD activities and payments, and/or forest carbon emissions.
- (d) Provide evidence of poverty reduction, environmental and social co-benefits by prioritizing activities that: (i) help reduce poverty by enhancing economic growth or by improving services to the poor, and/or (ii) provide local or regional environmental benefits such as greater biodiversity, improved watershed management or better soil quality.
- (e) Take into account the framework of the MDBs' Country Assistance/Partnership Strategies, other relevant national planning exercises and activities of other

development programs, including the FCPF, UN-REDD, bilateral development agencies, UN and GEF.

(f) Establish 2-3 results indicators consistent with the FIP Results Framework and identify methodology to measure those along with a timeline for achieving results.

Section 6 Implementation potential with risk assessment (1-2 pages)

An assessment of the implementation potential of the alternative GHG emission reduction options in the Investment Strategy should be considered. This would include an analysis of the technical and management capacities of the executing agencies or project sponsors/entities as well as their financial health. If there are bottlenecks in related infrastructure or land use, the ability of executing agencies or project entities to resolve these problems should also be addressed. The Investment Strategy should include an initial description of potential risks that might affect the implementation of proposed investments including: country and sub-national level risks; sector policies and institutions; technology, governance, environmental, and social risks.

Section 7 Financing plan and instruments (half-page)

The Investment Strategy should provide a projected amount of FIP co-financing and total financing requirements for each intervention, potential sources of public and private financing (including carbon finance, bilateral development banks and agencies, and non-traditional financiers). The Investment Strategy should also identify FIP leverage ratios and types of financial instruments e.g., commercial loans, concessional financing, grants).

Annexes

The Investment Strategy should include three annexes that summarize:

Annex 1: the proposed project and program pipeline, including the notional FIP resource allocation, an estimate of resources that would be leveraged, projections of potential carbon emissions reductions from both, the co-financed portfolio as well as the larger transformational impact and other results indicators.

For each project concept, a project outline annex (maximum two pages) should be provided that includes:

- (a) Problem statement (1-2 paragraphs)
- (b) Proposed transformational impact and co-benefits (1-2 paragraphs)
- (c) Implementation readiness (1-2 paragraphs)
- (d) Rationale for FIP financing (1-2 paragraphs)
- (e) Safeguards
- (f) Financing plan
- (g) Project preparation timetable

Annex 2: A stakeholder involvement plan which presents an assessment of the relevant stakeholder groups in the pilot and how these groups will be involved in the design and implementation of projects and programs under the Investment Strategy.

Annex 3: Information on how funding from the Dedicated Grant Mechanisms for Indigenous Peoples and Local Communities will be part of the Investment Strategy.

Annex C: “Crowding in” the programs of other development partners in the FIP Investment Strategy

1. During the design of the Climate Investment Funds, the importance of working with other development partners to contribute to the scaling-up of CIF programs was fully recognized. For example, for purposes of the CTF, it was agreed that: “bilateral development agencies/banks are encouraged to contribute to the achievement of the objectives of the Trust Fund through bilateral projects or co-financing of projects funded by the Trust Fund.

2. The purpose of this annex is to briefly describe how other development partners can contribute to the achievement of the objectives of the FIP, consistent with its purpose and scope, and how such projects could be included in the FIP investment plan.

Modalities for Joint Programming

3. A key principle of the FIP is that activities financed by the fund should be based on a country-led approach and should be integrated into country-owned development strategies, consistent with the Accra Agenda for Action and the Paris Declaration². The FIP Investment Strategy, developed under the leadership of the partner country, provides the common programming framework for a joint MDB program. The investment strategy, with respect to FIP financing, will serve as the “business plan” of the MDBs, developed under the leadership of the government, to assist a country with FIP co-financing in implementing its national forestry strategies or programs. The investment strategy is agreed owned by the Government. It should be a clearly articulated multi-year proposal that describes the proposed uses of FIP resources, identifying the “slice(s)” of the country’s existing strategies and plans that could be co-financed by the FIP.³

4. An investment strategy may also seek to reach beyond the projects and programs to be financed by the FIP and to include programs and project contributions of other development partners that can contribute to meeting the objectives and aims of the FIP and help to further scale-up the financing available for the FIP program. A development partners may choose to co-finance a FIP project or to undertake a parallel activity that is fully implemented by the development partner but which serves to contribute to the programmatic goal of the FIP Strategy. Such co-financing could be included in the reporting on the Investment Strategy to the FIP Sub- Committee.

