

# CLIMATE INVESTMENT FUNDS

November 29, 2011

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**DESIGN FOR THE  
DEDICATED GRANT MECHANISM FOR INDIGENOUS PEOPLES AND LOCAL COMMUNITIES  
TO BE ESTABLISHED UNDER THE FOREST INVESTMENT PROGRAM**

## INTRODUCTION

1. The FIP Design Document, in paragraphs 38-40, calls for a dedicated grant mechanism to be established under the FIP to provide grants to indigenous peoples and local communities in country or regional pilots. More specifically, paragraph 40 calls for “the operational principles and priorities, funding modalities and governance of the dedicated grant mechanism to be developed through a broad, transparent consultation with indigenous peoples and local communities across all forest regions, and should build upon the lessons learned from existing mechanisms.”

2. At its meeting in March 2010, the FIP Sub-Committee approved the terms of reference and associated budget for a process that would support indigenous peoples and local communities to prepare a proposal for the design of the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM).

## DESIGN PROCESS

3. In accordance with the approved *Terms of Reference for the Development of a Dedicated Grant Mechanism for Indigenous Peoples and Local Communities* (FIP/SC.3/5), the design process included, *inter alia*:

- a) A desk review on experiences and lessons from existing national and international grant mechanisms with similar goals<sup>1</sup>;
- b) A presentation and discussion at the Ninth Session of the United Nations Permanent Forum on Indigenous Issues (conducted on April 23, 2010), regarding the purpose of the grant mechanism, the design process and the prospects for implementation in a manner that simultaneously protects both forests and indigenous livelihoods, values and ways of life;
- c) The convening of four regional meetings (Africa, Asia, Latin-America and Pacific) of indigenous peoples and local communities, from FIP pilot and non-pilot countries, to discuss principles, content and structural elements of the future grant mechanism in preparation for two global meetings to develop cross-regional consensus on the design of the mechanism. Each regional meeting arrived at consensus conclusions and recommendations set forth in a written document as a contribution to the global meeting, and for broad review, for example through web-postings.
- d) The regional meetings included discussions with representatives of the governments in each FIP pilot country;

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<sup>1</sup><http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Report%20on%20Granting%20Programs%20October%202010.pdf>

- e) Two global meetings of selected representatives of indigenous peoples and local communities<sup>2</sup>, held in Bangkok, Thailand on April 8-10, 2011 and Washington, DC on May 22-24, 2011.

4. Subsequent consultations and revisions to the written material developed in the global workshops led to a working draft of a proposal for the design of the DGM which is presented in this document.

#### **FINALIZATION OF THE DESIGN OF THE DEDICATED GRANT MECHANISM**

5. During its meeting in June 2011, the FIP Sub-Committee reviewed a working draft of the DGM and took note of the ongoing work and welcomed the progress made in finalizing the design proposal for the designated grant mechanism.

6. The Sub-Committee encouraged the indigenous peoples and local communities, in collaboration with the CIF Administrative Unit and the MDB Committee, to prepare a final proposal for the design of the DGM for review at its next meeting.

7. The Sub-Committee requested that the design proposal include, among other things, recommendations as to how the DGM will be operationalized, including how resources will be approved and disseminated. The Sub-Committee also requested the MDBs to finalize any internal reviews that may be necessary to enable them to support the DGM.

8. Sub-Committee members and observers were invited to submit written comments on the draft proposal to the CIF Administrative Unit by July 31, 2011. The indigenous peoples and local communities were invited to take the comments into account when finalizing the proposal. Comments were received from one Sub-Committee member.

9. During the past months, the indigenous peoples and local communities, in collaboration with the MDBs and the CIF Administrative Unit, worked to finalize the design proposal and draft the implementation arrangements for the DGM.

10. Two distinct yet complementary documents are being submitted to the Sub-Committee:

- (a) Document FIP/SC.7/8, *Design Proposal for the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities*; and
- (b) Document FIP/SC.7/9, *Preliminary Proposal for Implementation Arrangements under the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities*.

11. The design proposal, document FIP/SC.7/8, was submitted to the Sub-Committee for review with a view to its approval.

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<sup>2</sup> Self-selected at the respective regional meetings.

