

CLIMATE INVESTMENT FUNDS

FIP/SC.7/9
October 21, 2011

Meeting of the FIP Sub-Committee
Washington, D.C.
October 31, 2011

Agenda 9

**PRELIMINARY PROPOSAL
FOR IMPLEMENTATION ARRANGEMENTS UNDER THE
DEDICATED GRANT MECHANISM
FOR INDIGENOUS PEOPLES AND LOCAL COMMUNITIES**

Proposed Decision by the FIP Sub Committee

The FIP Sub-Committee welcomes the collaborative work among the MDB Committee, the CIF Administrative Unit and representatives of the indigenous peoples groups and local communities to elaborate arrangements to operationalize the dedicated grant mechanism as described in FIP/SC.7/9, *Preliminary Proposal for the Implementation Arrangements under the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities*. The Sub-Committee requests interested MDBs, in collaboration with the representatives of indigenous peoples groups and local communities that collaborated in the design of the dedicated grant mechanism, to elaborate a project proposal for review and approval by the FIP Sub-Committee of the proposed arrangements and the FIP funding for the dedicated grant mechanism.

I. INTRODUCTION

1. This document is being submitted to the FIP Sub-Committee with a view to soliciting initial comments that will be taken into account in the further development of a project proposal to operationalize the Dedicated Grant Mechanism. The project proposal, once prepared, will be submitted to Sub-Committee for its approval together with approval of FIP funding for the Dedicated Grant Mechanism. This document complements FIP/SC.7/8, *Design Proposal for the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities to be established under the Forest Investment Program*, which has been submitted to the Sub-Committee for review and approval at its meeting in November 2011.

2. A key principle that underpins the design of the Dedicated Grant Mechanism is the central role of the indigenous peoples groups and local communities in its design and implementation. In accordance with the design of the Dedicated Grant Mechanism, the multilateral development banks (MDBs) will facilitate access by indigenous peoples groups and local communities to the DGM, while adhering to the MDBs' operational policies and procedures and ensuring that the activities are consistent with the FIP¹.

II. PROPOSED OBJECTIVE OF THE DEDICATED GRANT MECHANISM

3. The objective of the Dedicated Grant Mechanism (DGM) is to enhance the capacity of, and support on-the ground activities to be carried out by indigenous peoples and local communities in the FIP pilot countries, with a view to strengthening the participation of such groups and communities in FIP and other REDD+ processes at the local, national and global levels.

4. In order to foster synergies among FIP pilot country programs and to facilitate learning among indigenous peoples and local communities, it is proposed that the implementation of activities financed through the DGM be based on a common framework that would be applicable in all pilot countries yet adaptable to their national circumstances.

III. EXPECTED OUTCOMES

5. The following outcomes are expected from the implementation of activities to be financed through the DGM:

- (a) full and effective participation of representatives of indigenous peoples and local communities in local, sub-national and national FIP and REDD+ decision-making processes and activities in the FIP pilot countries is ensured and strengthened;

¹ SCF Governance Framework, paragraph 8

- (b) capacities of sub-national or national alliances of indigenous peoples and local communities are enhanced in each FIP pilot country regarding forest policy/ REDD+; and
- (c) indigenous peoples and local communities benefit from improved awareness regarding national forest laws and policies, monitoring of forest activities, REDD+ benefit sharing and management of community based REDD+ activities.

IV. DESCRIPTION OF THE IMPLEMENTATION ARRANGEMENTS UNDER THE DEDICATED GRANT MECHANISM

Concept and Principles

6. Consistent with the objectives of the DGM, the following principles will guide the preparation and implementation of activities to be financed through the mechanism:

- (a) *Ownership and joint decision-making by indigenous peoples and local communities:* As primary stakeholders in the proposed DGM, the ownership and participation of indigenous peoples and local communities in key decisions during preparation and implementation of funded activities will be important to ensure the success of the DGM. Key decisions regarding the selection of the executing agencies channeling the grant resources to indigenous peoples groups and local communities, eligibility criteria and thematic areas, are among those in which indigenous peoples and local communities will need to be engaged.
- (b) *Partnership and collaboration among the MDBs* in the implementation of the FIP would be continued in the implementation of the DGM. The MDBs will be expected to provide technical, advisory and oversight services.
- (c) *Transparency and accountability:* The selection of executing agencies, members of governing bodies and beneficiaries of the DGM will be made in a transparent manner, with civil society participation. Progress towards achieving results in activities financed by the DGM will be monitored and evaluated in accordance with quantitative and qualitative indicators ;
- (d) *Flexibility, efficiency and administrative simplicity* will be key criteria in selecting executing agencies in order to ensure fast access to funds for eligible indigenous peoples groups and local communities.

