

CLIMATE INVESTMENT FUNDS

November 23, 2010

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

November 9, 2010

Co-Chairs

Mr. Jean-Bernard Carrasco, Australia
Mr. Rogerio Studart, Brazil

Introduction to the Summary

1. As provided in the rules of procedure for the SCF Trust Fund Committee, the following Co-Chairs' summary records the conclusions of, and decisions reached, at the meeting.

Opening of the Meeting

2. The meeting of the FIP Sub-Committee was opened by Mr. Jean-Bernard Carrasco, elected Co-Chair from Australia.

3. The meeting welcomes the announcement by Ms. Eulalia Ortiz, Ministry of Economy and Finance, Spain, of her government's contribution of €10million to the FIP from its Fast Start Finance for 2010.

Adoption of the Agenda

4. The meeting approves the provisional agenda set forth in document FIP/SC.5/1/Rev.1 and agrees to a new ordering of the agenda items.

Report on Joint REDD+ Meeting

5. The FIP Sub-Committee welcomes the *Key Messages from the Joint Meeting of the Governing Bodies of the FCPF, FIP and the UN-REDD Programme (FIP/SC.5/CRP.1)* presented by the FCPF Secretariat, speaking on behalf of the FCPF, FIP and the UN-REDD Programme. The Sub-Committee confirms the importance of better linking country-level REDD+ activities of these REDD+ institutions and welcomes progress made to date in this regard. The Sub-Committee reaffirms the importance of moving towards a common delivery platform for the three REDD+ institutions.

6. The Sub-Committee requests the CIF Administrative Unit to update the Sub-Committee at its next meeting on the implementation status of the recommendations presented in the document FIP/SC.5/Inf.2, *Enhancing Cooperation and Seeking Coherence among REDD+ Institutions to Support Countries REDD+ Efforts*.

Report on FIP Pilot Country Meeting

7. The FIP Sub-Committee welcomes the report that was presented, on behalf of the meeting participants, by the representative of Brazil on the outcomes of the first meeting of the FIP pilot countries that was held on November 7 and 8, 2010, in Washington, D.C. The Sub-Committee emphasizes that in the development of FIP Investment Strategies, the pilot countries and the MDBs should:

- a) better link REDD+ activities at the country level with activities financed by other institutions, including bilateral agencies and the private sector;

- b) utilize and build on to the extent possible already established national monitoring systems, including forest and carbon monitoring systems to monitor their FIP-financed activities;
- c) address country priorities for REDD+;
- d) seek the active participation of stakeholder groups in the design and implementation of FIP investments;
- e) contribute to building a community of practice among FIP pilot countries and beyond; and
- f) link the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities to the investment strategies.

8. Taking into account the request from the pilot countries to ensure that preparation grants for FIP investment criteria can be made available early in the process, the FIP Sub-Committee agrees to amend the *FIP Operational Guidelines* and the *FIP Investment Criteria and Financing Modalities* to specify that a request for a preparation grant may be made at the time of notification of a scoping mission or anytime thereafter. The amended paragraphs are attached as an annex to this Co-Chair's summary.

FIP Semi-Annual Operational Report

9. The FIP Sub-Committee reviewed document FIP/SC.5/3, *FIP Semi-Annual Operational Report*, and welcomes the report on the status of FIP activities, including information on the country programming progress in the pilot countries.

10. The FIP Sub-Committee requests the CIF Administrative Unit and the MDBs to provide, in future semi-annual operational reports or in other reports as appropriate, additional information on:

- a) dates for scoping and joint missions as well as submission dates for investment strategies,
- b) collaboration status with other REDD+ institutions, including the GEF,
- c) progress in development and implementation of investment strategies, key risks identified and mitigation strategies put in place,
- d) disbursement data for FIP, and
- e) information on readiness activities supported by the FCPF and the UNREDD Programme in the FIP pilot countries.

11. The FIP Sub-Committee also requests the CIF Administrative Unit to regularly update the FIP website with information on country programming activities, including scoping and joint mission dates.

FIP Results Framework

12. The Sub-Committee reviewed document FIP/SC.5/4, *FIP Results Framework*, and approves the FIP logic model, recognizing that it will be revised and reviewed with a view to its adoption as part of the FIP results framework, at a meeting of the Sub-Committee to be held in March 2011, taking into account the following changes:

- a) integrate “co-benefit” results at the project/program and catalytic replication outcomes levels;
- b) check against four FIP objectives and investment criteria as stipulated in the *FIP Design Document*;
- c) clarify “forest related institutions” as a means or an end, and determine its place in the logic model accordingly.

13. The FIP Sub-Committee requests the CIF Administrative Unit, in consultation with the MDB Committee, to finalize the development of the FIP results framework through a consultative process with a view to its approval in March 2011.

14. The FIP Sub-Committee requested its Co-chair to ask the SCF Trust Fund Committee to delegate final approval of the FIP result framework to the FIP Sub-Committee.

