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Date: 04/05/2010 09:11 PM  
Subject: Norway's comments on FIP documents

Dear FIP colleagues,

Thanks for a good meeting in Manila, and for this exchange of very useful comments that we are sure will improve further the excellent work by the Admin Unit and improve the effectiveness of FIP as we move into a more operational phase. We would like to again congratulate the Admin Unit for great work going into these draft documents. We have provided some further comments on the relevant documents below, but first let us first reiterate some general points that are important to us as FIP proceeds:

- **FIP must be coordinated closely with ongoing REDD+ initiatives.** This includes both how FIP is linked to “phase 1” readiness activities and results-based carbon finance. In concrete terms this would imply that:
  - All five pilot countries must develop national REDD+ strategies. (Most are already well under way.) For an investment strategy to be approved by the FIP SC, the country should demonstrate how it fits within an overall national REDD+ strategy. We would recommend that Burkina Faso be invited to develop a REDD+ Readiness Preparation Proposal (R-PP) to the FCPF (the other four pilots are already participants).
  - Pilot countries should present their R-PP or equivalent to the FIP SC as part of approval process of the investment strategy. Conversely, we recommend that FIP investment strategies be presented to the FCPF (either Participants Assembly or Participants Committee) or the equivalent, including for a voluntary informal assessment by its Technical Advisory Panel.
  - Contribution to FIP objectives (*supporting developing countries’ REDD efforts, providing up-front bridge financing for readiness reforms and public and private investments identified through national REDD readiness strategy building efforts*) and country preparedness for REDD+ remain as key criteria for selecting the next round of pilot countries.
  - We would like the Admin Unit to explore already at this stage options for how to link investments under FIP to results-based payments (bilateral or through the FCPF Carbon Fund), and whether FIP Investments themselves could be results-based (e.g., loans being converted to grants upon demonstrated results).
- **Country ownership must be strengthened further.** We agree with Indonesia’s suggestion to replace “collaborate” with “assist” with regards to the role of the joint mission. Current

readiness initiatives have created invaluable ownership at the national level. The FIP, including the joint MDB missions, must build on and strengthen this. While the MDB missions will be helpful for the host government in their work to draft investment strategies, there should be no doubt who owns the process.

### **FIP Operational Guidelines (SC 3/3)**

- Annex B should include clearly the link to the national REDD+ strategy. Parallel processes must be avoided. (An R-PP could be added in an annex, for example).
  - Add a “Scenario 4” at the end of annex C. Text proposal: “*FIP Investment Strategy contribute to ongoing REDD+ efforts.* If the FIP pilot is engaged in multilateral REDD+ programs, such as the FCPF or the UN REDD, the FIP investment strategy should be included in relevant documents to those processes, and progress on the IS be included in the reporting of REDD+ progress in those fora.” Ideally, this will be the case for all pilots, and could then be reflected elsewhere in the document rather than as a “scenario”.
  - MRV of carbon emission reductions should be added to the M&E framework.
- Para 22: We appreciate the requirement of a review and second approval by the Sub-Committee when programs deviate from the original design. We would propose that this apply for “all substantive changes”, while minor changes can be reported through the MDB annual reports (and countries’ own progress reports).
- Annex B, first paragraph: We propose to keep first part of first sentence (“The IS should be country-led”) and replace the rest of the paragraph with para 10 of the design document, or to more clearly emphasize the REDD+ objective of the FIP and its investment strategies.
- Annex B, para 3: “The IS should adopt a programmatic approach, building ~~as much as possible~~ on existing work and development strategies, including REDD readiness programs and strategies, ...”
  - Annotated Outline for IS: We are wondering whether this outline provides sufficient space to discuss the country context and rationale for the FIP investments. We propose adding R-PP or equivalent national REDD+ strategy (in full or in part) as an annex, while keeping the short “summary versions” in the main document.

### **Investment Criteria and Financing Modalities (SC 3/4)**

- One should separate between “required” and “preferable” investment criteria. Among the required are in our view: climate change mitigation potential, REDD readiness and sustainability/transformation potential. Co-benefits should of course be maximized, but not all of them are likely to apply to each investment program.
- On safeguards (para 33-36): We support Denmark’s proposal to add a clear link to safeguards to be decided by the COP to the UNFCCC. However, since the draft LCA text is not yet a formal decision, we are wondering whether a more general reference to “safeguards to be decided under the UNFCCC” would be better. In addition, relevant MDB safeguards will apply, as suggested in the document.
- We would propose to add the use of results-based carbon payments as an option for FIP investments (e.g., the grant element being results-based), and a clearer link to external carbon finance (see general comment above).
- We also look forward to the clarification on the competitiveness implications of the 5% MDB fee (which at current capitalization would add up to MDB fees of more than USD 25 million in absolute terms). When FIP investments are blended with MDB loans, there could be a potential for additional cost savings. However, we should be careful no to decrease the

incentive for such blending. We would support the US proposal of “full cost recovery not to exceed 5%” for individual investment programs.

**Report of the Expert Group (SC 3/6)**

As noted in Manila, Norway greatly appreciates the efforts of the expert group. While the report has no official status and will not be re-drafted, we would like to provide some general comments to guide the expert group in its work going forward and the Sub-Committee in its future country selection:

- While we understand the sensitivities involved when discussing potential pilot countries individually in the SC, we have put a lot of efforts into establishing clear criteria towards which countries should be assessed. We would therefore welcome an open discussion of individual countries recommended by the expert group (and others) at the next meeting. The fact that the expert group will nominate 6 candidates while up to 3 will be selected by the Sub-Committee should make open discussions on country nominations more accepted.
- We believe the EG report did not sufficiently emphasize “Contribution to FIP objectives” (i.e., *supporting developing countries’ REDD efforts, providing up-front bridge financing for readiness reforms and public and private investments identified through national REDD readiness strategy building efforts*) and “country preparedness and ability to undertake REDD initiatives” (i.e., progress on “REDD readiness”). These criteria should in our view be weighted higher in the next round.
- We would recommend not presenting the “extended potential” of the proposed pilots in the same way in the next round. The way we understand table 4, all forest countries within the same biome grouping is considered to be the “extended”, i.e., replicated area. Hence, replacing any country within the same biome would give more or less the same “extended potential”. It is therefore an argument for including several biomes (also for purpose of piloting different approaches), but not an argument for individual countries within each biome, which is the way it is currently presented.

Thanks again for useful comments, and for a productive SC meeting in Manila. We look forward to the next meeting in Washington.

Kind regards,

Andreas Dahl-Jørgensen,  
On behalf of the Government of Norway’s  
International Climate and Forest Initiative