

# CLIMATE INVESTMENT FUNDS

SCF/TFC.3/4  
May 11, 2009

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Meeting of the SCF Trust Fund Committee  
Washington, D.C.  
May 13, 2009

Agenda Item 4

## **FOREST INVESTMENT PROGRAM CO-CHAIRS SUMMARY OF THE THIRD DESIGN MEETING**

### **Proposed Trust Fund Committee Decision**

The Trust Fund Committee reviewed document SCF/TFC.3/4, *Forest Investment Program, Co-Chairs Summary of the Third Design Meeting*, and welcomes the significant progress that has been achieved in designing the Forest Investment Program. The Committee invites the Co-Chairs of the design process, facilitated by the Administrative Unit, to continue consultations with interested stakeholders with a view to reaching consensus agreement on a final FIP design document. Once the Co-Chairs conclude that a consensus has been reached, they are invited to submit, through the Administrative Unit, a final proposal to the Trust Fund Committee for review and approval by mail.

To assist the Co-Chairs, the Committee agrees that two working groups should be organized to seek consensus on the text of paragraph 16(d) and Annex II currently bracketed in the draft design document. The results of the working groups should be presented to the Co-Chairs of the FIP design process, preferably before the end of May. The Co-Chairs should circulate the results to participants in the FIP Design Meetings for review.

## Introductory Note

i. During the final design meeting of the Climate Investment Funds (Potsdam, May 2008), it was agreed that “a forest investment program should be established by the end of 2008 to mobilize significantly increased funds to reduce deforestation and forest degradation and to promote sustainable forest management, leading to emission reductions and the protection of carbon reservoirs. The FIP should be developed based on a broad and transparent consultative process. That process should take into account country led priority strategies for the containment of deforestation and degradation and build upon complementarities between existing forest initiatives”.

ii. The first design meeting for the development of the FIP was held in Washington, D.C., on October 16-17, 2008. Participants in the meeting included representatives from governments, UN agencies, NGOs, indigenous peoples, private sector, and other civil society groups.

iii. The meeting agreed that in moving forward on the design of the FIP, it is important to have a fully consultative process. It recommended that a working group be established, comprising invited experts from governments, NGOs, indigenous peoples, private sector and UN agencies, to prepare a preliminary design document for consideration by the second design meeting.

iv. The working group met on January 8-9, 2009, in Washington, D.C., and prepared a preliminary design proposal for submission to the SCF Trust Fund Committee and a second design meeting.

v. At its meeting in January 2009, the SCF Trust Fund Committee reviewed the preliminary design document, welcomed the work that had been carried out by the working group, provided strategic guidance on the proposed Forest Investment Program, and agreed on steps to move forward, including:

- (a) convening of a second design meeting for the FIP in early March;
- (b) circulating for review and written comments the document agreed at the second design meeting; and
- (c) convening of a third, and possibly final, design meeting prior to the SCF Trust Fund Committee in May.

vi. In accordance with decisions and recommendations of the SCF Trust Fund Committee, a second design meeting was convened in Washington, D.C., on March 5-6, 2009. The meeting prepared a draft *Design Document for the Forest Investment Program, a targeted program under the SCF Trust Fund*. As requested by the SCF Trust Fund Committee, that document was circulated for review and submission of written comments. 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).
- vii. The revised document was also posted on the CIF website ([www.worldbank.org/cif](http://www.worldbank.org/cif)) with a general invitation for comment.
- viii. On the basis of the comments received, a revised document was prepared, *Revised Draft Design Document for the Forest Investment Program, a Targeted Program Under the SCF Trust Fund*, (document CIF/DMFIP.3/2). The revised design document was submitted to the Third Design Meeting of the Forest Investment Program (FIP), convened in Washington, D.C. on May 4-5, 2009, for further review.
- ix. This current document submits to the SCF Trust Fund Committee, the Co-Chairs' Summary of the Third Design Meeting. It includes as an attachment a Revised Draft Design Document.
- x. The third design meeting agreed that the Revised Draft Design Document provides a sound basis for moving forward, subject to the following:
  - (a) certain countries reserved their position on the Revised Draft Design Document, pending further internal governmental review;
  - (b) text in the Revised Draft Design Document that appears within brackets (paragraph 16(d), paragraphs 18-22, and Annex II) requires further discussion among interested parties.
- xi. The Co-Chairs of the FIP design process have been invited to present to the SCF Trust Fund Committee their summary report on the Third Design Meeting. In presenting the report, the Co-Chairs will recommend to the Trust Fund Committee a process to be followed to conclude the design of the Forest Investment Program. As agreed at the Third Design Meeting, their recommendations will include:
  - (a) A proposal to convene two working groups to seek consensus on paragraph 16(d) and Annex II. It is suggested that the results of the working groups should be presented to the Co-Chairs of the FIP design process, preferably before the end of May. The Co-Chairs would circulate the results to participants in the FIP Design Meetings for review.
  - (b) In parallel to this work, the Co-Chairs, facilitated by the Administrative Unit, would continue consultations with interested stakeholders with a view to reaching consensus agreement on the Revised Draft Design Document. Once the Co-Chairs conclude that a consensus has been reached, they would submit, through the Administrative Unit, a final proposal to the SCF Trust Fund Committee for review and approval by mail.

