

CLIMATE INVESTMENT FUNDS

August 9, 2011 (Revised)

Summary of the Co-Chairs
Forest Investment Program Sub-Committee Meeting
Cape Town, South Africa

June 29 and 30, 2011

Co-Chairs

Mr. Jean-Bernard Carrasco, Australia
Mr. Artur Cardoso de Lacerda, Brazil

Opening of the Meeting

1. The meeting of the FIP Sub-Committee was opened by Mr. Jean-Bernard Carrasco, elected Co-Chair from Australia.
2. In absence of Mr. Rogerio Studart, the other elected co-chair, the Sub-Committee elected Mr. Artur Cardoso de Lacerda from Brazil to serve as Co-Chair for the duration of the meeting.

Adoption of the Agenda

3. The meeting, having reviewed the provisional agenda set forth in document FIP/SC.6/1/Rev.1, approves the agenda.
4. The meeting welcomes the announcement by Mr. Jean Bernard Carrasco, the Sub-Committee member from Australia, of his government's contribution of AUD\$ 25.5 million in grant resources to supplement the FIP reserve to support high performing projects and programs employing new and innovative approaches in the current FIP pilot countries.

Report on FIP Pilot Country Meeting

5. The FIP Sub-Committee welcomes the report that was presented on behalf of the meeting participants by Mr. Victor Kabengele Wa Kadilu, the representative of the Democratic Republic of Congo, on the outcomes of the second meeting of the FIP pilot countries that was held on June 22, 2011, in Cape Town, South Africa. The FIP Sub-Committee noted that the FIP Pilot Country Meetings provide a useful opportunity for pilot countries to share lessons learned and will continue to be an important avenue to support pilot countries as they move into the implementation stage of the FIP.

Update on Operations

Semi-Annual Report on FIP Operations

6. The FIP Sub-Committee reviewed document FIP/SC.6/3, *Semi-Annual Report on FIP Operations*, and welcomes the report on the status of FIP activities, including information on progress in the eight pilot countries.
7. The FIP Sub-Committee requests that the information on FIP operations be kept up to date on the FIP website, and in particular information on country programming activities, including joint mission dates and expected dates for the submission of investment plans and related projects and programs.

Update on Mexico

8. The FIP focal point for Mexico updated the meeting on progress in developing Mexico's investment plan and informed the meeting of the Government's intention to submit its

investment plan for review and endorsement by the end of August 2011. The Sub-Committee was requested to agree to consider the investment plan for endorsement through a decision by mail.

9. The Sub-Committee welcomed the update and agrees the Government of Mexico may submit its investment plan for endorsement through a decision by mail as soon as it is available on the understanding that should any Sub-Committee member request further consultations on the plan, the Co-Chairs, in consultation with the CIF Administrative Unit, will decide whether to convene a virtual meeting of the Sub-Committee or to recommend that the investment plan be discussed during the next meeting of the FIP Sub-Committee.

Update on Indonesia

10. The Sub-Committee member from Indonesia presented the status of preparation of Indonesia's investment plan.

11. The Sub-Committee takes note of the upcoming joint mission to Indonesia scheduled for July 2011 and plans by Indonesia to post a draft investment plan on the website of the Ministry of Forestry by the end of August 2011 for public consultations. The Sub-Committee requests the CIF Administrative Unit to also circulate the draft investment plan to Sub-Committee members for their information.

Update from other country pilots

12. Representatives from the other FIP pilot countries and the MDBs provided updates on progress in Brazil, Ghana, Lao PDR and Peru.

FIP Investment Plan: Democratic Republic of Congo

13. The FIP Sub-Committee, having reviewed document FIP/SC.6/4, *Investment Plan for the Democratic Republic of Congo*,

- a) endorses the Investment Plan as a basis for the further development of the projects foreseen in the plan and takes note of the requested funding of USD60 million in grant funding. The Sub-Committee requests the Government of the Democratic Republic of Congo and the MDBs, in the further development of the proposed projects, to take into account comments made by the Sub-Committee during the meeting and all written comments submitted by Sub-Committee members by July 15, 2011, and in particular:
 - i. to prepare an analysis of barriers to private sector engagement in sectors relevant to achieving the objectives of FIP and to take into account such analysis in the further development of program component of the plan, "Engaging private sector in REDD+ in DRC"; and
 - ii. to ensure that the components of the plan are coordinated, both with each other and with other initiatives in the country, so as to promote synergies

and the achievement of sustainable impacts contributing to the objectives of FIP.