12. The draft proposal for the implementation arrangements of the grant mechanism, document FIP/SC.7/9, was submitted to the Sub-Committee for comments to be taken into account during the preparation of the project proposal to be submitted to the Sub-Committee for approval.

#### **DECISION BY THE FIP SUB-COMMITTEE**

13. The Sub-Committee approved the design proposal presented in document FIP/SC.7/8 as a framework for the work of the dedicated grant mechanism and took note of the request for USD 50 million to finance the mechanism. With respect to the proposed distribution of funding, the Sub-Committee suggested that as activities are financed and implemented under the dedicated grant mechanism there should be a periodic evaluation of needs to ensure that the resources are being efficiently and effectively utilized. The Sub-Committee took further note of the proposed implementation arrangements presented in document FIP/SC.7/9, *Preliminary Proposal for the Implementation Arrangements under the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities*.

14. The FIP Sub-Committee requested the MDBs and the representatives of the indigenous peoples groups and local communities to further develop the project/program proposals required for approval of FIP funding and operationalization of the dedicated grant mechanism.

15. Regarding the global component of the dedicated grant mechanism, the Sub-Committee requested the Administrative Unit, the MDBs and the representatives of the indigenous peoples groups and local communities to explore synergies with similar efforts supported by other REDD+ institutions such as the FCPF and the UN-REDD Programme and to report at the next meeting on options as to how the programs may be cost-effectively coordinated and considerations with respect to the possibility of providing financing to indigenous peoples groups' and local communities' REDD+ efforts in non-FIP pilot countries.

**Forest Investment Program**  
**Design for the Dedicated Grant Mechanism**  
**for Indigenous Peoples and Local Communities**

**Introduction**

1. Section X of the *Design Document for the Forest Investment Program (FIP)* provides the following:

“38. 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. A dedicated grant mechanism should be established under the FIP to provide grants to indigenous peoples and local communities in country or regional pilots 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.

39. 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.

40. The operational principles and priorities, funding modalities and governance of the dedicated grant mechanism 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 indigenous peoples and civil society<sup>3</sup> 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.”

2. In accordance with these provisions, self-selected representatives of indigenous peoples and local communities worked jointly to draft *Terms of Reference for the Development of a Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (TOR)*. In March 2010, the FIP Sub-Committee reviewed and adopted these TOR and requested that the CIF Administrative Unit implements the proposed actions and submits for review and approval in

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<sup>3</sup> In practice, the phrase “civil society” in this context was interpreted as referring, in the main, to local civil society, i.e. local communities.

June 2011, a design for a *Dedicated Grant Mechanism for Indigenous Peoples and Local Communities* (the Grant Mechanism) under the Forest Investment Program.

### **Design Process**

3. Consistent with the approved TOR, an extensive process was undertaken to develop a design proposal for the Grant Mechanism. This process included, *inter alia*:
  - A desk review on experiences and lessons from existing national and international grant mechanisms with similar goals;
  - A presentation and discussion at the Ninth Session of the United Nations Permanent Forum on Indigenous Issues (conducted on April 23, 2010), regarding the purpose of the Grant Mechanism, the design process and the prospects for implementation in a manner that simultaneously protects both forests and indigenous livelihoods, values and ways of life ;
  - The convening of four regional meetings (Africa, Asia, Latin-America and Pacific) of indigenous peoples and local communities, from FIP pilot and non-pilot countries, to discuss principles, content and structural elements of the future Grant Mechanism in preparation for a global meeting to develop cross-regional consensus on the design of the Grant Mechanism. Each regional meeting arrived at consensus conclusions and recommendations set forth in a written document as a contribution to the global meeting, and for broad review, for example through web-posting s; the regional meetings included discussions with representatives of the governments in each FIP pilot country;
  - A concluding global meeting of selected representatives of indigenous peoples and local communities<sup>4</sup>, held in Bangkok, Thailand on April 8-10, 2011
  - Subsequent consultations and revisions to the written material developed in the global workshops leading to a working draft of a proposal for the design of the grant mechanism which is presented in this document.
4. The result of this process is the present proposed design document for the Grant Mechanism.