# CLIMATE INVESTMENT FUNDS

May 9, 2009

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Co-Chair's Summary  
Third Design Meeting for the Forest Investment Program  
Washington, D.C.  
May 4-5, 2009

Co-Chairs  
Robert Bamfo (Ghana)  
Per Fredrik Ilsaas Pharo (Norway)

*Agenda Item 1                      Opening of the Meeting*

1. The meeting was opened by Gerhard Dieterle, Forest Advisor, Agriculture and Rural Development, World Bank.

*Agenda Item 2                      Election of Co-Chairs*

2. The meeting agreed that Robert Bamfo (Ghana) and Per Fredrik Ilsaas Pharo (Norway) should continue as Co-Chairs of the design process. The meeting approved the Provisional Agenda (document CIF/DMFIP.3/1) proposed for the meeting.

*Agenda Item 3                      Review of Forest Investment Program Design Document*

3. The meeting reviewed document CIF/DMFIP.3/2, *Revised Draft Design Document for the Forest Investment Program, a Targeted Program Under the SCF Trust Fund*, which had been prepared by the Administrative Unit on the basis of the results of the Second Design Meeting of the Forest Investment Program (FIP) and comments subsequently submitted in accordance with the procedure agreed by second design meeting.
4. On the basis of two readings, the meeting prepared a Revised Draft Design Document which is attached to this report. As proposed by the Co-Chairs, the meeting accepted the Revised Draft Design Document as a sound basis for moving forward, subject to the points noted below. In introducing the Revised Draft Design Document, the Co-Chairs noted that the text represents a general compromise among diverse views and needs to be considered in a holistic, balanced fashion
  - (a) Certain countries reserved their position on the Revised Draft Design Document, pending further internal governmental review;
  - (b) Text in the Revised Draft Design Document that appears within brackets (paragraph 16(d), paragraphs 18-22, and Annex II) requires further discussion among interested parties.

*Agenda Item 4                      Next Steps*

5. Those countries reserving their position on the Revised Draft Design Document are to report the conclusions of their internal review to the Co-Chairs of the FIP design process. On the basis of this information, the Co-Chairs should determine those issues that require further consultation and those issues for which there is general agreement.
6. The Co-Chairs should report to the meeting of the SCF Trust Fund Committee scheduled for May 13, 2009, the status and achievements of the design process and seek further guidance from the SCF Trust Fund Committee.

7. Subject to the agreement of the SCF Trust Fund Committee, two working groups should be established to seek consensus on paragraph 16(d) and Annex II. The results of the working groups should be presented to the Co-Chairs of the FIP design process, preferably within two to three weeks. The Co-Chairs would circulate the results to participants in the FIP Design Meetings for review.
8. The meeting agreed that the working group that will consider paragraph 16(d) should be comprised of participants representing: Australia, Brazil, Ghana and the United States of America; two indigenous people's groups (chosen by self-selection among indigenous group representatives); and the Global Forest Coalition.
9. The meeting agreed that the working group that will consider Annex II should be comprised of participants representing: Australia, Gabon, United Kingdom; one private sector group (chosen by self-selection); two indigenous people's groups (chosen by self-selection among indigenous group representatives); and Greenpeace.
10. The Co-Chairs, facilitated by the Administrative Unit, should continue their consultations with interested stakeholders with a view to reaching consensus agreement on the Revised Draft Design Document. Once the Co-Chairs conclude that a consensus has been reached, they should forward, through the Administrative Unit, a final proposal to the SCF Trust Fund Committee for review and approval by mail.

