

CLIMATE INVESTMENT FUNDS

FIP/SC.13/6
October 17, 2014

Meeting of the FIP Sub-Committee
Washington, D.C.
November 19, 2014

Agenda Item 6

FURTHER ELABORATION OF THE OPTIONS FOR THE USE OF POTENTIALLY NEW FUNDS UNDER THE FOREST INVESTMENT PROGRAM

PROPOSED DECISION

The FIP reviewed document FIP/SC.13/6, *Further Elaboration of the Options for the Use of Potentially New Funds under the Forest Investment Program*, and notes with appreciation the work of the CIF Administrative Unit, the MDBs and the pilot countries to provide further details on the three options.

The FIP Sub-Committee acknowledges the importance of upfront investments in the phased approach to REDD+ and the role the FIP has played in providing such funds.

The FIP Sub-Committee agrees to implement

[*Option 1*: Selection of new FIP pilot countries]

And/or

[*Option 2*: A dedicated set-aside of funds to address emerging issues related to REDD+ and/or address strategic needs identified in the FIP investment plans, including a second round incentivizing innovative private sector investments]

And/or

[*Option 3*: Additional resources to existing FIP pilot countries]

should new FIP resources become available.

The FIP Sub-Committee takes note that a minimum amount of USD [100 million] in new FIP resources is necessary to implement each option.

I. INTRODUCTION

1. At its last meeting on June 30, 2014, the FIP Sub-Committee reviewed document, FIP/SC.12/7, *Options for the Use of Potential New Funds under the FIP*, and agreed that in consultation with Sub-Committee members and pilot countries, options 1 (*Selection of new FIP pilot countries*), option 2 (*A dedicated set-aside of funds to address emerging issues related to REDD+ and/or close strategic gaps identified in the FIP portfolio, including a second round incentivizing innovative private sector investments*) and option 3 (*Additional resources to existing FIP pilot countries*) should be further elaborated. The Sub-Committee further noted that the discussion on the options should not prejudice a decision on the CIF sunset clause to be discussed in November 2014 in the joint meeting of the CTF and SCF Trust Fund Committees.

2. This paper responds to the request by the FIP Sub-Committee and presents for each option the criteria and the process that should be put in place for the implementation. The annexes provide additional detail relevant for each option.

II. RECENT DEVELOPMENTS RELEVANT TO REDD+ AND THE FIP

3. Recent developments relevant to REDD+ and the FIP may be usefully considered when reviewing the options for the use of potential new funds in the FIP. These developments confirm the key role the FIP plays in the current REDD+ architecture and provide the rationale for why new pledges to the FIP are necessary and appropriate. Four of these developments are presented below.

Clarification of the Role of FIP in the Phased Approach to REDD+

4. Formally decided at the 16th Conference of the Party of the UNFCCC in Cancun, Mexico in 2012, the phased approach to REDD+ outlines a flexible and progressive path towards full-scale implementation of REDD+. The agreement recognizes that a phased approach will likely be necessary – from readiness and implementation (phase 1 and 2) to results-based finance (phase 3) – and lists the systems and information that developing countries need to undertake REDD+ activities. This step by step process allows all countries regardless of their capacity to benefit in some way from REDD+, and includes incentives to encourage graduation to the final phase.

5. Over the past year, the CIF Administrative Unit commissioned two studies, *Linkages between REDD+ Readiness and the Forest Investment Program* and *Linkages between the Forest Investment Program and REDD+ Performance-based Mechanisms*, to clarify the role of the FIP in the phased approach of REDD+ and specifically in funding REDD+ activities.

6. The recently published study on exploring the *Linkages between REDD+ Readiness and the Forest Investment Program*¹ concluded that:

- a) “Phase 2 funding is an important bridge between REDD+ readiness and results-based payments. The continuation of Phase 2 funding will be an important

¹FIP/SC.12/Inf.2, *Linkages between REDD+ Readiness and the Forest Investment Program (Consultant Report)*, June 4, 2014.

component of an international REDD+ mechanism.

- b) Country selection and investment criteria drive the types of FIP investments for meeting goals and objectives, and may dictate the pace of adoption. When allocating funding for Phase 1, 2 and 3, understanding the enabling conditions in a country is pivotal for choosing countries or regions.
- c) The scope and objectives of REDD+ have shifted over time and have increased the complexity of national planning processes. Adaptive management could be applied to help countries account for changes in programmatic strategies and measures.
- d) Donor coordination is important to ensure efficiency and overall success of achieving REDD+ objectives in a country. Collaboration between REDD+ finance initiatives should be mainstreamed at the international and national levels.