### **Structure of the Proposed Design Document**

5. Based on the work of the various meeting of indigenous peoples and local communities as called for by the TOR, and consistent with the TOR itself, this proposed design document is structured in six substantive sections: (1) overarching principles; (2) objectives; (3) governance; (4) scope of activities; (5) allocation of grant resources; (6)content of project documents.
6. The proposed Grant Mechanism is decentralized and FIP pilot country-driven. Within the parameters established by the FIP Sub-Committee, it provides for maximum country- and community-level ownership, while also enabling networking and exchange of lessons learned

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<sup>4</sup> Self-selected at the respective regional meetings.

and emerging knowledge on REDD<sup>5</sup> activities at the local, national, regional and global levels. This decentralization is balanced against the need for program consistency and accountability across the FIP pilot countries to support the collaborative achievement of the objectives of the Grant Mechanism set forth below and the country and global objectives and outcomes of the Forest Investment Program set forth in the FIP Results Framework.

7. The proposed Grant Mechanism builds on lessons learned from other funds and programs working specifically with indigenous peoples and local communities, to assure an effective and cost-effective structure and successful fulfillment of its principles and objectives.<sup>6</sup>

### **Overarching Principles**

8. The operations of the Grant Mechanism shall be consistent with the FIP Design Document and other relevant FIP policy documents. The principles set forth in the TOR shall fully apply to the Grant Mechanism. The operations of the Grant Mechanism, including planning, implementation, monitoring and evaluation of activities supported under the Grant Mechanism, shall be carried out in accordance with the operational policies and procedures of the Multilateral Development Bank<sup>7</sup> through which the funds shall be channeled. In doing so, the operations will include the full and effective participation of Indigenous Peoples, taking note of the United Nations Declaration on the Rights of Indigenous Peoples.
9. As part of its capacity building mandate, the Grant Mechanism shall strengthen cooperation, solidarity, awareness building and networking between and among indigenous peoples and local communities, and collaboration with other stakeholders based on trust; transparency; solidarity; and sensitivity to the culture, collective ways and decision-making processes of indigenous peoples and local communities.
10. The Grant Mechanism should enhance the capacity of indigenous peoples and local communities to participate fully, effectively and continuously in FIP pilot country REDD activities in a manner that secures forest resources, community livelihoods and the land tenure and resource rights of indigenous peoples and local communities and that respects traditional local knowledge and biodiversity. Such participation is essential for achieving FIP objectives whenever there are indigenous peoples and local communities living in or near the forest. The benefits from this work should also be available, in the form of lessons learned, to indigenous peoples

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<sup>5</sup> The term “REDD” as used in this document has the meaning assigned to it in the FIP Design Document, as set forth in footnote 1 of that document: “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 the decisions taken by the Conference of the Parties to the UNFCCC.”

<sup>6</sup> [See, for example, the desk study report: *International Practices in Small Grant Programs for Indigenous Peoples and Local Communities* available at <http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Report%20on%20Granting%20Programs%20October%202010.pdf> ]

<sup>7</sup> For purposes of this document, the “Multilateral Development Banks” are the African Development Bank, the Asian Development Bank, the Inter-American Development Bank, the International Finance Corporation and the World Bank.

and local communities in non-pilot countries, in accordance with paragraph 24 below.

