

CLIMATE INVESTMENT FUNDS

May 29, 2015

Summary of the Co-Chairs
Meeting of the Forest Investment Program Sub-Committee

May 15, 2015

Co-Chairs
Ms. Berenice Hernández Toro, Mexico
Ms. Katie Berg, United States

AGENDA ITEM 1. OPENING

1. The meeting of the FIP Sub-Committee was opened by Ms. Katie Berg, the Sub-Committee member from the United States, and Ms. Berenice Hernández Toro, the Sub-Committee member from Mexico.

AGENDA ITEM 2. ADOPTION OF AGENDA

2. The FIP Sub-Committee adopted the provisional agenda, document FIP/SC.14/1, with the amendment that the discussion on the SCF Private Sector Facility take place after the discussion on the FIP Semi-Annual Operational Report.

AGENDA ITEM 3. FIP SEMI-ANNUAL OPERATIONAL REPORT

3. The FIP Sub-Committee reviewed document, FIP/SC.14/3, *FIP Semi-Annual Operational Report*, and welcomes the progress that has been made in advancing the work of the FIP in the pilot countries.

4. The Sub-Committee notes with appreciation the work conducted by the CIF Administrative Unit and the MDBs to address gender-related issues in FIP investments and share lessons learned in this regard. The Sub-Committee requests the CIF Administrative Unit to include a section on gender in future *Semi-Annual Operational Reports*.

5. The Sub-Committee further notes with appreciation the progress made in the Dedicated Grant Mechanism (DGM). The Sub-Committee recognizes the need for enhancing capacity building support to Indigenous Peoples and Local Communities through the global and national components of the DGM, and notes the role of pilot countries in this regard.

6. The Sub-Committee requests the CIF Administrative Unit and the MDBs to enhance capacity building support for FIP pilot countries on gender and monitoring and reporting-related issues, in response to requests from the FIP pilot countries on these issues.

7. The Sub-Committee discussed the approval and disbursement rates of funds in the FIP and notes the complexity in implementing FIP programs and projects. The Sub-Committee requests the MDBs and pilot countries to expedite the implementation of programs and projects.

8. The Sub-Committee requests the CIF Administrative Unit to update the information related to the engagement of FIP pilot countries in various REDD+ mechanisms.

AGENDA ITEM 4. SCF PRIVATE SECTOR FACILITY

9. The Joint Meeting of the CTF and SCF Trust Fund Committees discussed the document SCF/TFC.11/3, *Proposal for Strategic Climate Fund Private Sector Facility* and noted with appreciation the work of the CIF Administrative Unit and the MDB Committee to develop the proposal. The joint meeting encouraged the FIP Sub-Committee to consider the scope, objectives and eligibility criteria governing the use of its private sector set-aside resources with a view to improve its functioning and enhance the opportunities to finance private sector projects.

10. In response to this guidance by the joint meeting and in light of the strategic paper to be discussed at the meeting in November 2015, the FIP Sub-Committee agrees to discuss the FIP private sector engagement in the context of the strategic paper at a subsequent meeting.

AGENDA ITEM 5. REPORT OF THE EXPERT GROUP TO THE FIP SUB-COMMITTEE ON SELECTION OF NEW PILOT COUNTRIES

11. The FIP Sub-Committee welcomes the document, FIP/SC.14/5, *Report of the Expert Group to the FIP Sub-Committee on selection of new pilot countries*, the level of interest shown from countries, and the high quality of expressions of interest received, all of which has made the task of selecting new FIP countries very difficult. Based on the ranking and recommendations proposed by the FIP expert group, and resources available, the Sub-Committee approves the following top six ranked countries to be selected as new FIP pilot countries (listed in alphabetical order):

Congo Republic, Ecuador, Guatemala, Ivory Coast, Mozambique, and Nepal.

12. The Sub-Committee agrees that up to USD 250,000 (USD 1.5 million in total) may be provided to each of these new pilot countries as a preparation grant to enable them to take a leadership role in working with the MDBs to develop their full investment plan. These pilot countries will be expected to submit their investment plans for endorsement within a two-year time frame¹.