7. These findings were corroborated in the recently concluded evaluation of Norway's International Climate and Forest Initiative (NICFI) through which Norway provides resources to various multilateral REDD+ institutions, including the FCPF Readiness Fund and Carbon Fund, FIP and the UN-REDD Programme.² The following lessons learned on general REDD+ development were identified in the evaluation and are relevant to the FIP:

- a) The field is spread out among REDD+ countries: some are receiving results-based payments; many are making little progress, especially in terms of capacity building activities.
- b) The promise of funding has been important for country engagement but results-based payments have functioned as political motivators rather than the economic incentives originally envisaged.
- c) The lack of certainty over REDD+ funding is the greatest risk to progress, yet there has not been enough attention to the cost of REDD+ systems in relation to national capacity and likely levels of finance to sustain them.
- d) NICFI's efforts to convene and co-ordinate with other donors are valuable in mobilizing funding and piloting approaches; however, there is insufficient co-ordination with relevant international initiatives beyond REDD+.
- e) There is a need for NICFI to take stock of the differing progress made and the way that REDD+ has evolved to consolidate and rationalize its continuing and future interventions.

8. During its last meeting, the FIP Sub-Committee took note of the information that at least five FIP pilot countries – Democratic Republic of Congo, Ghana, Indonesia, Mexico, and Peru – have signaled the intention to participate in a performance-based payment scheme (phase 3) such

² <http://www.norad.no/en/tools-and-publications/publications/evaluations/publication?key=415169>

as the FCPF Carbon Fund, using FIP upfront investments for activities resulting in GHG emission reductions.

9. At least two members of the FIP Sub-Committee raised the following key concerns and questions regarding the link between FIP investments to performance-based payment mechanisms:

- a) to what extent the sustainability of FIP results should depend on future carbon payments that may or may not materialize;
- b) the challenge of ascribing GHG emission reductions achieved with FIP finance to be included in payments for performance through other REDD+ programs – the issue of “double funding/dipping”; and
- c) contributor concerns around financing the same results in the FIP that would be reported in a performance-based mechanism as their results – the issue of double results reporting.

10. As a result of the discussion, the FIP Sub-Committee requested the CIF Administrative Unit, in consultation with the Sub-Committee members, FIP pilot countries, MDBs, and relevant international entities, to prepare for consideration at its next meeting, a paper providing guidance on the link between FIP investment funding and REDD+ performance-based mechanisms, taking into account the international REDD+ architecture and, in particular, the *Warsaw Framework for REDD-plus*.³ Emerging findings of that study on *Linkages between the Forest Investment Program and REDD+ Performance-based Mechanisms* will be shared with the FIP Sub-Committee in November 2014. The study is expected to be finalized in December 2014.

11. Emerging findings include that

- a) Combined currently available funding for REDD+ does not meet the demands for addressing all drivers of deforestation and forest degradation, sustainable management of forests and enhancements of forest carbon stocks. Hence more REDD+ funding for implementation is needed and increased emphasis should be given to the efficient and effective use of available REDD+ finance.
- b) Because of weak institutional capacities, enabling conditions and technical infrastructure, many REDD+ countries have not been able yet to create or sustain the forest-related assets.
- c) Poor rural and forest dependent communities do not have the means to effectively participate in REDD process and to receive payments for their forest stewardship. Hence, more emphasis on empowering these stakeholders in the REDD+ process is necessary.
- d) FIP funding is used to create capacities and demonstrate through on-the ground

³ *Summary of the Co-Chairs, FIP Sub-Committee Meeting, June 28, 2014*

investments, approaches to address the drivers of deforestation and forest degradation; manage forests sustainably and enhance forest carbon stocks. The purpose of the use of FIP funding is not to create a marketable asset which can be “sold” or be compensated for or be used to offset an emission made elsewhere.

12. The Board of the Green Climate Fund at its 8th meeting in Bridgetown, Barbados will consider the initial logic model for ex-post REDD+ results-based payments and the proposed performance measurement framework (PMF) for ex-post REDD+ results-based payments⁴. The FIP study on *Linkages between the Forest Investment Program and REDD+ Performance-based Mechanisms* will further inform the deliberations of the GCF as this issue has been raised in the GCF as well.

