Climate Investment Funds

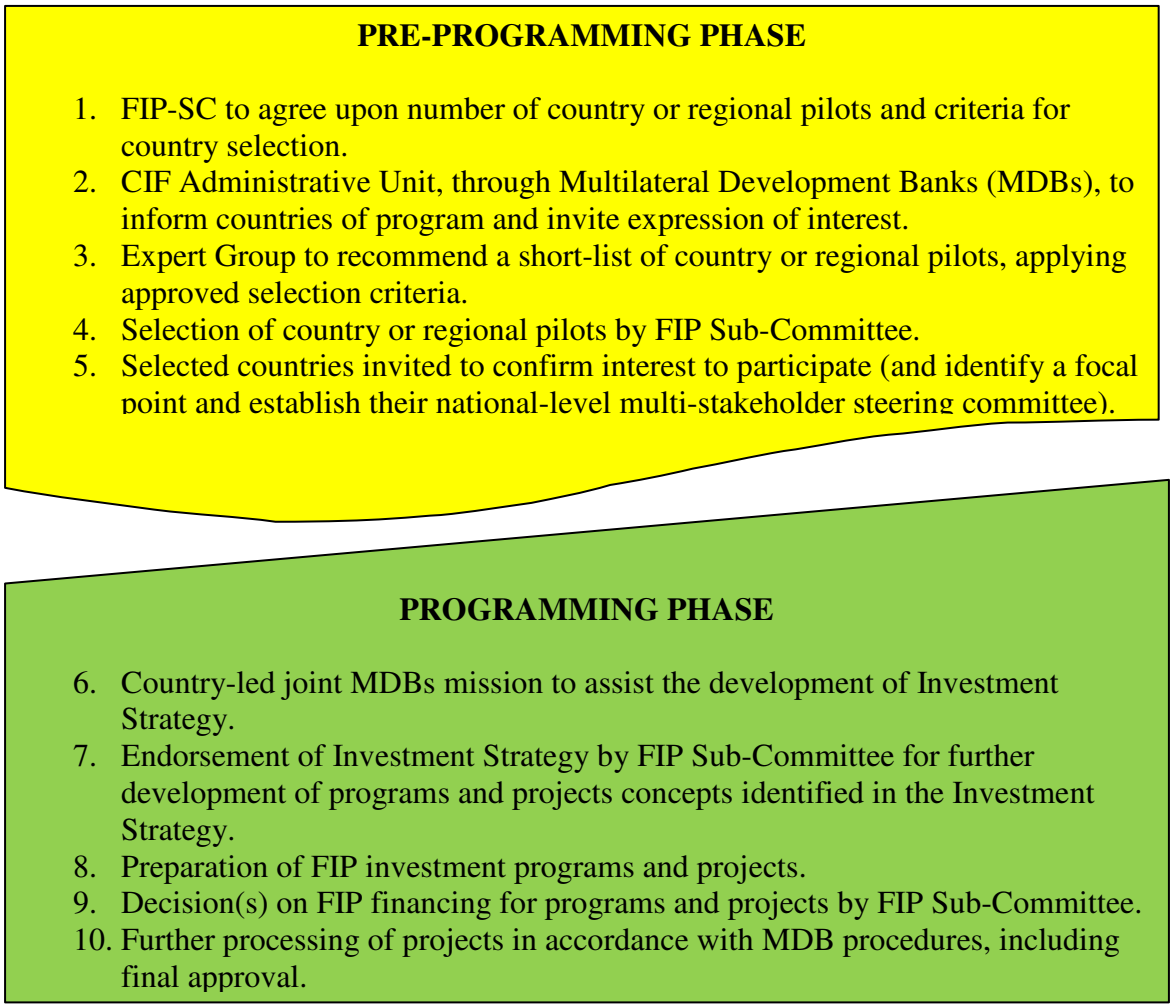
April 20, 2010

FIP Operational Guidelines

Purpose of Document

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

FLOWCHART FOR FIP PROGRAMMING



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

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

3. It is recognized that due to the pilot character of the FIP, the FIP Sub-Committee may periodically review and adjust, as necessary, the operational guidelines and the guidance for the preparation of investment strategies in particular.