- b) reconfirms its decision on the allocation of resources, adopted at its meeting in November 2010, that a range of funding for the country should be used as a planning tool in the further development of project and program proposals to be submitted to the FIP Sub-Committee for FIP funding approval. The range of funding agreed for the Democratic Republic of Congo is USD 40-60 million in FIP resources.
- c) approves a total of USD1.6 million in FIP funding as preparation grants for the following projects to be developed under the investment plan:
 - i. USD 300,000 for the project “*Addressing Deforestation and Degradation in the Kinshasa Supply Area,*” (World Bank);
 - ii. USD 400,000 for the project “*Addressing Deforestation and Degradation in the Mbuji Mayi/Kananga Supply Area,*” (AfDB);
 - iii. USD 400,000 for the project “*Addressing Deforestation and Degradation in the Kisangani Supply Area,*” (AfDB);
 - iv. USD 250,000 for the project “*Small Grants Program to Promising Small-scale REDD+ Initiatives,*” (World Bank);
 - v. USD 250,000 for the project “*Engaging private sector in REDD+ in DRC,*” (World Bank).
- d) takes note of the estimated budget for project preparation and supervision services for the projects referenced above and approves a first tranche of funding for MDB preparation and supervision services as follows¹:
 - i. USD 300,000 for the project “*Addressing Deforestation and Degradation in the Kinshasa Supply Area,*” (World Bank);
 - ii. US 300,000 for the project “*Addressing Deforestation and Degradation in the Mbuji Mayi/Kananga Supply Area,*” (AfDB);
 - iii. USD 300,000 for the project “*Addressing Deforestation and Degradation in the Kisangani Supply Area,*” (AfDB);
 - iv. USD 300,000 for the project “*Small Grants Program to Promising Small-scale REDD+ Initiatives,*” (World Bank);
 - v. USD 250,000 for the project “*Engaging private sector in REDD+ in DRC,*” (World Bank).

14. One of the civil society observers to the FIP Sub-Committee noted that a range of enabling activities identified in the investment plan will be important to the effectiveness of its implementation, and invited the Government to provide additional information on such activities.

¹ For private sector projects, MDB preparation and supervision costs are determined at investment development stage and requested at a later point in time.

FIP Investment Plan: Burkina Faso

15. The FIP Sub-Committee, having reviewed document FIP/SC.6/5 *Investment Plan for Burkina Faso*,

- (a) welcomes the proposed investment plan and the presentation by the representatives from Burkina Faso, reaffirms its recognition of the unique contribution that can be made by the country as a pilot which addresses dry forests landscapes and its potential for replication, and reconfirms its allocation of up to USD 20-30 million in grant resources to support the investment plan for Burkina Faso;
- (b) endorses the investment plan in principle, whilst recognizing the further work requested in the paragraphs below;
- (c) recognizing that the investment plan contains a first phase of readiness activities that will inform the design and final selection of investments, the Sub-Committee agrees to approve up to USD 5 million from the allocation in FIP funding to allow those readiness activities to begin immediately;
- (d) requests the government, in carrying out such readiness activities and in further elaborating the investment plan, to take into account comments made by the Sub-Committee during the meeting and all written comments submitted by Sub-Committee members by July 15, 2011, and in particular:
 - i. more detail information on how the proposed interventions address the drivers of deforestation;
 - ii. more detail information on the mitigation potential of the proposed interventions;
 - iii. estimates of national replication and scalability potential and how the plan would affect national forest cover;
 - iv. information on how the proposed investments will aim to catalyze self-sustaining, economically viable models for REDD+ at scale;
 - v. further information on the enabling environment, including institutional and regulatory frameworks, to support the proposed investment plan; and
 - vi. more information on lessons learned from previous experiences that inform the investment plan.
- (e) requests the government to submit a revised investment plan to the Sub-Committee by mail to confirm its use as a basis for the further development of projects once the above have been elaborated;
- (f) invites the Government and the MDBs to consult on the allocation of the resources approved in sub-paragraph (c) above, including provision for resources to cover the project preparation and supervision services for the MDBs, and to

submit a proposal for funding to the Sub-Committee for approval through decision by mail.

FIP Dedicated Grant Mechanism for Indigenous Peoples and Local Communities

16. Ms. Mina Setra, AMAN, Indonesia, and Mr. Diwa Kapupu, REPALEAC, Democratic Republic of Congo, members of the working group of indigenous peoples and local communities on the development of the FIP Dedicated Grant Mechanism for Indigenous Peoples and Local Communities, presented document FIP/SC.6/6 *Working Draft of a Proposal for the Design of the Dedicated Grant Mechanism For Indigenous Peoples and Local Communities under the Forest Investment Program*.

17. The FIP Sub-Committee reviewed the current working draft, takes note of the ongoing work and welcomes the progress made in finalizing the design document for the designated grant mechanism.

18. The Sub-Committee encourages 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 dedicated grant mechanism for review at the next meeting of the FIP Sub-Committee. The design proposal should include, among other things, recommendations as to how the dedicated grant mechanism will be operationalized, including how resources will be approved and disseminated.

19. The Sub-Committee requests the MDBs to finalize any internal reviews that may be necessary to enable them to support the dedicated grant mechanism.

20. The Sub-Committee members and observers are invited to submit written comments on the working draft to the CIF Administrative Unit by July 31, 2011. The indigenous peoples and local communities are invited to take the comments into account when finalizing the proposal.