UNFCCC - COP 19 - Warsaw Framework for REDD-plus

13. The 19th Conference of the Parties of the UNFCCC, held in November 2013 in Warsaw, Poland, adopted the 7 decisions of the Warsaw Framework for REDD-plus (Annex 1).

14. FIP operations are supportive of the decisions of the *Warsaw Framework for REDD-plus*, as FIP investments build on relevant national and sub-national policies and plans relevant to REDD+ and supports mitigation actions that lead directly and indirectly to GHG emission reductions, sustainably managed forest landscapes and enhanced carbon stocks. The FIP programming and implementation process is government-led and uses or enhanced country-systems.

15. The principle of a phased approach and the need for upfront investment for REDD+ implementation was also recently confirmed by all contributors and recipient countries at the meeting of the FCPF Carbon Fund in October 2014.

Agenda for FIP Results Monitoring and Reporting

16. FIP results’ reporting is now fully institutionalized and the FIP Sub-Committee will be having access to information on progress towards achieving expected results in each FIP pilot country on an annual basis.

17. In November 2013, the FIP Sub-Committee approved the guidance framework for results monitoring and reporting in the FIP⁵. This framework is based on the approved FIP Results Framework⁶.

18. It was agreed that annual FIP results reports are to be submitted by FIP pilot countries and include data and information on three categories, when possible:

- a) ***common themes*** to be reported on by all FIP pilot countries:

⁴ GCF/B.08/08, *Initial Logic Model and Performance Measurement Framework for ex-post REDD+ Results-based Payments*

⁵ *Results Monitoring and Reporting in the FIP*, October 30, 2013.

⁶ *Forest Investment Program Results Framework*, May 13, 2013.

- i. GHG emission reductions / enhancement of carbon stocks; and
 - ii. livelihoods co-benefits;
- b) ***other relevant co-benefit themes*** as they apply to the country investment plan:
 - i. biodiversity and other environmental services;
 - ii. governance;
 - iii. tenure, rights and access; and
 - iv. capacity development; and
- c) ***a narrative*** presenting information on:
 - i. five common topics to be annually reported on by all FIP pilot countries; and
 - ii. other potential themes as agreed by the FIP Sub-Committee (not on an annual basis)⁷.

19. The first synthesis report on baselines and targets for indicators addressing the above themes will be submitted to the FIP Sub-Committee ahead of its meeting in November 2014. Country reports will be posted on the CIF website. If new FIP funding becomes available, programming and implementation would integrate FIP results reporting from the beginning and ensure consistent status information on the use of FIP financing.

New Research on Forest-related Mitigation Options

20. Recent research by the World Bank (2013)⁸ and Yale University (2014)⁹ suggests that sustainably managed forests have a marked positive effect on the carbon balance, as do sustainably harvested renewable wood-based products that are used instead of non-renewable materials such as aluminum, steel, and concrete – materials which are highly fossil fuel-intensive to produce. This principle is referred to as *substitution*. Long-lived, durable wood products such as timber, but also biochar, can in addition store carbon over extended periods of time, creating a forest products carbon pool outside of the forest itself. Because these forest-based resources are sustainably managed and harvested, and the material that is removed from the forest is purposefully replaced by planting new saplings or natural regeneration, these products are effectively carbon-neutral. Regrowth effectively begins sequestering carbon from the atmosphere

⁷ Every year, one or two other themes would be selected by the FIP Sub-Committee. Pilot countries may want to report on these additional themes using creative reporting tools such as blogs, videos or webinars.

⁸ Galbert, Schmidt-Prvumov, Dieterle and Larson: *Widening the scope of forest-based mitigation options in the tropics – the roles of forests in substituting for fossil energy sources and moving towards a greener economy*: UN-ECE, 9 June 2013.

⁹ Oliver, Nasser, Lippke and McCarter: *Carbon, Fossil Fuel and Biodiversity Mitigation with Wood and Forests*. In: *Journal of Sustainable Forestry*, 33: 248-275. 2014

shortly after the harvesting takes place.

21. More than 8 billion tons of CO₂ emissions could theoretically be offset or avoided annually by 2050 in a scenario in which ambitious programs of sustainably managed forest and agro-forest areas have been integrated in forest product and energy value chains over the preceding 40 years. Most of this impact takes place through exponentially higher rates of fossil fuel substitution rather than through forest-based mitigation options *per se*. According to these calculations the substitution effect from planted forests alone can increase from 54 million tons carbon equivalence annually in 2010 to 1.4 billion tons in 2050, as foresters and agro-foresters capitalize more fully on yield potentials.