Country-led Joint MDB Missions

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

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

6. *Initial preparation and possible scoping mission*. Pilot countries are likely to have available substantial analytical, strategic and programming work in the areas of forestry, natural resource management, rural development, and climate change. This will inform the preparation of the Investment Strategy. This may include budget and planning documents, forestry and/or climate change strategies (including REDD+ strategies or action plans), forest-relevant sector strategies and Poverty Reduction Support Programs (PRSPs) in the case of low-income countries. Programs supporting forest and forest landscape management may fall under the mandate of a range of organizations, including agriculture, forestry, environment, energy and social protection agencies, and may form part of local-level programs as well as central government activities. Programs are also likely to have been developed with a broad range of development partners. Lead country

agencies/institutions may wish to assemble this documentation themselves, or MDBs may provide assistance in consolidating background material and preparing for the joint programming mission through a short scoping mission. MDBs should factor these costs in their plans for FIP administration and oversight.

7. *A preparation grant of up to $250,000* for the development of the Investment Strategy may be made available to the country for additional work if it is required to develop or complete the Investment Strategy, including stakeholder consultations and planning sessions. Funding would be in addition to the envelope requested for Investment Strategy and made available up-front to complete the preparation process. The request for a preparation grant for the Investment Strategy will be submitted together with the TOR for the Joint Mission. In this case, the scoping mission should identify the additional work and other activities needed, and propose a budget for the strategy preparation. The MDB Committee will review and approve the terms-of-reference (TOR) for the Joint Mission and, if applicable, the request for the preparation grant. The proposal should clearly identify how the country will collaborate with the MDBs during the preparation process. Governments may ask MDBs to have an equal role or ask one of the MDBs to assume a lead administrative role in accessing FIP grant funding for the preparation of the Investment Strategy. This grant will be government-executed if appropriate. Each MDB would use its own procedures to channel the funds to an appropriate national or country-based international institution.

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

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

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

11. *Joint mission*. The objective of the joint mission is to assist the pilot country or countries in developing and costing an Investment Strategy for programs and projects to be implemented that are consistent with the overall FIP objective and meet the investment criteria for programming priorities under the FIP (see document FIP/SC.3/4 *Investment Criteria and Financing Modalities*). The Government will lead and coordinate the mission, which should include key government, non-government, including indigenous peoples and local communities; and private sector stakeholders as well as other development partners, including the Forest Carbon Partnership Facility, UN-REDD (where relevant) and bilateral development agencies/ banks. The mission should highlight the importance of diagnosis, stakeholder consultation and results orientation. The mission should include consultative workshops and appropriate field trips. A report summarizing agreed key findings, information on stakeholder consultations, including those with indigenous peoples and local communities, and next steps should be prepared and approved by the Government. The report will be posted on the CIF website.

12. The Government will take the lead in coordinating the preparation of the Investment Strategy. A key feature of the joint mission will be the engagement at the country level with local communities, indigenous peoples groups, the private sector, UN and bilateral and other potential partners. In preparing the Investment Strategies, a concerted effort should be made to consult with other REDD+ initiatives in the country to ensure synergetic collaboration and to maximize results.

13. Consistent with paragraph 37 in the *FIP Design Document*, "governments of pilot countries should establish, or identify an existing, cross-cutting multi-stakeholder national level steering committee to assist in program planning, implementation, monitoring and evaluation, which should include representatives of provincial, state and local authorities, indigenous peoples and local communities, NGOs, private sector and other members of civil society".

14. Such collaboration should strengthen ownership, serve to identify activities of other development partners that can contribute to the objectives of the Investment Strategy, mobilize co-financing for FIP programs and projects, ensure harmonized policy support and promote complementarity with activities of other development partners (see Annex C on possible collaboration with bilateral development agencies/banks). The Investment Strategies will be shared with relevant REDD+ initiatives, including the FCPF and UNREDD for the further exploration of collaborative activities through programs and projects.

15. Taking into account that each pilot will have a different country context and starting point for the development of an Investment Strategy, it is expected that the time requested to develop an Investment Strategy will differ from country to country. Preparation of an investment Strategy is not to exceed, however, 18months from the time the Joint Mission has been conducted.

