CLIMATE INVESTMENT FUNDS

EVALUATION & LEARNING INITIATIVE

EARLY LESSONS LEARNED FROM THE FOREST INVESTMENT PROGRAM

The objective of this study is to share lessons learned from the early design and implementation of the Climate Investment Funds' (CIF) Forest Investment Program (FIP). By reviewing trends and changes since FIP's inception, the study examines the program's potential for effecting transformational change in the forest-related policies and practices of developing countries. This will inform the future design and implementation of forest-related programs, as well as enhance reporting on the transformational impact of FIP.

CONTEXT

Under the umbrella of CIF, FIP was launched in 2008 to empower developing countries to manage natural resources in a way that achieves the triple win of being simultaneously good for forests, development, and the climate. The program offers direct investments to 14 countries to address the drivers of deforestation and forest degradation, including institutional capacity, forest governance, and information; investments in forest mitigation measures, such as forest ecosystem services; and investments outside the forest sector as needed to reduce the pressure on forests. As of September 30, 2019, FIP had a total cumulative funding amount of USD737.7 million.

FIP has two additional funding windows. The first is the Dedicated Grant Mechanism (DGM) for Indigenous Peoples and Local Communities (IPLCs). DGM is a global initiative that supports the full and effective participation of IPLCs in the international effort to reduce greenhouse gas emissions from deforestation and forest degradation, as well as promote sustainable forest management and forest carbon stocks (REDD+). The second funding window is the Private Sector Set-Aside (PSSA) that provides funding to reduce the risk/reward profile of initial project entrants in private sector markets.

In line with CIF's programmatic approach, FIP focuses on the development and implementation of country-led investment plans and thematic programs. These plans set out strategically linked investments built around a transformative vision, which are informed by multi-stakeholder consultations and collaborations with Multilateral Development Banks (MDBs).

Building upon the definition developed by CIF's Transformational Change Learning Partnership (TCLP), this study defines transformational change as *"systemic and long-lasting changes that drive reductions in deforestation and forest degradation while leading to increased livelihood co-benefits and poverty reduction at scale."* Given the complex

QUICK FACTS

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RELEVANT CIF PROGRAM
Forest Investment Program (FIP)

IMPLEMENTING AGENCY
World Bank

RELEVANT COUNTRIES
All FIP member countries

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nature of the forestry sector, the study applies a systems approach to gain clarity on FIP's potential for achieving transformational outcomes. Such an approach helps to explain how systems, contexts, and actors interact with each other, fostering a more realistic understanding of what works, for whom, and under what circumstances.

KEY FINDINGS

The study has identified several early lessons on what has worked in FIP and what could be improved. It sheds light on the preconditions that enable transformational change, demonstrating that there are already signs of progress toward transformational change in the design and early implementation of FIP. These early lessons and recommendations are shared below.

1 Development of an Investment Plan

The FIP investment plan has helped to integrate forests into national development frameworks and support transformational impact. By providing a platform for policy dialogues that bring together multiple sectors beyond forestry (e.g. agriculture, rural development, and mining), FIP investment plans create an opportunity for a more holistic examination of the drivers, challenges, and opportunities influencing the country's capabilities in reducing deforestation. However, not all FIP countries have been able to design multi-sectoral investment projects. Thus, more support is needed to help countries clearly link the drivers of deforestation to proposed project activities.

2 Country Ownership

FIP has enabled countries to take ownership over their investment plans. Having countries clearly state their priorities for reducing deforestation in their investment plans ensures that these priorities are included in cross-sectoral policy-making, which can (ultimately) lead to the long-term engagement of multiple sectors. It is crucial to establish clear accountability in drafting the FIP investment plan; thus, the FIP programming can be fully supported and owned by the government agencies responsible for its implementation.