22. The FIP has the capacity to address emerging forest-related mitigation options within its activities. In particular, there is potential to explore the operationalization of such innovative ideas through the private sector.

III. ELABORATION OF OPTIONS

23. Consistent with the decision by the Sub-Committee in June 2014, the CIF Administrative Unit, in collaboration with the MDBs, Sub-Committee members and pilot countries, has further elaborated the three prioritized options for the use of new funds, should they become available under the FIP:

Option 1: Selection of new FIP pilot countries.

Option 2: A dedicated set-aside of funds to address emerging issues related to REDD+ and/or address strategic needs identified in the FIP investment plans, including a second round incentivizing innovative private sector investments.

Option 3: Additional resources to existing FIP pilot countries.

24. The extent to which each option can be implemented will depend on the amount of new resources available to the FIP. The Sub-Committee may decide to choose one option or it may conclude that a combination of options should be piloted.

25. Each proposed option will promote investment activities which are consistent with the *FIP Design Document*, the *FIP Operational Guidelines* and the *FIP Investment Criteria and Financing Modalities*.

Option 1 - Selection of New FIP Pilot Countries

26. As of October 2014, 42 additional eligible countries have expressed interest in participating in the FIP. Twenty-three of which are countries participating in the REDD+ readiness programs supported by the FCPF and the UN-REDD Programme.

27. Considering the interest of additional countries to participate in the FIP and the main findings of the studies exploring the *Linkages between REDD+ Readiness and the Forest*

Investment Program and Linkages between the Forest Investment Program and Performance-Based Payment Mechanisms, option 1 proposes the expansion of the FIP by inviting new countries to participate. Specifically, it is suggested that a closer and more strategic link be established with the FCPF Readiness Fund and UN-REDD Programme by allowing countries which are supported by their readiness work to be eligible for accessing FIP upfront funding. Annex 2 provides a list of eligible countries¹⁰ and information on the status of their participation in the FCPF Readiness Fund and the UN-REDD Programme.

28. In selecting the initial FIP pilot countries in 2010, the Sub-Committee considered recommendations made by an expert group which was set up to provide suggestions to the FIP Sub-Committee on country selection for the FIP based on the following criteria¹¹:

- a) ***Potential to lead to significantly reduced greenhouse gas emissions*** from deforestation and forest degradation or lead to further efforts to conserve, sustainably manage or enhance forest carbon stocks whilst protecting biodiversity and supporting rural livelihoods.
- b) ***Potential to contribute to FIP objectives and adherence to FIP principles*** (as described in sections II and III of FIP design document). In particular, countries should be assessed for their potential to initiate transformational change taking into account their institutional capacities, investment climate, forest governance, and involvement and empowerment of civil society, including indigenous peoples and local communities as well as the private sector. The objectives and principles of the FIP design document, as well as Annex II, *Initial Guidance on how Transformational Change will be Defined and Assessed under the FIP* should be taken fully into account.
- c) ***Potential of mainstreaming FIP investment in ongoing policy framework and ongoing development activities***: The potential for FIP investments to have a significant impact that will initiate transformational change while working in synergy with ongoing efforts to mitigate climate change and to promote forest sector development should be considered. This should include assessment of complementarity with national forest action plans, readiness plans for reducing deforestation and forest degradation or other relevant planning frameworks, coordination with on-going forest programs support by national sources or development partners, including the potential to build on planned and on-going investments through the MDBs, and possibilities to leverage funds from the private sector or other sources of investments.
- d) ***Country preparedness, ability and interest to undertake REDD initiatives*** and to address key direct and underlying drivers of deforestation and forest degradation, taking into account government efforts to date, government willingness to move to a strategic approach to REDD and to integrate the role of forests into national sustainable development, and government ability to effectively absorb additional

¹⁰ FIP Design Document

¹¹ FIP Design Document and FIP Criteria for Selecting Country and Regional Pilots under the FIP

funds, recognizing on-going forest programs.