*Agenda Item 5                      Closing of Meeting*

11. The meeting was closed by the Co-Chairs on Tuesday, May 5, 2009.

**ATTACHMENT**

**CLIMATE INVESTMENT FUNDS**

CIF/DMFIP.3/2/Rev.3

May 6, 2009

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**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 forest 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.” Following up on this, there are expectations that a forest mechanism under the UNFCCC will potentially be established at COP 15 in Copenhagen, to ensure long term incentives to facilitate forest related climate change mitigation in developing countries.

5. Significant multilateral efforts to prepare developing countries for large scale efforts to reduce emissions from deforestation and forest degradation (REDD<sup>1</sup>) are underway, first and foremost through the World Bank facilitated Forest Carbon Partnership Facility (FCPF) and the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD Programme). These and other efforts, including 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 the sustainable management of forests. 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. A Forest Investment Program (FIP) is to be established as a targeted program under the SCF to catalyze policies and measures and mobilize significantly increased funds to facilitate the reduction of deforestation and of forest degradation and promote improved sustainable management of forests, leading to emissions reductions and the protection of forest carbon stocks.<sup>2</sup> The FIP would not in itself provide the incentives presently necessary to significantly reduce forest related GHG emissions, but would enable pilot countries to leverage such incentives if established under a UNFCCC forest mechanism.

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<sup>1</sup> For purposes of the Forest Investment Program, REDD means REDD+ and should be construed to include activities consistent with paragraphs 1 (b) (iii) of the Bali Action Plan and modified, as necessary, to be consistent with the decisions taken by the Conference of the Parties to the UNFCCC.

<sup>2</sup> Governance Framework for the Strategic Climate Fund, paragraph 10b.

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 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 for agreed definitions and terms related to forests and climate change while recognizing the evolving vocabulary within the UNFCCC process.

## **II. OBJECTIVES, PURPOSE AND SCOPE OF THE FIP**

10. The main purpose of the FIP is to support 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, 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, protection of the rights of indigenous peoples and local communities<sup>3</sup>, poverty reduction 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 initiate and facilitate steps towards transformational change in developing countries forest related policies and practices, through:
  - (i) serving as a vehicle to finance 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;
  - (ii) strengthening cross-sectoral ownership to scale up implementation of REDD strategies at the national and local levels;
  - (iii) addressing key direct and underlying drivers of deforestation and forest degradation;
  - (iv) supporting change of a nature and scope necessary to help significantly shift national forest and land use development paths;
  - (v) linking the sustainable management of forests and low carbon development;
  - (vi) facilitating scaled-up private investment in alternative livelihoods for forest dependent communities that over time generate their own value;

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<sup>3</sup> For the purpose of the FIP "indigenous peoples and local communities" includes tribal communities and implies equal emphasis on the rights of men and women.

- (vii) reinforcing ongoing efforts towards conservation and sustainable use of forests; and
- (viii) improving forest law enforcement and governance, including forest laws and policy, land tenure administration, monitoring and verification capability, and transparency and accountability.

- b) To facilitate the leveraging of additional and sustained financial resources for REDD, through a possible UNFCCC forest mechanism, leading to an effective and sustained reduction of deforestation and forest degradation, thereby enhancing the sustainable management of forests.
  - c) To pilot replicable models 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 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 forest degradation can be measured; and
  - d) To provide valuable experience and feedback in the context of the UNFCCC deliberations on REDD.
12. To seek to achieve the objectives in paragraph 11, the FIP will support and promote, *inter alia*, investments in the following areas:

- a) **Institutional capacity, forest governance and information** such as: implementation of systems for forest monitoring, information management and inventory; support for legal, financial and institutional development including forest law enforcement, cadastral mapping and land tenure reform; removal of perverse incentives favoring deforestation and degradation; cross-sectoral and landscape based planning exercises; transfer of environmentally sound technology; and building capacities of indigenous peoples and local communities.
- b) **Investments in forest mitigation measures, including forest ecosystem services** such as: forest conservation; promotion of payments for environmental services and other equitable benefit-sharing arrangements; restoration and sustainable management of degraded forests and landscapes; afforestation and reforestation on previously deforested land; restructuring of forest industries and promotion of company-community partnerships; forest protection measures; improved land management practices; and promotion of forest and chain of custody certification.
- c) **Investments outside the forest sector necessary to reduce the pressure on forests** such as: rural development and social and economic infrastructure

programs; alternative energy programs; alternative livelihood and poverty reduction opportunities; agricultural investments in the context of rationalized land-use planning; and agricultural intensification including agro-forestry.