3 Cross-Sectoral Coordination

The cross-sectoral coordination arrangements for the implementation of FIP differ from country to country. They are dependent on a country's existing institutional capacity, the specific focus of the program, private sector engagement, and the number of institutions and agencies involved. Success factors for cross-sectoral coordination include: the appropriate placement of the FIP focal point; the delineation of the roles, responsibilities, and accountability measures of each institution during the development phase of the investment plan; and the awareness of FIP investments within and across government ministries (especially within the finance ministry).

4 Multilateral Development Bank (MDB) Collaboration

MDB collaboration, through the FIP programmatic approach, has been useful during the development phase of the investment plan; however, there has been less collaboration during the implementation phase. Without clear incentives or operational guidelines on how to continue using the programmatic approach, MDBs often revert to a project-oriented approach in the implementation phase. When initiating the preparation of investment plans in a country, all involved MDBs should meet at the outset to agree on their respective roles, the division of tasks, and the overall approach for the use of CIF's resources. This can lead to improved cooperation and outcomes throughout the implementation phase.

5 **Enabling Environment: Forest Governance**

A conducive forest governance system is key to a strong enabling environment for reducing deforestation and forest degradation. This entails a comprehensive identification of the drivers of deforestation, as well as laws and regulations to encourage private sector participation. Forest governance has generally been considered in FIP programming. A recognition of FIP's transformational potential and an acknowledgement of the forestry sector's value and contribution to the economy and community livelihoods, at the highest levels of government, can promote a strong environment of forest governance, which is conducive to transformational outcomes.

6 **Enabling Environment: Land Tenure Security**

Land tenure security and the enforcement of tenure rights (especially for indigenous peoples and forest-dependent communities) are key components of a strong enabling environment for reducing deforestation and forest degradation. Numerous FIP projects support strengthening land tenure rights and enforcement, with many DGM projects specifically focused on strengthening the rights of IPLCs. Promoting clear land tenure frameworks in FIP investment plans is imperative for enhancing the effectiveness of law enforcement, project implementation, and private sector investments in forests, as well as the participation of local communities.

7 **Enabling Environment: Capacity Building**

The FIP portfolio composition has demonstrated the importance of investments in capacity development and strengthening. FIP capacity-enhancing activities include: the provision of human resources and equipment for law enforcement purposes; the inclusion of IPLCs in decision-making processes; and capacity building to undertake social, economic, and environmental appraisals. Addressing capacity and resource constraints has allowed investments to be sustainable beyond FIP.

8 **Private Sector Engagement**

Private sector engagement in FIP has not occurred to the extent envisioned. Despite a few successes, the private sector is often referred to as the "missing player" in the global forest investment arena. This is due to varied expectations from both the government and private sector; noncompliance with social and environmental safeguards; as well as the perceptions of many private sector actors that land use practice investments are high-risk. Addressing these issues would lead to more effective private sector engagement in FIP programs.

9 **Civil Society Engagement and Gender Inclusiveness**

Civil society engagement has improved over the lifetime of FIP, which has resulted in more inclusive and representative FIP programming. Nonetheless, the engagement and participation of women could be improved. Civil society engagement, and stakeholder engagement more broadly, are crucial in ensuring that the development of FIP investments takes into account the multiple perspectives from and the cumulative collective knowledge base of all stakeholders. For example, DGM has led to improved relationships with IPLCs and an increased focus on gender considerations.

10 **Monitoring and Information Sharing**

FIP countries differ in their implementation of monitoring indicators. FIP projects are demonstrating the significant potential for harnessing information communication technology (ICT) to modernize monitoring work in the forestry sector. A clear results framework, with carefully selected indicators, can ensure commitment to an inclusive and programmatic process by providing a roadmap for monitoring and assessing FIP goals and interventions effectively.

11 **Private Sector Set-Aside (PSSA)**

PSSA was created to revive private investments in FIP programming; however, it has not produced the desired results. This is due to several reasons, including limited resources offered through the PSSA; short deadlines for concept proposals; and the misalignment between structures and processes of the PSSA and of MDBs' private sector operations.