- e) ***Country distribution*** across regions and biomes, ensuring that pilots generate lessons on how to go to scale with respect to: (i) immediate action to curb high rates of deforestation and forest degradation; (ii) conservation of existing forest carbon stocks within primary forests (high forest, low deforestation countries); (iii) enhancement of forest carbon stocks on degraded lands; and (iv) building effective capacities for sustainable management of forests.

29. Accordingly, it is proposed that the previously agreed criteria be used as a basis for considering new FIP pilot countries. Taking into account the developments related to REDD+ since the selection criteria for FIP pilot countries were agreed on (paragraphs 3-18), it is suggested to update and modify these selection criteria. Furthermore, it is suggested that information submitted by the eligible countries in their expressions of interest be taken into account in ranking the countries against the criteria and that weights be assigned to the proposed criteria to be applied by the expert group in its review and scoring of the expressions of interest.

30. With the confirmation of the role of the FIP in the phased approach to REDD+ and the need for substantial upfront technical assistance and investment resources, the following four criteria (1 quantitative and 3 qualitative) with weightings are proposed for selecting new FIP pilot countries:

- a) ***Potential to contribute to mitigation of climate change through REDD+*** (weight: 30%): The potential to contribute to forest-related climate change mitigation, including reducing the rate of deforestation and forest degradation, manage forest landscapes in a sustainable manner and enhance forest carbon stocks should be sufficiently high that the impact of FIP is significant. This will be measured using national forest database and inventory.
- b) ***Country readiness*** (weight: 30%): it is proposed that countries should be assessed on their progress in the REDD+ readiness process supported by the FCPF or UN-REDD Programme. Countries can show their status in the REDD+ readiness process by attaching to their expression of interest either a self-assessment using the FCPF Readiness Assessment Framework or a status update on the progress of the REDD+ readiness activities supported by either the FCPF or the UN-REDD Programme. Information should be provided on how the readiness activities will lead to transformational changes in the forest sector and sectors affecting the integrity of forest ecosystems. This includes the potential to generate co-benefits such as enhancing the livelihoods of rural and forest-dependent people and the conservation of biodiversity and other environmental services.
- c) ***Potential for private sector engagement*** (20%): An enabling regulatory environment that promotes the development of the private sector or, new business models for private sector investments in REDD+ should be advanced. This could include policies and incentives that support private sector development and public-private partnerships, for supporting large-scale investments in

agribusiness, production forests and recuperating degraded lands. Consideration of licensing, tariffs and taxes, and market access can indicate private sector potential and an enabling environment¹². Quantitative assessments may use the “Ease of Doing Business” index. A high index means the regulatory environment is more conducive to the starting and operating a private local firm. The index uses the following additional variables that are relevant for assessing the private sector enabling environment in FIP countries:

- Enforcing contracts
- Trading across borders
- Resolving Insolvency
- Getting Credit
- Registering Property
- Starting a business

- d) ***Potential capacity for implementation***, including sufficient institutional and technical capacity (weight: 20%). This could include a track record of forestry and forest-related projects that are completed or initiated with participation of government and other stakeholders, capacity for managing wider forest landscapes and land use interfaces at scale. Capacity of technical personnel in sector ministries and associated service providers. The existence of a multi-sectoral mechanism that can effectively address the needs for a low-carbon climate-resilient development path. The government’s ability to effectively and transparently manage, coordinate and absorb REDD+ funds, including performance-based payments and other relevant development finance.

31. The CIF Administrative Unit will invite eligible countries to submit an expression of interest in participating in the FIP in accordance with the outline presented in Annex 3. Additionally, when selecting new countries, it will be noted which eligible countries have already contacted the CIF Administrative Unit expressing a general interest in FIP funding.

32. The CIF Administrative Unit will invite the members of the expert group constituted in 2010 to reconvene to review the expressions of interest received, score the proposals, and recommend to the Sub-Committee a prioritized list of countries that could benefit from the FIP. If individuals selected to participate as experts are unavailable to participate, the CIF Administrative Unit will consult with the MDBs and the FIP Sub-Committee to propose new experts for approval by the Sub-Committee.

33. In presenting its recommendations to the FIP Sub-Committee, the expert group is requested to elaborate how it has taken the above criteria and other considerations into account and preparing its list of potential new pilot countries. The expert group report should include, inter alia, information on:

¹² <https://www.forestcarbonpartnership.org/sites/fcp/files/2014/June/MBrady%20IFC%20REDD%20wrkshp%20Jun14%202.pdf>

- a) methodology (including a score card) and analysis leading to the group's list of proposed new FIP pilot countries; and
- b) an assessment of key issues and challenges for the identified potential new pilot countries.