### III. FIP PRINCIPLES

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

- a) **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;
- b) **Contribution to sustainable development.** The FIP should contribute to the livelihoods and human development of forest dependent communities, including indigenous peoples and local communities, and should generate benefits to sustain biodiversity and ecosystem services;
- c) **Promotion of 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 implementation in close collaboration with the relevant actors at the national or regional level;
- d) **Coordination with other REDD efforts.** The FIP should complement, be coordinated with, and cooperate closely with other REDD demonstration and implementation initiatives and ongoing REDD efforts, such as FCPF and the UN-REDD Programme, based on their comparative advantages. Where applicable the FIP should build on the “readiness work” funded by FCPF, the UN-REDD Programme 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;
- e) **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 United Nations system, 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 indigenous peoples and local communities, civil society organizations, and the private sector;

- f) **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 other relevant initiatives. 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 COUNTRY OR REGIONAL PILOTS**

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

- a) Potential to lead to significantly reduced greenhouse gas emissions from deforestation and forest degradation or lead to further efforts to conserve, sustainably manage or enhance forest carbon stocks whilst protecting biodiversity and supporting rural livelihoods;
- b) 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 key direct and underlying drivers of deforestation and forest degradation, 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 pilots generate lessons on how to go to scale with respect to: (i) immediate

action to curb high rates of deforestation and forest degradation; (ii) conservation of existing forest carbon stocks within primary forests (high forest, low deforestation countries); (iii) enhancement of forest carbon stocks on degraded lands; and (iv) building effective capacities for sustainable management of forests.

## **VI. CRITERIA FOR FIP INVESTMENT STRATEGIES, PROGRAMS AND PROJECTS**

16. The FIP will use the following criteria [and the indicators listed in Annex II to this document] to review investment strategies, programs and projects and to prioritize programs or projects, with a view to maximizing the transformational impact of FIP resources:

- a) **Climate change mitigation potential.** FIP investment strategies, programs and projects should lead to significant reductions in deforestation and forest degradation and should promote policies and measures for improved sustainable management of forests that lead to emissions reductions and conservation and enhancement of forest carbon stocks;
- b) **Consistency with FIP objectives and principles.** FIP investment strategies, programs and projects should demonstrably contribute to FIP objectives and adhere to FIP principles;
- c) **Drivers of deforestation and forest degradation.** FIP investment strategies, programs and projects should assess and address the key direct and underlying drivers of deforestation and forest degradation within and outside the forest sector, avoid perverse incentives and ensure a holistic and inclusive national approach to REDD.
- d) **[Inclusive processes and participation of all important stakeholders, including indigenous peoples and local communities<sup>4</sup>.** Consistent with relevant international instruments, obligations and domestic laws, FIP investment strategies, programs and projects at the country or regional level should be designed and implemented under a process of public consultation, with full and effective participation of all relevant stakeholders on matters that affect their distinctive rights, including in particular groups that historically have tended to be marginalized such as indigenous peoples, local communities and women.

All programs, projects, activities and other interventions identified under national or regional FIP investment strategies that affect the rights of indigenous peoples and local communities should be designed and

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<sup>4</sup> The text of this sub-section was not agreed upon during the third Design Meeting and referred to a working group which will present proposed language for review and approval by the SCF Trust Fund Committee.

implemented in a way that is consistent with provisions for their free, prior and informed consent. FIP financed activities should, moreover, be consistent with, and/or complement, national sustainable development plans and be based upon effective collaboration between indigenous peoples and local communities, government ministries, private sector and financial institutions in planning and implementing investment strategies. FIP should also seek to engage other major stakeholders such as major groups identified by Agenda 21. ]

- e) **Demonstration impact.** FIP investment strategies, programs and projects should support replicable 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;
- f) **Forest-related governance.** FIP investment strategies, programs and projects should capitalize on the lessons learned concerning inclusive and effective improvements in governance and enhancement of law enforcement in other environmental sectors. FIP investments should support such improvements 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;
- g) **Safeguarding the integrity of natural forests.** Consistent with its objectives, the FIP should safeguard natural forests and should not support the conversion, deforestation or degradation of such forests, *inter alia*, through industrial logging, conversion of natural forests to tree plantations or other large-scale agricultural conversion. In particular, the FIP should safeguard high conservation value forests. Special consideration should be given to the national circumstances, including development needs of countries with high forests cover and low deforestation rates;
- h) **Partnership with private sector.** FIP investment strategies, programs and projects 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;
- i) **Economic and financial viability:** FIP investment strategies, programs and projects should catalyze self/sustaining financially profitable models for REDD at scale without the need for continuing subsidies.
- j) **Capacity building.** FIP investment strategies, programs and projects should build local and national implementation capacity and institutions.