Endorsement of Investment Strategy

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

17. The FIP Sub-Committee should consider the country's forestry and climate-related goals and whether the proposed Investment Strategy realistically supports those goals. More specifically, the FIP Sub-Committee should assess the Investment Strategy according to the consolidated FIP investment criteria (see FIP/SC.3/4 *Investment Criteria and Financing Modalities*) that include:

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

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

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

Preparation of FIP Investment Projects and Programs

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

> "35. After endorsement of the investment strategy by the FIP-SC, concepts for projects and programs will be developed through a government led process by the countries into detailed proposals. In developing such proposals governments should indicate whether the program or project is to be executed by national, regional, or local governments, indigenous peoples or their organizations, community based organizations, NGOs, private enterprise or other members of civil society. Documents related to proposed programs and projects will be made publicly available in-country and on the FIP website at the same time as they are submitted to the FIP-SC, allowing sufficient time for public review and comment before FIP-SC approval.
>
> 36. The FIP programming, approval and supervision processes will follow the MDB's policies and procedures, including the relevant MDB's disclosure policy."

Preparation Grants

18. The endorsement of the Investment Strategy by the FIP Sub-Committee is not only the basis for moving forward to develop proposed project and program concepts but also allows the FIP Sub-Committee to approve funding requested for project preparation. A preparation grant can be made available to enable country preparation for each project or program component in accordance with MDB procedures. The grant amount will be included in the FIP funding available for the Investment Strategy endorsed by the FIP Sub-Committee but will be made available prior to approval of FIP funding for the project to finance country-driven preparation activities. Preparation and implementation of the investments will follow the respective MDB procedures, including social and environmental safeguards, procurement and financial management. Funds for project preparation grants would be included within the envelope requested for the Investment Strategy. Proposals for project preparation grants should be included in the Investment Strategy, and the FIP Sub-Committee would be requested to approve the requested funding when it endorses the Investment Strategy.

Decision on FIP Financing for Projects and Programs

19. As part of the endorsement of an Investment Strategy, the FIP Sub-Committee will provide comments on draft concept notes[1] annexed to the Investment Strategy and approve project preparation grants for the proposed activities.

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

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

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

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

MDB Processing of Investments

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

Indigenous Peoples and Local Communities Grant Mechanism

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

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

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

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

Monitoring and Evaluation

27. Country-level monitoring of programs and projects should be coordinated through a multi-stakeholder national-level steering committee. Pilot country governments should establish, or identify an existing, cross-cutting multi-stakeholder national-level steering committee to assist in program planning, implementation, monitoring and evaluation, which should include representatives of local authorities, indigenous peoples and local communities, NGOs, the private sector, and other members of civil society. In establishing or identifying this Committee, gender considerations should be taken into account. The Committee should be lead by the government and should be the primary national body to oversee implementation progress. The Committee should receive progress and evaluation reports, provide adaptive management advice and report back on implementation progress of the Investment Strategy to the FIP Sub-Committee through the MDBs and the CIF Administrative Unit. The Committee may request assistance from the MDBs involved in the implementation of the Investment Strategy in ensuring quality and meeting agreed standards. Accountability for meeting the targets established in program and projects should be with the borrowing or grant receiving institutions and the MDBs.

28. Beyond being participatory, the monitoring of the Investment Strategy as well as its individual components should be transparent, measurable, reportable, and verifiable (MRV). In this context, national systems of independent forest monitoring developed over the last decade should be adapted to incorporate REDD+ and could be developed where they do not exist. This type of monitoring will enable independent assessment of the legal, social, gender, economic, enforcement, and management dimensions of forest governance that will be vital to the long-term success of any efforts to reduced or prevent deforestation and forest degradation.

29. The pilot countries and MDBs should report on an annual basis on progress in implementing the Investment Strategy through projects and programs. These reports should include information on progress towards achieving agreed results, performance of involved stakeholders, tracking of co-financing and important lessons learned during the reporting period. The report should also provide information on progress of developing and implementing the dedicated grant mechanism for indigenous peoples and local communities in the pilot country. The report should be approved by the multi-stakeholder national-level steering committee described in paragraph 27. These annual reports should be submitted to the FIP Sub-Committee for review and posted on the CIF website.