34. The Sub-Committee will review the report of the expert group at its meeting in June 2015 and is expected to make a decision at that meeting. Pre-allocation of resources is subject to new pledges to the FIP and will be discussed after the selection of new FIP countries.

35. Annex 2 lists all countries eligible to participate in the FIP as provided in the *FIP Design Document* that have expressed interest in support from the FIP. In addition, for all countries information is provided on whether the country participates in the FCPF Readiness Fund or UN-REDD Programme.

36. Annex 3 includes an outline of the expression of interest to become a FIP pilot country, which also includes a request for a progress report on a country's REDD+ readiness process financed by the FCPF or by the UN-REDD Programme. Information is also provided on countries/regions/states which expressed interest prior to the selection of the current FIP pilot countries; lists countries which have expressed interest in participating in the FIP after the selection of the eight FIP pilot countries. The annex also provides the names of alternate FIP pilots which were recommended by the FIP independent expert group in 2010. Other eligible FIP countries which have not expressed interest yet in participating in the FIP and their participation status in the FCPF and the UN-REDD Programme are listed as well.

37. Annex 4 includes a provisional time table for selecting new FIP pilot countries.

Option 2 - A dedicated set-aside of funds to address emerging issues related to REDD+ and/or address strategic needs identified in the FIP investment plans, including a second round incentivizing innovative private sector investments

38. This option builds on the experience with and lessons learned from a competitive allocation of resources under the FIP private sector set-aside. The assessment of the SCF private sector set-aside process and lessons is presented in information document FIP/SC.14/Inf.4. Annex 5 provides a summary of the findings and potential measures to further enhance the mechanism.

39. With all eight FIP investment plans endorsed, analytical work on the FIP portfolio and the updates provided by the eight countries has shown that the projects and programs under endorsed investment plans address a range of aspects of the REDD+ agenda. While the current investment plans have a strong focus on community-based forest management and capacity development, countries could also benefit from additional funding for work in other REDD+ areas currently not addressed in the investment plans.

Procedures

40. Under this option, it is proposed that resources be made available on a competitive basis for exploring emerging investment opportunities and needs related to REDD+ in the FIP pilot countries, including a second round incentivizing innovative private sector investments. It is suggested to have “calls for proposals” subject to the availability of additional FIP funding.

41. To be eligible to receive funding under the dedicated FIP set-aside, project or program submissions must advance the objectives of endorsed FIP investment plans and encourage interest from a broad range of private and public sector actors. Resources from the set-aside may be provided to either:

- a) private sector clients working through MDB private sector arms,
- b) public sector entities working through the MDB public or private sector arms which benefit public-private initiatives and through the removal of barriers, including the creation of an enabling environment for the private sector, initiatives of local communities and civil society to engage in REDD+ activities, provided that a minimum of [25][50]% of allocations under the current set-aside envelop are made to projects or programs for private sector clients working through the MDB private sector arms.

42. To facilitate the preparation and consideration of concept submissions, a template outlining information that should be included in a project concept submission is attached in Annex 6.

43. Once a concept has been endorsed, the further development of the project or program will follow the procedures agreed for the FIP.

Call for Proposals

44. The set aside would continue to function as a competitive allocation of available FIP resources. Competition would be generated through a “call for proposals” taking into account the lessons learned from the first round of the FIP private sector set-aside.

45. The “call for proposals” would be established as follows:

- a) Subject to the availability of resources, the FIP Sub-Committee would agree on an annual envelope for the FIP set-aside; at least one fourth of the annual envelop will be available each quarter, and any unendorsed amount of funds will roll-over to the next quarter.
- b) A consultation process with interested FIP pilot countries to articulate country-specific themes which could be pursued through the “call for proposals” to address national priorities and enabling environment conditions (some examples are presented further below);

- c) Four dates within the year will be established by when concept notes may be submitted for consideration. Once each date has passed, received concepts would be reviewed virtually by an expert group. The expert group would interact with the MDBs and project proponents as described further below. The report of the expert group would be submitted to the FIP Sub-Committee for a decision by mail or during an inter-sessional meeting of the FIP Sub-Committee held virtually or, if requested, in-person;
- d) MDBs may submit project concepts and programmatic proposals;
- e) Concept notes identified by the expert group with potential for improvement may be revised and resubmitted either for the same or the next submission date of the “call for proposals”.