Components of the DGM

7. Activities to be financed by the DGM will be carried out in the eight FIP pilot countries. Identification of beneficiaries and the local of funded activities will be decided in each country through a participatory consultation and planning process led by a national steering committee.

A global component will ensure that knowledge and good practices from the financed activities in the FIP pilot countries are shared and widely disseminated.

Component 1 - Community capacity building and on-the ground activities in FIP pilot countries

8. Under this component, financing will be provided for training, capacity building and small-scale on-the-ground initiatives initiated by indigenous peoples groups and local communities in each of the pilot countries. It will have three sub-components:

(a) *Sub-component 1a: Communications, outreach and planning:* Communications, outreach and participatory planning in each pilot country with national stakeholders to

- (i) reach out to the target groups in FIP pilot countries and provide them necessary information on the DGM; and,
- (ii) identify priorities complementary to FIP pilot country investments and national REDD+ processes, and within the DGM framework.

(b) *Sub-component 1b- Community projects:* Eligible indigenous peoples groups and local communities will receive FIP funding to undertake small-scale activities proposed by them and consistent with the DGM framework. This sub-component will be implemented in the pilot countries using common procedures: eligibility criteria that will identify eligible/ in-eligible activities, project management procedures and, monitoring and reporting formats that will be elaborated in an operational manual. Potential thematic areas under which activities could be financed include:

- (i) improving livelihood activities and business management skills;
- (ii) integrating indigenous knowledge and cultural practices with modern technologies to enhance climate change adaptation and mitigation;
- (iii) mapping and other technical skills for REDD+; and,
- (iv) enhancing community stewardship and management of forests.

(c) *Sub-component 1c- Technical assistance, monitoring & learning:* Technical assistance will be provided to indigenous peoples groups and local communities to strengthen their capacity to participate in, and benefit from, the DGM. This will include strengthening the capacity for: implementing readiness activities and investments, preparing project proposals, and managing financial requirements of traditional forest investments as well as payment for environmental services; and improving access to REDD+ technical assistance and investments. Monitoring and learning will be enabled through peer reviews to encourage exchange and documenting of learning and experiences and to ensure that projects are on track.

Component 2 - Global knowledge sharing and networking on REDD+.

9. The objective of this component is to organize knowledge and experience exchanges between local communities and indigenous peoples groups on REDD+ issues both among FIP pilot countries and with non-FIP developing countries, building on emerging lessons and experiences. It would enable an exchange of ideas and initiatives from other REDD+ initiatives

such as FCPF, GEF and UNREDD, and help in bringing the ‘voice’ of indigenous peoples and local communities to climate change and REDD+ policy forums. Three sub-components are proposed:

(a) *Sub-component 2a: Knowledge and experience sharing on FIP and REDD+,* including exchange visits, workshops and training programs for participants from FIP and non-FIP pilot countries regarding successful DGM activities and REDD+ experiences.

(b) *Sub-component 2b: Building and strengthening networks and alliances:* Activities would include support to :

- (i) strengthen partnerships and alliances of local and sub-national organizations of indigenous peoples and forest communities and facilitate their representation in national and sub-national forums on forestry and biodiversity, climate change and REDD+;
- (ii) strengthen regional and international alliances of forest-based communities and indigenous peoples and their participation in international processes on climate change and REDD+;

(c) *Sub-Component 2c: Monitoring, evaluation and reporting:* Lessons and experiences from components 1 and 2 would be collated into an overall DGM report to be presented to the FIP Sub-Committee each year. Monitoring and independent evaluation would also be part of this sub-component.

10. Indigenous peoples and local communities will participate in the mechanism through representatives chosen through a self-selection process in accordance with procedures determined by them and their decision-making institutions. Self-selection processes will be consistent with the *FIP Design Document* (paragraphs 16.d and 20.b), and its Annex III (Guidelines for Consultation) taking into account the process that was followed for the design of the DGM and general principles of equity. As self-selection takes place, it will be important to recognize that the indigenous peoples groups and local communities already have existing decision making processes, procedures and institutions, e.g., councils of elders, headmen and tribal leadership, and these will need to be reflected in the participatory and consultative processes within their respective communities, sub-national and national networks organizations and regional caucuses. The indigenous peoples and local communities will be requested to report on self-selection meetings² and allow, if requested, external observers. The self-selection process will be used to identify representatives to the key governing bodies of the DGM (the Global Steering Committee and the National Steering Committees).