Options for the Allocation of Resources to FIP Pilot Countries

15. The FIP Sub-Committee reviewed document FIP/SC.5/5, *Options for the Allocation of Resources to FIP Pilots*, which proposed principles and options for the allocation of FIP resources. The FIP Sub-Committee agrees on the following principles and allocation of resources to FIP pilot countries:

- a. A reserve of \$150million in grant resources should be set aside from the current level of pledges.
- b. All allocation amounts are indicative for planning purposes. Approval of funding will be on the basis of high quality investment strategies and associated project and program proposals.
- c. The following four indicators presented in document FIP/SC.5/5 should be used to determine the funding range for each pilot country:
 - i. Mitigation potential (weight factor 2)
 - ii. Biodiversity potential
 - iii. Absorptive capacity
 - iv. Development benefits potential
- d. Four levels of funding ranges should be established. The following is the agreed level of funding for the eight pilot countries, taking into account the current pledges to the FIP:

i. Brazil and Indonesia:	USD50-70million
ii. Democratic Republic of Congo and Mexico:	USD40-60million
iii. Ghana and Peru:	USD30-50million
iv. Burkina Faso and Lao PDR:	USD20-30million

- e. Countries may program beyond the funding range in their investment strategies, with a view to promoting contributions from other development partners as well as to access further allocations under the reserve amount.
- f. The allocation of the reserve is to be decided by the FIP Sub-Committee after all investment strategies have been endorsed and agreement reached on the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities.
- g. The CIF Administrative Unit, in consultation with the MDB Committee, is requested to prepare, for consideration at the next FIP Sub-Committee meeting, criteria for allocating the reserve amount.

Update on the Development of the Dedicated Grant Mechanism for Local Communities and Indigenous Peoples

16. The FIP Sub-Committee reviewed document FIP/SC.5/6, *Update on the Development of the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities*. The FIP Sub-Committee notes that regional consultations are being organized among indigenous peoples and local communities on the design of the dedicated grant mechanism. The first regional consultation will be held on November 18 and 19, 2010, in Accra, Ghana. Regional consultations for Latin-America and the Caribbean, Asia and the Pacific are planned for January and February 2011. The Sub-Committee expects that a design proposal will be submitted to for review and approval at its meeting in June 2011.

17. The FIP Sub-Committee underscores the urgency to develop the Dedicated Grant Mechanism consistent with the *FIP Design Document* in a timely manner. The Sub-Committee requests the indigenous peoples and local communities to take into account the following considerations in developing the grant mechanism:

- a) ensure representation of local communities on the advisory board;
- b) enable government representatives of FIP pilot countries to observe regional meetings;
- c) provide for appropriate fiduciary standards and clear disbursement procedures,
- d) propose how best to fund the mechanism (inside or outside the funding envelope for the investment strategy);
- e) ensure a transparent monitoring mechanism;
- f) clarify links to the investment strategies; and
- g) encourage the involvement of indigenous peoples and local community representatives in joint missions.

Election of Co-Chairs

18. The Sub-Committee re-elected Mr. Rogerio Studart, Brazil, and Mr. Jean-Bernard Carrasco, Australia, to serve as Co-Chairs of the FIP Sub-Committee from January 1, 2011 until July 2, 2011.

Other Business

19. The FIP Sub-Committee recalled that at its meeting on June 24, 2010, the Sub-Committee requested the CIF Administrative Unit, in consultation with the MDB Committee, to prepare a paper exploring options to facilitate quality review of investment plans and strategies to be supported by SCF funding. The FIP Sub-Committee notes that the CIF Administrative Unit, in collaboration with the MDBs, prepared document SCF/TFC.6/7, *Quality Review of Investment Frameworks under SCF Targeted Programs*, for discussion by the SCF Trust Fund Committee. The FIP Sub-Committee further notes the options presented in the paper, and requests its Co-Chairs to inform the SCF Trust Fund Committee of the discussions in the FIP on the paper. A range of views were presented in the Sub-Committee on preferred options with some favoring an option calling for an independent review of an investment strategy to be incorporated as part of the preparatory process of such strategy. Others indicated that this external review could be conducted by the MDBs. In addition, a number of Committee members expressed an interest in exploring whether the Technical Review Panel of the FCPF could be used to assist in this regard. Others were interested in exploring the option of pilot country led reviews. Recommendations from such a review should be shared with the pilot country so as to assist it in preparing a comprehensive and high-quality investment strategy for review and endorsement by the Sub-Committee.

Closing

20. The meeting was closed on November 9, 2010.

Annex: Agreed Modifications to the FIP Operational Guidelines and the FIP Investment Criteria and Financing Modalities

FIP Operational Guidelines

Replace former paragraph 8 with new paragraphs 8 and 9

8. 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 the Investment Strategy and made available up-front to complete the preparation process. **The request for a preparation grant for the Investment Strategy may be submitted together with the notification of a scoping mission or together with, or after, the request for the approval of the TORs and budget for a joint mission(s).** The MDB Committee will review and approve the request for the preparation grant. Upon approval by the MDB Committee, the CIF Administrative Unit will circulate to the Sub-Committee for information the proposal requesting the funding, including the approved amounts of funding and proposed uses.

9. 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.

Former paragraphs 9-11

– to be included under heading: *Terms of Reference for Joint Missions*

Revise former paragraph 23 to provide greater clarification

Preparation Grants

23. 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 grant to prepare projects and programs identified in the Investment Strategy** 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.

FIP Investment Criteria and Financing Modalities

Revise Paragraph 47

47. A FIP preparation grant for an Investment Strategy should not exceed US\$250,000. The request for a preparation grant for the Investment Strategy, if necessary, **will be submitted together with the notification of a scoping mission or together with, or after, the request for approval of the TORs and budget for a joint mission.** The MDB Committee will review and approve the request for the preparation grant.