11. Similarly, the Grant Mechanism should support and strengthen linkages of REDD-relevant plans or equivalents to: the Millennium Development Goals; plans to eradicate poverty and to develop sustainable livelihoods; strategies that apply and build on traditional knowledge and indigenous and local forest management systems; and the protection, maintenance and sustainable use and management of forest biodiversity. This includes equitable sharing of forest and forest carbon benefits.
12. Secure land tenure, resource and territorial rights are vital to the survival of indigenous peoples and local communities dependant on forests; in particular, for indigenous peoples their territorial rights are essential. Hence, it is essential for the Grant Mechanism to respect the meaning of these terms in each indigenous and local context. In general, indigenous peoples take a holistic approach to the concept of land, including, in an integrated manner, spiritual, cultural, political and livelihood dimensions. Similarly, the concept of “forest” includes non-material dimensions and is spiritually linked to the land, the sky, the water and the entire biodiversity of life.
13. Planning, implementation, monitoring and evaluation of activities supported under the Grant Mechanism activities should be based on full and effective participation of indigenous peoples and local communities, and should include special outreach to assure participation of women, youth, children, elders, persons with disabilities, and other vulnerable people. Decisions should be taken based on social equity, gender equality, protection of vulnerable people and groups and responsibility to future generations.
14. Activities supported by the Grant Mechanism should be appropriate in light of FIP investment plans, and form part of an inclusive overall participatory approach that involves all stakeholders in an effective manner throughout the process. As outlined in Guidelines for Consultations to be carried out in accordance with subparagraph 16(d) of the *Design Document* for the Forest Investment Program (*FIP Design Document*, Annex III). A FIP investment plan shall take into account the needs and priorities of indigenous peoples and local communities.
15. Grant Mechanism programming should recognize that vital experience and lessons are often rooted and the local level, so that lesson and information sharing activities should include such experience and lessons, to the benefit of indigenous peoples and local communities in FIP pilot and non-pilot countries. Lessons sharing should be responsive to the needs of indigenous peoples and local communities locally, nationally, regionally and internationally and should respect their intellectual property rights. The results of such sharing should be incorporated in lessons learning and awareness raising activities supported by the Grant Mechanism and fed into the implementation process of the FIP investment plan.
16. The Grant Mechanism should provide for streamlined and fast-track access to grant funding by grassroots indigenous peoples and local communities, including associations of indigenous peoples and local communities. Procedures should be simple, clear, flexible and transparent, involving indigenous peoples and local communities in a central way in the process. Where possible, Grant Mechanism should link to and leverage other resources available to indigenous peoples and local communities’ (both their own resources and resources from other, compatible

programs) to enhance achievement of the objectives set forth below.

17. The presence of the Grant Mechanism in FIP pilot countries should not serve as a substitute for the obligations of governments, including FIP contributor and pilot countries, to protect, promote and fulfill the rights of indigenous peoples and local communities.

## **Objectives**

18. The overall objectives of the Grant Mechanism are fivefold:
  - (a) Support specific initiatives of indigenous peoples and local communities in FIP pilot countries that enhance FIP strategies and the objectives listed above, for example, projects to support traditional livelihoods and/or develop alternative livelihoods in a manner that reduces poverty, supports biodiversity and relieves pressure on forests and thus contributes to climate change mitigation and adaptation; lessons from these activities should also benefit indigenous peoples and local communities in non-pilot countries, through activities carried out in accordance with paragraph 24 below.
  - (b) Develop the capacity of indigenous peoples and local communities to participate in national REDD processes in general, and FIP processes in particular (from planning to implementation to monitoring and evaluation to benefit-sharing), and to sustainably manage forest resources in a manner that both improves livelihoods and contributes to climate change mitigation and adaptation, respecting the rights, values aspirations and expectations of indigenous peoples and local communities, including their emphasis on holistic approaches and biodiversity in forest stewardship.
  - (c) Providing support for strengthening territorial and resource rights, broadly understood to include traditional forest stewardship roles and management systems, and the collective decision-making processes, autonomy, ways of living and rights of indigenous peoples and local communities.
  - (d) Gather lessons from local-level experience and initiate the sharing of successful local REDD+ strategies and innovations among indigenous peoples and local communities, pilot country governments, and other stakeholder in non FIP-pilot countries, lessons which may also be beneficial after the Grant Mechanism itself has reached the end of its term.
  - (e) Build partnerships and networks of indigenous peoples and local communities to support and strengthen capacities to address the drivers of deforestation, forest degradation and other threats to forest ecosystems.
19. The work of the Grant Mechanism should lead to specific gains in tenurial rights, forest governance, livelihoods of forest-dependant indigenous peoples and local communities in a sustainable manner that enhances local empowerment. For example, outcomes should include definable, measured progress toward sustainably managing forests and ending poverty and

inequality.