13. Taking into consideration

- a) that FIP resources are insufficient to fully fund the future investment plans of all high ranked countries;
- b) REDD+ investments are required going forward from other funding sources in addition to the FIP; and
- c) the lead-in time for the design of forestry interventions can be substantial and the Sub-Committee's wish to ensure a robust pipeline of forest projects to be funded by other sources:

14. The Sub-Committee agrees that up to USD 145 million be made available to the six new pilot countries to fund a number of the project concepts identified under their investment plans. An additional up to USD 30 million in grant financing will be made available for the implementation of the DGM (including the global and national component).

15. The Sub-Committee invites the CIF Administrative Unit, in collaboration with the MDBs, to prepare for consideration by June 12, 2015, a proposal for allocation of resources to

¹ A system of review of progress of Investment Plans will be needed in order to decide at what point funds should be reallocated should progress be very slow, setting milestones and deadlines.

these six FIP pilot countries according to the process and criteria used in 2010 for the original eight pilot countries.

16. The Sub-Committee encourages the new pilot countries to prepare investment plans that exceed the FIP funding envelope with the understanding that these pilot countries will actively seek resources from other bilateral or multilateral sources.

17. The Sub-Committee also encourages further collaboration between FIP pilot countries, MDBs, the CIF Administrative Unit and other bilateral and multilateral sources on the development of FIP investment plans.

18. The Sub-Committee further agrees to provide an additional USD 2.25 million to support additional nine countries (Tunisia, Bangladesh, Zambia, Cambodia, Cameroon, Guyana, Honduras, Rwanda, and Uganda) for the development of their investment plans with the clear understanding that there are no FIP resources currently available for the implementation of these investment plans, taking into consideration that there will be a strategic discussion on the CIF at the joint meeting in November 2015. The Sub-Committee encourages these additional countries and the respective MDBs to actively seek resources from other bilateral or multilateral sources to fund the investment plans.

19. Should any of the six new pilot countries not be able to submit their investment plans for endorsement within the 2 year period, the Sub-Committee agrees that such countries will be replaced by one or more of the additional nine countries, based on their ranking recommended by the expert group.

20. A supplemental budget request for MDB support for country programming will be submitted to the joint meeting for approval by mail.

21. The Sub-Committee agrees on the need of an independent expert group to offer support to all 15 countries, if they so request, in the form of periodic review and feedback during the investment plan preparation process. The Sub-Committee requests the CIF Administrative Unit to submit a proposal for a new process for expert review and feedback, and the composition of such expert group based on criteria of regional and gender balance, a balanced representation of experts from developed and developing countries and technical expertise for approval by mail.

AGENDA ITEM 6. REPORT OF THE EXPERT GROUP TO THE FIP SUB-COMMITTEE ON THE ASSESSMENT OF NEW CONCEPT NOTES FROM EXISTING FIP PILOT COUNTRIES

22. The FIP Sub-Committee reviewed the document FIP/SC.14/6, *Report of the Expert Group to the FIP Sub-Committee on the Assessment of New Concept Notes from Existing FIP Pilot Countries*, and notes with appreciation the work of the FIP Expert Group.

23. The FIP Sub-Committee requests the CIF Administrative Unit, working with the Trustee, to review the resource availability in the FIP and provide the Sub-Committee an update by mail within four weeks of the meeting.