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

31. An independent joint evaluation of the operations of the FIP and its activities will be carried out after three years of operations by the independent evaluation departments of the MDBs. Lessons learned and results achieved through the FIP will be published and made publicly available.

Annex A: Business Process Flowchart for FIP Operations

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

Examples of key MDB steps: project concept note review, quality enhancement review, appraisal decision. MDB to include an external technical peer reviewer in its standard review/clearance steps for project processing to confirm/enhance quality and rigor of proposed activities.		
II. Appraisal-Negotiations-Board-Effectiveness 4. MDB submits program or project proposal to FIP Sub-Committee for no-objection approval of trust fund financing. Upon FIP Sub-Committee approval, Trustee commits funding to MDB	MDB & FIP Sub-Committee Trustee	Virtual review as necessary.
5. MDB conducts appraisal, negotiates legal agreement with borrower or legal contract with private sector client, and submits project for approval by its Board. Resubmission to FIP Sub-Committee if there are substantial changes in project objectives, design and/or financing.	MDB	Appraisal within 3 months of FIP Sub-Committee no-objection approval. According to MDB operational policies and procedures. Target: Investment Strategy review by FIP Sub-Committee to Board submission in 12 months.
6. Signing and effectiveness of legal agreement with borrower or legal contract with private sector client	MDB and borrower or client	Applicable MDB procedures and standards
III. Implementation & Supervision		

7. Project implementation, including monitoring of physical and financial progress in achieving results. Disbursement of funds following processing of withdrawal applications.	Borrower or client MDB	As provided for in the legal agreement and project operational manual. Applicable MDB policies and procedures.
8. Supervision and amendments of project activities under implementation, including reallocation of loan proceeds.	MDB	Applicable MDB policies and procedures.
IV. Evaluation & Completion Reporting 9. Evaluation	Borrower/client	As provided for in legal agreement and project operational manual.
10. Program or project completion report Upon submission of such report to Board, MDB submits final completion report to CIF Administrative Unit	MDB in collaboration with the Borrower/client	Applicable MDB policies and procedures. Within [10] working days of Board submission.
11. Independent review of the program or project completion report	MDB Evaluation Department	Applicable MDB policies and procedures.
12. Annual Portfolio Review submitted to CIF Administrative Unit. Administrative Unit convenes annual portfolio review meeting, prepares overview report on Fund operations, and forwards MDBs' annual	MDB, Borrower/pilot country Administrative Unit	Reporting from Results Measurement System

portfolio reviews to FIP Sub-Committee. Review and adoption of FIP Annual Report on Fund operations.	FIP Sub-Committee	Decision at regular meetings of FIP Sub-Committee

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

Principles, Objectives and Outcomes

Principles. The Investment Strategy should be country-led and country-driven, and should be designed to "support developing countries' REDD-efforts, by 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, poverty reduction and rural livelihoods enhancements"[2]..

FIP funding should be additional to current ODA and should allow for blending grant and highly concessional finance with domestic and international public and private financing. This financing will be made available through the MDBs. The processing of FIP financed projects and programs will follow the MDBs' established policies and procedures and comply with the FIP investment criteria.

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

Objectives. Country-level Investment Strategies will support the objectives of the FIP[3] which are to:

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

[2] Paragraph 10, *FIP Design Document*
[3] Paragraph 11, *FIP Design document*

Immediate Outcomes of the Implementation of an Investment Strategy. The immediate outcomes of the implementation of a country-level Investment Strategy are:

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

Annotated Outline for Investment Strategy

The following general structure for the Investment Strategy is suggested, recognizing that country or regional circumstances may differ. The Investment Strategy would likely cover the information requested under the consolidated investment criteria for programming priorities in a FIP pilot (see document FIP/SC.3/4/Rev.1 *Investment Criteria and Financing Modalities)*. More detailed suggestions for structuring the document are provided below.

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

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

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

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

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

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

The Investment Strategy should

(a) describe the fiscal and regulatory framework, land use policies, market structure, other incentives, and medium-term expenditure frameworks in the forestry (including REDD+ readiness) and related sectors to support the operations envisaged in the plan;
(b) describe the extent to which the existing regulatory and policy framework supports, or conflicts with, REDD+ objectives; and
(c) further identify existing regulatory gaps and governance challenges and describe the barriers that exist and what the potential impacts of public and private sector interventions could be if these barriers are addressed.