## **VII. FIP SUB-COMMITTEE**

17. 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.

[18. The FIP-SC should 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.

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

20. 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 CBD secretariat, FAO, FCPF secretariat, the Global Environment Facility, ITTO, UNDP, UNEP, UNFCCC, UNFF, and UN-REDD technical secretariat.
- b) the following representatives to be identified through an open and inclusive self-selection process, with balanced development status/gender/geographic representation among the constituency:
  - i. 4 civil society representatives;
  - ii. 4 indigenous peoples representatives; and
  - iii. 4 private sector representatives.

21. Decision making of the FIP-SC will be by consensus, including that of country representatives and active observers. Where consensus cannot be reached, decisions will be taken on record by the FIP-SC country representatives in accordance with the rules of procedure for meetings of the SCF Trust Fund Committee, which will apply *mutatis mutandis* to the FIP-SC.

22. It is recognized that consistent with the decisions of the SCF Trust Fund Committee and its rules of procedures, active observers may:

- a) request the floor during discussions of the Trust Fund Committee to make verbal interventions,
- b) request the Co-Chairs to add agenda items to the provisional agenda, and
- c) recommend to the Trust Fund Committee or the Co-Chairs external experts to speak on a specific agenda item.]

***Functions of the FIP-SC***

23. 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;
- c) appointing the members of the expert group;
- d) approving elaborated criteria for selection of country or regional pilots based on section V “Criteria of Selection of Country or Regional Pilots” and guidance to be followed by the expert group;
- e) selecting pilot countries taking into consideration the recommendations of the expert group;
- f) approving elaborated programming priorities and operational criteria based on section VI, “Criteria for FIP Investment Strategies, Programs and Projects”;
- g) approving financing terms and modalities for the FIP, including those for private sector activities;
- h) endorsing further development of activities in investment strategies for FIP financing;
- i) approving FIP financing for programs and projects;
- j) 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 Programme and other UN efforts, and GEF;

- k) 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;
- l) 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
- m) exercising such other functions as they may deem appropriate to fulfill the purposes of the FIP.

## **VIII. EXPERT GROUP**

24. An Expert Group should be established by the FIP-SC to make recommendations on selection of country or regional pilots for the FIP. The FIP-SC should provide to the Expert Group elaborated selection criteria and guidance. The Expert Group should make recommendations to the FIP-SC on a short-list of country or regional pilots..

25. 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 on an equal geographical basis, indigenous peoples and local communities, and should receive support required to fulfill their functions properly.

## **IX. FIP PROGRAMMING PROCESSES<sup>5</sup>**

26. Prior to convening of the Expert Group the FIP-SC should determine the number of pilots to be financed and criteria for country selection.

27. Thereafter the Administrative Unit should inform eligible countries, through the country offices of the MDBs, of the pilots and invite submission of a brief expression of interest by governments to be considered as a pilot country.

28. The Expert Group, applying the elaborated criteria for selecting country or regional pilots approved by the FIP-SC, should make recommendations on a shortlist of country or regional pilots.

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<sup>5</sup> See Annex I to this document for a flowchart of the programming process.

29. The FIP-SC will select country or regional pilots taking into account the recommendations of the Expert Group. Thereafter the Administrative Unit should inform each selected country, through the country offices of the MDBs, and invite submission of a confirmation of interest by the government to participate in the FIP.

30. For each selected and confirmed country or regional pilot 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; provincial, state or local authorities; development partners working in the country, including UN and bilateral development agencies; representative NGOs, indigenous peoples organizations, women's groups and local communities; private sector; and other stakeholders.

31. 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.

32. The FIP-SC members and active observers will be informed in advance of the joint mission. The outcome of the collaborative exercise will be an investment strategy, developed under the leadership of, and finalized, approved and owned by, the government of the recipient country, for the use of FIP resources through a joint MDB program. Drafts of investment strategies will be publicly available in country for purposes of consultation. 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. 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.