5. It can also be foreseen that there will be cases where other development partners provide financing to activities not linked to the FIP investment strategy but which contribute to REDD+ objectives that support the same national forestry strategies as the

² The five Paris Principles are: Ownership--Partner countries exercise effective leadership over their development policies, and strategies and coordinate development actions; Alignment--Donors base their overall support on partner countries national development strategies, institutions, and procedures; Harmonization--Donors’ actions are more harmonized, transparent and collectively effective; Managing for Results--Managing resources and improving decision-making for results; Mutual accountability--donors and partners are accountable for development results.

³ *Clean Technology Fund: Guidelines for Investment Plans*, December 2008.

investment strategy. In this instance, the recipient country may wish to consider including information on such projects and programs in its reporting to the FIP Sub-Committee.

Scenario 1: Inclusion of parallel programs and projects upstream in FIP Investment Strategy

6. In addition to co-financing of MDB activities that are presented in the FIP Investment Strategy, development partners may wish to undertake parallel activities that are fully recognized in the investment strategy as contribution to its objectives. Under this scenario, the planning of the joint mission, under the leadership of the country, will include close consultation and collaboration with interested development partners to ascertain parallel financing opportunities. Such development partners would be fully engaged in the development and joint programming of the investment strategy. The programs/projects supported by the development partners would be consistent with the overall goals of the investment strategy. The shared objective would be to ensure that the planned projects of the development partners, while relying on the operational policies and procedures of such partner, are fully consistent with the investment strategy's aims and objectives, aligned with country priorities, harmonized with MDB programming, and contribute to the overall implementation of the strategic program. Where this alignment and harmonization is done effectively and in a timely fashion, the parallel projects of the development partners would be identified upstream and integrated into the investment strategy itself. When the strategy is presented to the Sub-Committee for endorsement, the development partner representative could be invited to be represented alongside the recipient country representative and MDBs during the committee's deliberations.

Scenario 2: Other financing for projects downstream in FIP Investment Strategies

7. Under this scenario, a development partner identifies a project or program for support after the investment strategy has been endorsed by the Sub-Committee. Such situations are inevitable, given the different programming cycles of development partners. Just as in scenario 1, the preparation of a FIP investment strategy would have the positive effect of building new partnerships and mobilizing resources for a country-led programmatic approach.

8. Under these two scenarios, in which projects of a development partner would be closely associated with the FIP investment strategy, the projects would clearly be well aligned with FIP goals and objectives. Such collaboration will be dependent upon open communication and close coordination among the government, MDBs, and the interested development partners throughout the process of developing and refining the investment plan. Recognizing the additional transaction costs of coordination and the primacy of country interests, the process of alignment of the projects of other development partners with the investment strategy should seek to maximize the benefits for the country and to

minimize delays to the implementation timetable. It is also possible to envisage the engagement of other development partners through a combination of Scenarios 1 and 2.

9. It is proposed that projects and programs of other development partners that are recognized by the government as contributing to the Investment Strategy be included in reporting by the concerned recipient country and the development partner to the Sub-Committee. The joint submission would provide an opportunity for the recipient government to describe how the projects of other development partners contribute to its national strategy and contributes to the objectives and aims of the FIP. It is also expected that a joint presentation would contribute to strengthening government leadership and the incentive for mutual accountability during the implementation phase.

Scenario 3: Projects and programs outside the FIP Investment Strategy that contribute to national REDD+ objectives

Under this scenario, the recipient country and development partners may collaborate on activities that are not directly related to the programmatic aims and objectives of the FIP Investment Strategy but do contribution to the same national REDD+ objectives as the investment strategy. Again, it is recommended that such activities be included in reporting by the concerned recipient country and the development partner to the Sub-Committee to provide an opportunity for the recipient government to describe how it is working with a range of partners to reach the transformational goals of its national REDD+ strategy or national forestry plans. It is also expected that such a presentation would contribute to strengthening government leadership and the incentive for an overarching programmatic approach to financing at the country level.