Proposal for the Allocation of the FIP Funding Reserve

21. Due to time constraints, the Sub-Committee agrees to postpone discussion of this agenda and invites Sub-Committee members and observers to submit written comments on document FIP/SC.6/7, *Proposal for the Allocation of the Grant Reserve under the FIP*, to the CIF Administrative Unit by July 31, 2011. The Sub-Committee requests the CIF Administrative Unit, in collaboration with the MDBs, to revise the document, taking into account such comments, and to present a revised proposal to the FIP Sub-Committee at its next meeting.

Quality Review of FIP Investment Plans

22. The Sub-Committee reviewed document FIP/SC.6/8, *Proposal for the Preparation of Independent Technical Reviews of Investment Plans under the FIP*, and expresses its general support for the procedures described in option 1 of the paper as modified during the meetings of the SREP and PPCR Sub-Committees. In particular, the Sub-Committee agreed that for purposes of the FIP, more than one reviewer should be invited to prepare a review, that reference should

be included to the existing criteria and that it was unlikely that country visits would be required as part of the reviews. Members of the FIP Sub-Committee are invited to submit additional written comments to the CIF Administrative Unit by July 15, 2011.

23. The Sub-Committee requests the CIF Administrative Unit to circulate a revised version of the document to the FIP Sub-Committee for approval by mail.

24. The Sub-Committee agrees that at the first Sub-Committee meeting of each calendar year, it will reflect upon the quality reviews that have been submitted in the last 12 month period based on an overview prepared by the CIF Administrative Unit, in collaboration with the MDB Committee. The Sub-Committee also agrees that resources to finance the expert review(s) should be included in the resources available through the CIF Administrative Budget for country programming.

25. The Sub-Committee invites the FIP pilot countries to make draft investment plans available to the Sub-Committee as early as possible, for example when releasing their plans on their websites for domestic stakeholder consultation, so as to allow preliminary comments of the Sub-Committee members to be taken into account in the final preparation of the investment plan.

Election of Co-Chairs

26. Recognizing that the governments responsible for appointing the members of the Sub-Committee to serve for a new term beginning after the 2011 Partnership Forum and associated meetings were only agreed by the eligible recipient country group and the contributor country group during consultations held on June 23, the Sub-Committee agrees to elect its co-chairs through a decision by mail once the new Sub-Committee members are identified. The newly appointed recipient country members and contributor country members are requested to inform the CIF Administrative Unit of their nominations for co-chairs so that a decision by mail on the election of the two co-chairs may be circulated as early as possible after all Sub-Committee members have been identified.

Other Business

Distribution of Grant Resources and Other Concessional Financing to FIP Pilot Countries

27. The FIP Sub-Committee reviewed document FIP/SC.6/CRP.6, *Distribution of Grant Resources and Other Concessional Financing to FIP Pilot Countries*, and agrees that the following considerations should guide the distribution of grant resources and other concessional financing to each FIP pilot:

- (a) Countries in high or moderate debt distress may program their full allocation drawing upon FIP grant resources (Burkina Faso, DR Congo, Ghana and Lao PDR).

- (b) A reserve of USD 100 million in grants² and USD 50 million in other concessional financing should be set aside.
- (c) The remaining FIP financing that may be drawn from grant resources (USD 134 million) will be allocated proportionally to the four remaining pilot countries (Brazil, Indonesia, Mexico and Peru) based on each country's agreed share of the total FIP financing allocated to the four countries (250 million). Therefore, the maximum allocation that the four pilot countries may draw from grant resources is as follows:

Country	Maximum allocation that may be drawn from currently available grant resources
Brazil	USD 37,520,000
Indonesia	USD 37,520,000
Mexico	USD 32,160,000
Peru	USD 26,800,000

28. The Sub-Committee recognizes that the allocations referred to above are indicative and based on pledges to the FIP and that approval of actual FIP funding will depend on the quality of the plan and the proposed activities. Financing instruments to be used in projects and programs may take several forms, depending upon the investments for which FIP funding is being used (see *FIP Investment Criteria and Financing Modalities*, dated June 29, 2010).

FIP Pilot Country Meeting

29. The Sub-Committee notes the generous offer of the member from Brazil to host the next FIP pilot country meeting in Brazil.

Representation of Civil Society Representatives from FIP Pilot Countries during Presentation of FIP Investment Plans

30. An observer from civil society welcomed the opportunity for civil society representatives from FIP pilot countries to provide feedback during the discussion of an investment plans, highlighting the open and transparent working modalities of the FIP Sub-Committee.

31. The FIP Sub-Committee recommends that each FIP pilot country consider, in collaboration with the MDBs, inviting representatives of its national civil society to attend the FIP Sub-Committee meeting at which its investment plan is being reviewed so as to allow the civil society representatives to share with the Sub-Committee their experiences and lessons learned from developing the investment plan.

Closing

32. The meeting was closed on June 30, 2011.

² This amount does not yet include the additional pledge by Australia mentioned under paragraph 4.