24. The FIP Sub-Committee:

- a) Expresses interest in potentially pursuing the following new concept notes as part of the Investment Plans by existing FIP pilot countries:
 - (i) Lao PDR: Scaling Up Sustainable Forest Management Project, (IBRD);
 - (ii) Brazil: Integrated Landscape Management in the Cerrado Biome, (IBRD);
 - (iii) Brazil: Ecological Restoration Financing in the Cerrado Biome, (IDB); and
 - (iv) Ghana: Reducing Degradation and Deforestation due to Mining In Forest Landscapes, (IBRD);
- b) Invites the FIP Sub-Committee members to submit written comments on these project concept notes to the CIF Administrative Unit by May 29, 2015;
- c) Invites the pilot countries for the respective project concept notes above to prepare, in collaboration with the MDBs, and taking into account comments made at the meeting, any written comments submitted by Sub-Committee members and observers by May 29, 2015 and the report of the Expert Group, revised concept proposals and submit them to the Sub-Committee for endorsement, and further development for FIP funding approval.
- d) Invites the FIP Sub-Committee members to submit written comments on the following two project concept notes to the CIF Administrative Unit by May 29, 2015:
 - (i) Burkina Faso: Sustainable Management of the Fuelwood Sector, (AfDB); and
 - (ii) DRC: Support Project for the Development of Agroforestry in Four Provinces, (AfDB).

25. The Sub-Committee requests the pilot countries, in collaboration with the MDBs, to provide additional information by June 12, 2015 responding to the comments made at the meeting, any written comments submitted by Sub-Committee members and observers by May 29, 2015 and the report of the Expert Group.

26. Based on the information provided by the pilot countries and subject to the availability of resources, the Sub-Committee agrees to reconsider these concept notes, through a decision by mail no later than June 30, 2015.

AGENDA ITEM 7. REPORT ON THE STUDY ON LINKAGES BETWEEN FIP INVESTMENTS AND REDD+ PERFORMANCE BASED MECHANISMS

27. The FIP Sub-Committee reviewed the draft document FIP/SC.14/4, *Linkages between FIP Investments and Performance-based Mechanisms*, presenting results of the analysis

undertaken by the consultant, drawing on inputs from the FIP Sub-Committee members, the MDBs, CIF Administrative Unit and other relevant international institutions, in particular the FCPF and UN-REDD.

28. The Sub-Committee notes the analysis conducted for the study and recognizes the complexity of the issues analyzed. The Committee further notes that there remains divergence among the views of various stakeholders on these issues. The FIP Sub-Committee invites final comments on the draft document in writing to be submitted to the CIF AU, within four weeks after the FIP Sub-Committee meeting. These comments will be posted on the CIF website.

29. The FIP Sub-Committee also recognizes:

- a) that the current level of funding available to address the drivers of deforestation and forest degradation does not correspond to the financial needs identified by developing countries to achieve that goal;
- b) the importance of FIP investments and performance-based payments as a tool to incentivize countries in the phased approach to REDD+ to address the drivers of deforestation and forest degradation at scale;
- c) that in many cases a combination of investment and incentives will be required to ensure the long-term sustainability of emission reductions achieved; and
- d) the need for improved coordination of multiple sources of REDD+ financing, which should be done at the country level, led by the national entity as the focal point, to ensure that donor/international public finance is being used effectively and efficiently in achieving REDD+ outcomes.

30. Considering the selection of new FIP pilot countries and the intention of several current FIP pilot countries to participate in performance-based mechanisms and to improve transparency and continuous learning for good project design, the FIP Sub-Committee requests the new FIP pilot countries and the MDBs when designing FIP investment plans, projects and programs to include information on the coordination of REDD+ finance in the FIP pilot country, and how FIP programming relates to programs supported or planned to be supported under performance-based mechanisms, where appropriate.

31. The FIP Sub-Committee further requests the CIF Administrative Unit in collaboration with the MDBs to present, in the *FIP Semi-Annual Operational Report*, status updates for those FIP pilot countries that explore the link to performance-based payment mechanisms, including efforts to improve collaboration and coordination at the country-level.

AGENDA ITEM 8. OTHER BUSINESS

32. The FIP Sub-Committee welcomes the update from the Sub-Committee member from the Democratic Republic of Congo regarding the FIP Pilot Countries Meeting, which will be held in Kinshasa, DRC in June 2015.

AGENDA ITEM 9. CLOSING

33. The meeting was closed on Friday, May 15, 2015.