33. 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.

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

35. 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.

## **X. INDIGENOUS PEOPLES AND LOCAL COMMUNITIES DEDICATED INITIATIVE**

36. The full and effective, continuous participation of indigenous peoples and local communities in the design and implementation of FIP investment strategies is necessary. 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.

37. 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 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.

38. Specific grants should be made available for indigenous peoples and local communities to support their participation in the development of the FIP investment strategies, programs and projects. At the implementation stage grants to indigenous peoples and local communities should be an integral component of each pilot. The operational principles and priorities, funding modalities and governance of such grants 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 should 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. A proposal for a dedicated mechanism should be submitted to the FIP-SC for review and approval.

## **XI. MONITORING AND EVALUATION**

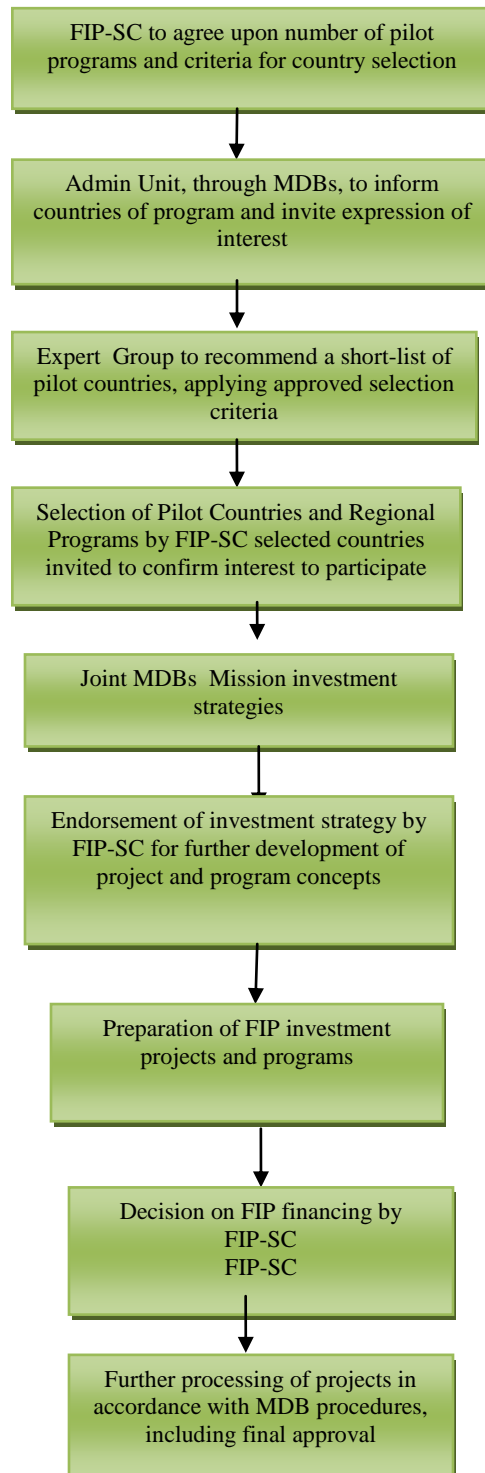
39. Country level monitoring should be coordinated through the multi-stakeholder national level steering committee referred to in paragraph 35. Monitoring at the country level should be participatory (including involvement of indigenous peoples and local communities, and civil society organizations in data collection and analysis), transparent and verifiable. Systems of independent forest monitoring developed over the last decade

can 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 reduce or prevent deforestation and forest degradation.

40. The FIP-SC should report to the SCF Trust Fund Committee on results, outcomes and lessons learned from the pilots 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, including its governance and self-selection processes, 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.

41. Full reporting criteria and a framework for planning, impact, learning and evaluation will be reviewed and approved by the FIP-SC. Such a framework should be based on the objectives, principles and criteria of the FIP, as set forth in sections II, III and VI above and Annex II of this document.