Executing Agencies and Related Arrangements

11. An operational manual will be developed, as part of the DGM project proposal, which describes the principles, eligibility criteria, eligible activities, performance standards, safeguards requirements, reporting formats and the complaints mediation process under the DGM.

² Orally, in writing or in any other way as appropriate

12. An **executing agency** will be selected to implement the program in each pilot country. This operational arrangement is being proposed to reflect the need for a decentralized approach, so as to enable the indigenous peoples and local communities to participate in the selection of an executing agency in each country and to ensure that the indigenous peoples and local communities will have easy access to the selected executing agency.³ The executing agency will disburse the FIP funding to eligible indigenous peoples and local communities as the ultimate beneficiaries of the DGM, using procedures agreed in an operational manual.

13. For each pilot country, an MDB will provide the services required to channel funds to the executing agency, in accordance with the MDB policies and procedures, and will sign any necessary agreements with the selected executing agency. The MDB will be responsible for supervision of the selected executing agency.

14. The executing agency in each country will be responsible for:

- a) funds administration, financial management, procurement and safeguards in accordance with relevant MDB policies;
- b) reporting on progress and submitting audited financial statements for the program in a pilot country to the MDB and ensuring that implementation follows the guidance in the operational manual;
- c) issuing calls for proposals and screening proposals on the basis of criteria established by the National Steering Committee;
- d) serving as secretariat and providing reports to the National Steering Committee on the program;
- e) coordinating and sharing information with other stakeholders, including the private sector and bilateral REDD+ initiatives.
- f) disbursing grants to eligible recipients;
- g) supervising, monitoring and reporting to the MDB on the utilization of the DGM funds;
- h) providing technical assistance and selecting, hiring and training national or community-based organizations as needed to carry out communications and provide technical assistance to indigenous peoples and local communities receiving grants; and
- i) providing timely reports, as provided in the operations manual, on results, experiences and good practices to the MDB and the global executing agency.

15. *Indigenous Peoples and Local Communities beneficiaries*⁴: Indigenous peoples groups and local communities that receive FIP funding will be responsible for implementing the activities identified in a grant proposal and for reporting on progress to the executing agency selected for each FIP pilot country. The executing agency will sign an agreement with the MDB for the administration of the DGM funds. Afterward, the executing agency will sign an agreement with each grantee to specify their respective responsibilities, key milestones, expected results and other details pertaining to the appropriate use of the FIP funds. Grantees would be

³ See paragraph 16.

⁴ Or their representatives.

eligible for training and capacity building activities as needed to strengthen their implementation capacity.

16. A **Global Executing Agency** will be responsible for component 2 of the DGM, Global knowledge sharing and networking on REDD+. The global executing agency will be responsible for:

- a) fiduciary aspects and administration of the funds allocated to the global component;
- b) carrying out the activities agreed under component 2;
- c) serving as secretariat to the Global Steering Committee of the DGM;
- d) coordination with the respective in-country executing agencies and collecting information on country experiences and best practices; and preparing reports on the DGM.
- e) reporting on progress of the implementation of the DGM to the FIP Sub-Committee on an annual basis;
- f) reporting on fund utilization to the implementing MDB for the global component;

17. *Selection of the global and in-country executing agencies:* In the first phase of the DGM, the global executing agency will be selected, in accordance with MDB procedures⁵, through a competitive selection process. Eligible organizations will be invited to submit detailed proposals which will be reviewed by a committee comprising representatives of indigenous peoples groups and local communities and the MDB Committee.

18. A scoping exercise will be carried out in each pilot country to identify potential executing agencies which could serve as the country level executing agency. The selection of the executing agency will be carried out after the establishment of a National Steering Committee (see below) in each country. This would allow for consultations with indigenous peoples groups and local communities in the FIP pilot countries.

19. *Governance:* The DGM will be governed by a **Global Steering Committee** to oversee the DGM as a whole. Each country program will be overseen by a **National Steering Committee**. These committees will include representatives of indigenous peoples and local communities so as to ensure their full participation in the decision-making bodies of the DGM. The functions and membership of these bodies will be elaborated in the operational manual to ensure consistency of the DGM across the eight FIP pilot countries.

20. The Global Steering Committee will provide policy guidance to the DGM to ensure that it meets its objectives. It is proposed that the Global Steering Committee be established as an independent body with representation from indigenous peoples groups and local communities in the pilot countries, indigenous peoples groups and local communities in non-FIP countries, pilot country governments, the CIF Administrative Unit and the MDBs. The global executing agency will serve as the secretariat to the global steering committee and will be responsible for organizing its meetings and preparing reports on the program. The global executing agency will report on an annual basis on the DGM progress to the FIP Sub-Committee. The decision-making rules and by-laws of the global steering committee will be drafted and approved by the global steering committee upon its constitution.