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

The Investment Strategy should identify expected co-benefits from FIP investments, including the contribution to the improvement of local livelihoods, poverty alleviation, and human development of forest dependent communities, including indigenous peoples, as well as, the protection of biodiversity and other ecosystem services; enhance climate resilience, and the promotion of gender equality and social sustainability.

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

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

(a) Prioritize activities that: (i) would enable the scaling-up of approaches, forest management models, technologies, and solutions that are successfully piloted but not in routine use, and/or (ii) would help generate working examples of low carbon forest development that might be applied at scale to the country, geographic sub-region or sub-sector. An appropriate justifications needs to be presented for why these activities are prioritized.
(b) Assess the cumulative emissions savings, explaining how investments: (i) would explore new opportunities previously unrealized at scale, and/or (ii) are linked to

policy and regulatory change t that will stimulate much wider action by creating new opportunities and removing barriers.
(c) Estimate the replication and scalability potential of the project or program, e.g. its potential impact on the deforestation rate, pace of rehabilitation of degraded areas, conservation of existing forest carbon stocks, REDD activities and payments, and/or forest carbon emissions.
(d) Provide evidence of poverty reduction, environmental and social co-benefits by prioritizing activities that: (i) help reduce poverty by enhancing economic growth or by improving services to the poor, taking into account the gender dimension of poverty and/or (ii) provide local or regional environmental benefits such as greater biodiversity, improved watershed management or better soil quality.
(e) Take into account the framework of the MDBs' Country Assistance/Partnership Strategies, other relevant national planning exercises and activities of other development programs, including the FCPF, UN-REDD, bilateral development agencies, UN and GEF.
(f) Establish 2-3 results indicators consistent with the FIP Results Framework and identify methodology to measure those along with a timeline for achieving results.

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

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

Section 7 Financing plan and instruments (half-page)

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

Annexes

The Investment Strategy should include three annexes that summarize:

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

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

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

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

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

Annex 4: FCPF/UNREDD Readiness Preparation Proposal (R-PPs), National REDD+ Startegy, Action Plan or equivalent (if available)

Annex C: "Crowding in" the programs of other relevant partners in the FIP Investment Strategy

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

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

Modalities for Joint Programming

3. A key principle of the FIP is that activities financed by the fund should be based on a country-led approach and should be integrated into country-owned development strategies, consistent with the Accra Agenda for Action and the Paris Declaration[4]. The FIP Investment Strategy, developed under the leadership of the partner country, provides the common programming framework for a joint MDB program. The investment strategy, with respect to FIP financing, will serve as the "business plan" of the MDBs, developed under the leadership of the government, to assist a country with FIP co-financing in implementing its national forestry or REDD+ strategies or programs (or equivalents). The Investment Strategy is agreed upon and owned by the Government. It should be a clearly articulated multi-year proposal that describes the proposed uses of FIP resources, identifying the "slice(s)" of the country's existing strategies and plans that could be co-financed and supported by the FIP.[5]

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

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

[5] *Clean Technology Fund: Guidelines for Investment Plans*, December 2008.

5. It can also be foreseen that there will be cases where partners provide financing to activities not linked to the Investment Strategy but which contribute to REDD+ objectives that support the same national forestry or REDD+ strategies as the Investment Strategy. In this instance, the pilot country may wish to consider including information on such projects and programs in its reporting to the FIP Sub-Committee.

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

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

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

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

8. Under these two scenarios, in which projects of a partner would be closely associated with the FIP Investment Strategy, the projects would clearly be well aligned with FIP objectives and expected outcomes. Such collaboration will be dependent upon open communication and close coordination among the government, MDBs, and the interested partners throughout the process of developing and refining the Investment Strategy. Recognizing the additional transaction costs of coordination and the primacy of

country interests, the process of alignment of the projects of other partners with the Investment Strategy should seek to maximize the benefits for the country and to minimize delays to the implementation timetable. It is also possible to envisage the engagement of other partners through a combination of Scenarios 1 and 2.

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

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

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

Scenario 4: "*FIP Investment Strategy contributes 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 development and implementation of the Investment Strategy be included in the reporting on REDD+ progress in those fora."