## Annex I: Flowchart for FIP Programming



## DRAFT<sup>6</sup>

### Annex II: FIP Indicators for transformational Investment Criteria

1. The FIP will use the following indicators to review investment strategies and prioritize programs or projects according to the investment criteria set out in section VI., with a view to maximizing the transformational impact of FIP resources:

Criteria (required)	Indicators
Potential to contribute to climate change mitigation.	<ul style="list-style-type: none"> <li>a. Potential for prevention or reduction of GHG emissions</li> <li>b. High carbon stocks and high threats (e.g. high deforestation and forest degradation rate) to the forest stock</li> <li>c. High potential for significant additional abatement (e.g afforestation on degraded lands)</li> <li>d. Contribution of forest mitigation to national level programmatic planning for low carbon sustainable development</li> <li>e. Demonstrates financing approaches which value the carbon, and other ecosystem services of forests, including mechanisms for delivering payments in return for carbon services.</li> </ul>
Addresses drivers of deforestation and degradation and avoids perverse incentives.	<ul style="list-style-type: none"> <li>a. Causal link between drivers and deforestation activity understood and addressed</li> <li>b. Identification and demonstrable reduction or elimination of one or more sources of pressure on the forest</li> <li>c. Harmonization/elimination of conflicting land uses</li> </ul>
Promotes sound forest governance.	<ul style="list-style-type: none"> <li>a. Clarification of national land law and tenure systems</li> <li>b. Record of land area and carbon stock according to ownership</li> <li>c. A land tenure system that is non-discriminatory and provides clear rights over land and its associated values, including carbon.</li> <li>d. Legal recognition of indigenous peoples rights to land</li> <li>e. Existence of operational mechanisms for resolving conflicts over tenure rights</li> <li>f. Institutions and systems that uphold the rights of forest dependent people</li> </ul>

<sup>6</sup> This annex is to be further developed by a working group and will be submitted to the SCF Trust Fund Committee for approval by mail.



Contributes to sustainable development.	<ul style="list-style-type: none"> <li>a. Improvement on BAU in relation to social (e.g. forest-dependent people) and environmental (e.g. area of high value conservation forest) aspects of forest resources</li> <li>b. Defined indicators, process and dedicated financing for monitoring social and environmental impacts.</li> <li>c. High number of local community forest management entities or companies</li> <li>d. Area of high conservation value forest under local government sustainable forest management agreement</li> <li>e. Demonstrable reduction in poverty, particularly in rural areas, as evinced by one or more of the following, <i>inter alia</i>: increase in rural household incomes, improvement in access to social services, increased employment rates, improved food security (e.g. average caloric intake), improved morbidity and mortality rates</li> <li>f. Maintenance or increase in the area of natural forest undisturbed</li> </ul>
Promotes inclusive processes and ensures full and effective participation of all important stakeholders, including indigenous peoples and local communities.	<ul style="list-style-type: none"> <li>a. Consistency with comprehensive national plans developed through broad stakeholder consultation</li> </ul>
Leverages resources from the private sector.	<ul style="list-style-type: none"> <li>a. Private (or, where appropriate, public) co-investment</li> <li>b. High leveraging ratio</li> </ul>
Economic and financial viability: catalyses self-sustaining financially profitable [community based] models for REDD+ at scale without the need for continuing subsidies	<ul style="list-style-type: none"> <li>a. Cost-benefit analysis (to include a sensitivity analysis, e.g. to price of carbon)</li> <li>b. Financial analysis (IRR &gt; x)</li> </ul>
Establishes transparent and independently verifiable monitoring processes.	<ul style="list-style-type: none"> <li>a. Sound approach to monitoring emissions reductions, or carbon stock enhancements achieved by program or project activities</li> <li>b. Sound approach to independent verification (e.g. identification of third party monitoring body)</li> <li>c. Definition of performance indicators and/or results matrix measuring impacts on biodiversity, ecosystem services and improvement of rural livelihoods.</li> </ul>

Safeguards High Conservation Value Forests.	a.
National ownership.	a.
Demonstration impact	a.
Coordinated with other REDD demonstration efforts.	a.
<b>Criteria (desirable)</b>	
Improves capacity to implement.	<ul style="list-style-type: none"> <li>a. Improvements to national institutional capacity to effectively manage and govern forests, e.g. forest service.</li> <li>b. Development of fund disbursement mechanisms at national and sub-national levels (e.g. use of local banks)</li> <li>c. Establishment or enhancement of institutions with capacity to support pro-poor, pro-community, pro-rights approaches to forest management, through implementation mechanisms</li> </ul>
Implementation in with the Private Sector	<ul style="list-style-type: none"> <li>a. Direct access to national/sub-national fund disbursement mechanisms by the private sector</li> <li>b. Private sector entities involved in the scoping and implementation of pilot projects or programmes</li> <li>c. Includes local private sector and is not exclusively foreign investor driven</li> </ul>