⁵ The World Bank will be the MDB channeling resources to the GIA as it is the only MDB with a mandate to work globally.

21. A National Steering Committee will be established in each pilot country, to guide the implementation of the country specific programs. It is recommended that in countries where an Indigenous Peoples and Local Communities Committee on REDD+ has already been established, that committee should serve as a basis for the composition of the National Steering Committee for the DGM, in order to avoid unnecessary institutional proliferation. However, this decision would be left to the indigenous peoples groups and local communities. Membership in the national steering committee is primarily for representatives of indigenous peoples and local communities; however, at least one representative each from the government, private sector, civil society and relevant MDBs would be included as observers.

22. Annex 1 presents a chart illustrating the proposed structure, flow of resources and reporting. Annex 2 summaries the proposed functions of each committee and institution described above.

V. FINANCING

23. The DGM will be financed from the grant resources made available through the Strategic Climate Fund for the Forest Investment Program. The design proposal for the DGM proposes that the Sub-Committee agree to allocating an envelope of \$50 million for the DGM with the following distribution of resources to the country pilots and the global component:

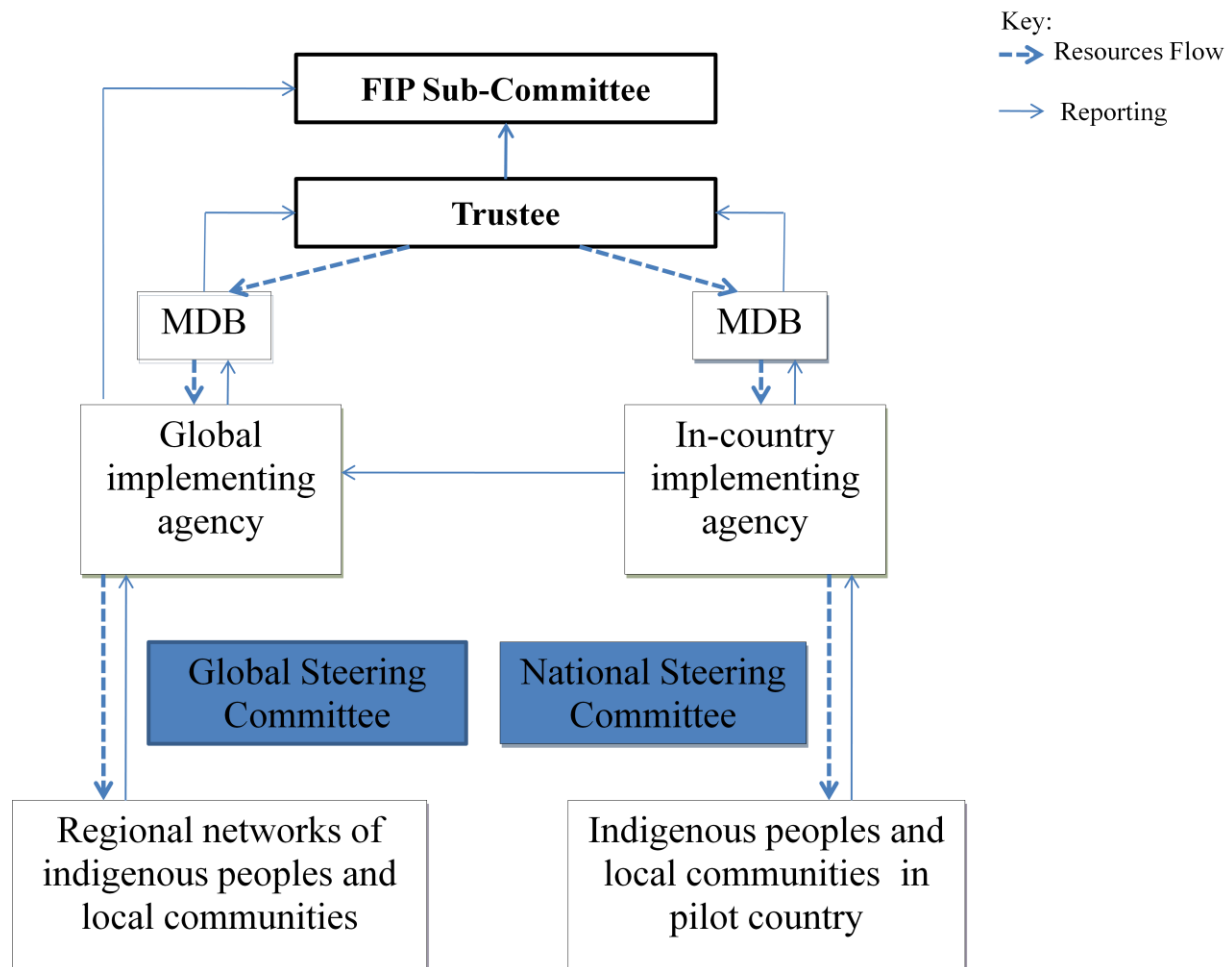
| | |
|--------------------------|---|
| Brazil and Indonesia: | 13% each of the funding envelope (total: 26%) |
| DRC and Mexico | 12% each of the funding envelope (total: 24%) |
| Ghana and Peru | 11% each of the funding envelope (total: 22%) |
| Burkina Faso and Lao PDR | 9% each of the funding envelope (total: 18%) |
| Global Component | 10% of the funding envelope. |