## **Governance**

20. The basic governance structure for the Grant Mechanism should consist of
  - (i) A Global Coordination Committee (GCC); and
  - (ii) A National Steering Committee (NSC) for each pilot country.
21. Each of these “governance committees” shall include members and active observers, as described in document FIP/SC.7/#, *Draft Proposal for Implementation Arrangements under the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities*.
22. The role of active observers in the GCC and NSCs should correspond, *mutatis mutandis*, to the role of active observers in the FIP Sub-Committee.
23. The governance committees will be support by secretariat services in a manner to be specified in the operating guidelines for the Grant Mechanism.

## **Scope of Activities**

24. The scope of activities supported under the Grant Mechanism shall be consistent with the *FIP Design document*. Eligible activities supported through the Grant Mechanism may include:
  - a. Support for securing and strengthening customary land tenure rights, rights to territory and natural resources, and traditional forest management systems of indigenous peoples and local communities, for example through:
    - i. Reducing cultural, social, economic, and policy barriers to such land tenure and resource rights and to the continuance and enhancement of traditional forest management systems;
    - ii. Supporting models of REDD+ activities that respect the priorities, rights and equitable entitlements of indigenous peoples and local communities; and
    - iii. Enhancing traditional systems of land, territory and resource management.
  - b. Development of mechanisms to support participation by indigenous peoples and local communities in the design and implementation of national FIP investment strategies and to engage other national and local REDD+ processes, relating to forests, forest resources and forest protection and support for specific outreach to assure participation by women and other vulnerable groups; and mainstreaming activities of indigenous peoples and local communities with national FIP and other forest-related activities and policies;

- c. Support for the involvement of indigenous peoples and local communities in monitoring and evaluating forest activities (including, but not limited to, activities funded by the grant mechanism, or activities carried out by indigenous peoples and local communities themselves)
- d. Support for alternative livelihoods, to both generate incomes and reduce pressure on forests, in each case in a manner that advances the medium and long term goals of indigenous peoples and local communities; such support may include strengthening and promoting existing sustainable and low-carbon lifestyles, and traditional livelihoods of indigenous peoples and local communities.
- e. Support to indigenous peoples and local communities, including their leaders, organizations and institutions – formal and informal – as they carry out activities to build their capacity and capability, relating to the goals of the Grant Mechanism in general, and more specifically: (i) training and capacity building for both substantive and procedural capabilities relating to applying for, implementing, monitoring and evaluating Grant Mechanism projects; (ii) training, awareness and capacity building to support participation in national REDD and FIP processes in accordance with the principles set forth above; and (iii) support for developing networks and partnerships to achieve these goals;
- f. Support the discovery and sharing of lessons, information, non-proprietary knowledge and best of promising practice models to advance usable knowledge about how to achieve the objectives of the FIP and the Grant Mechanism in particular.
- g. Support for other activities of indigenous peoples and local communities whose primary focus advances one or more the objectives listed in this Design Document.

### Allocation of Grant Resources

25. It is proposed that resources approved for the dedicated grant mechanism be allocated to groups working in each pilot country and the global program in accordance with the following distribution. These pilot country percentages are broadly proportional to the amounts allocated by the FIP Sub-Committee to the funding envelope for the respective FIP investment plans.

(a)	Brazil and Indonesia:	13% each (total: 26%)
(b)	DRC and Mexico	12% each (total: 24%)
(c)	Ghana and Peru	11% each (total: 22%)
(d)	Burkina Faso and Lao PDR	9% each (total: 18%)
(e)	Global Component	10%

26. It is requested that a funding envelope of USD50 million in grant funding be approved for the dedicated grant mechanism.

## Content of Project Documents

27. Once the proposed design document of the DGM is approved, the implementing MDB and the selected executing agency, working in collaboration and by consensus with a self-selected working group of indigenous peoples and local communities representatives emerging from the current process, will develop a full project document for approval by the FIP Sub-Committee. The project document will provide operational procedures, procedures for monitoring and evaluation, grievance redressal procedures as well as a budget for the Grant Mechanism showing how the resources will be used and monitored.<sup>8</sup>

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<sup>8</sup> Following the FIP Sub-Committee approval of the proposal for the Dedicated Grant Mechanism, MDBs interested in participating in pilot country projects may need to seek additional internal approval in connection with the approved DGM, its implementation arrangements and/or specific pilot country projects.