24. The FIP Sub-Committee will be requested to approve the funding envelope for the DGM when the project document(s) for its operationalization as described in this paper is (are) submitted for approval. The project document(s) will be prepared by the MDBs in collaboration with the indigenous peoples groups and local communities that participated in the design of the DGM.

VI. SAFEGUARDS

25. The DGM will apply the environmental and social safeguard policies of the MDB which is channelling the FIP resources to the global or national executing agency. A strategic environmental and social assessment at the level of the DGM as a whole will be prepared, supplemented by environmental and social assessments for each country prior to launching the country program. These would provide, in addition to existing reports, information on priority issues of the indigenous peoples groups and local communities, potential beneficiaries, and eligibility criteria and will inform the self selection process.

Annex 1: Resource and Reporting Flows under the DGM



Annex 2: DGM Institutions and Proposed Functions and Composition

| Institution | Functions | Composition |
|--------------------------------|---|--|
| Global Steering Committee | <ul style="list-style-type: none"> • provides policy leadership • keeps under review the work of the Global Executing Agency and progress in implementation of the DGM • identifies key activities for the global knowledge sharing and learning component, and allocates resources to it • drafts and approves its decision-making rules and by-laws • facilitates a complaints and mediation mechanism • reviews progress reports from each National Steering Committee • helps in wider dissemination of the lessons and results | Representatives from indigenous peoples groups and local communities in FIP pilot countries and other countries, FIP pilot country governments, MDBs, and CIF Administrative Unit, |
| Global Executing Agency | <ul style="list-style-type: none"> • Implements global knowledge sharing and REDD+ networking component of the DGM • Report to the MDBs on fiduciary and safeguards responsibilities • Serves as secretariat to Global Steering Committee • Prepares reports on progress for the Global Steering Committee and the FIP Sub-Committee • Responsible for reporting on the learning and knowledge outcomes of the overall program • Facilitates mediation if required | |
| National Steering Committee | <ul style="list-style-type: none"> • Provides oversight to the DGM in the country and keeps the functioning of the executing agency under review • Establishes eligibility criteria for funding; • Reviews and makes funding decisions on eligible project proposals; • Establishes linkages and facilitate synergies with national FIP institutions and activities and other REDD+ processes • Reports to the Global Steering Committee on national activities. • Facilitates conflict mediation at country level and sub-national level related to DGM funding proposals. | Representatives of indigenous peoples groups and local communities in the country, government, civil society, MDBs, private sector |
| Executing Agency (in-country)) | <ul style="list-style-type: none"> • Responsible for execution in the pilot country • Reports to the MDB on the allocation and use of funds • Serves as secretariat to the National Steering Committee • Prepares reports for the National Steering Committee • Responsible for oversight of fiduciary and environmental and social safeguards for country program • Provides information for and coordinates with the Global Executing Agency | |
| MDBs | <ul style="list-style-type: none"> • Enters into agreements to provide funding to the Global Executing Agency and/or a national Executing Agency and transfers funds for implementation • Oversight of national Executing Agency and Global Executing Agency, as appropriate, in accordance | MDB team in each region |

| Institution | Functions | Composition |
|-------------------------|---|---------------|
| | with MDB policies, including fiduciary standards and safeguards; • Prepares reports on the DGM fund utilization; • Participates as an observer in the Global Steering Committee and the National Steering Committee | |
| FIP country government | • Endorses the DGM in the pilot country prior to approval by the FIP Sub-Committee • Through FIP investments, create an environment which support civil society leadership in DGM management • Participates as an observer in the Global Steering Committee and the National Steering Committee | To be decided |
| CIF Administrative Unit | • Participates as an observer in the Global Steering Committee | To be decided |