46. Countries which are interested in thematic national “call for proposals” may want to consider focusing on some the following potential themes:

- a) ***Developing sustainable supply chains of timber and non-timber products.*** This option would explore innovative initiatives, including working with stakeholders along the supply chain for various commodities relevant to forests (e.g. palm oil, soy, beef, sugarcane, paper). By showing that commodities can be produced at affordable costs with measurably reduced carbon footprint and environmental impacts, and by creating a significant demand for such products, entire commodity markets can be moved towards greater sustainability, and deliver large-scale development outcomes. This could be provided through support for initiatives for deforestation free commodities and for product and supply chain certification.
- b) ***Testing approaches to use wood as a substitute for fossil fuel intense products (aluminum, steel and concrete).*** The operationalization of the emerging findings from recent research to use sustainably produced wood as a substitute for fossil fuel intense products like steel and concrete could also be explored under this theme. Using wood substitutes could save 14-31% of global CO2 emissions and 12-19% of global fossil fuel consumption by using 34-100% of the world’s sustainable wood growth¹³. This theme has potential to explore the link between REDD+ and infrastructure, for example the use of sustainably produced and harvested wood in LEED-certified buildings or bridge infrastructure.
- c) ***The relationship between biodiversity and REDD+.*** This theme will explore the how REDD+ initiatives can enhance biodiversity conservation e.g. by establishing bio-corridors to ensure habitat connectivity across landscapes and reduce forest fragmentation.
- d) ***The link between technology-based renewable energy and sustainable wood energy; and REDD+.*** Wood fuels are and will be beyond 2050 a major source of

¹³ *Ibid* 8.

energy for more than 2 billion people in developing countries, comprising between 50 and 90 percent of the primary energy used. In Africa the importance of local actions like wood fuel collection in relation to land use change is relatively higher compared to other geographic regions. Given the current rates of deforestation and forest degradation around major urban settlements there is a risk that the use of fuel wood and charcoal moves away from a carbon neutral source of energy towards an increasingly important source of additional GHG emissions. This theme would in addition also explore the substitution of wood as energy source with technology-based renewable energy such as small solar PV, hydro-power or wind. The substitution of fossil fuel with biomass-based fuels (e.g. wood residues or plant-based residues) for electric and thermic generation may be explored as well.

- e) **Addressing mining and other extractives as a driver of deforestation.** In mineral and forest rich countries, mining and other extractive sectors such as energy providers using geothermal power plants are site-specific drivers of deforestation. Not only that the mining or geothermal power plant site needs to be cleared of standing forests but associated road construction is often leading to further deforestation and hence, habitat loss. Since mining or other extractive sectors is not addressed as a driver of deforestation in any of the FIP pilot countries, this theme would allow the careful exploration of potential measures to reduce deforestation associated with mining and other extractives.
- f) **Enhancing information and communication technology in support of REDD+.** New information and communication technologies like smart phones and access to internet services allow local communities to become engaged in monitoring, reporting and verifying forest cover and composition changes on the ground. Communities can be more connected to inform scientists, regulators and decision-makers, who can in turn focus their attention and monitoring on areas where unexpected changes take place and act quickly. This theme could be used to test innovative forest management systems by local communities.
- g) **Expansion of FIP investments to other forest ecosystems and biomes currently not addressed in the FIP investment plan.** Most FIP pilot countries have invested FIP resources in site-specific activities which cover one forest ecosystem or biome (e.g. the High Forest Zone in Ghana). Using the FIP approach, investments could be supported in forest ecosystems and biomes currently not addressed through the FIP investment plan.
- h) **Exploring innovative mechanisms to pool various financing instruments for addressing REDD+ at the country-level.** Addressing the challenges associated with REDD+ requires a concerted effort by a consortium of governments, development agencies, corporate partners and philanthropic organizations. However, the institutional landscape of organizations providing financial support for technical assistance and investments for REDD+ is both diverse and complex. This theme provides opportunities to explore innovative mechanisms at the

national or sub-national level to capitalize on the comparative advantages of various partners and on crowd sourcing instead of competition, which usually leads to fragmentation and duplication of efforts.

- i) **Management options for the forest concession allocated to the rural communities.** In some FIP pilot countries, there are legal provisions for the allocation of forest concessions to communities for their management. Some of these concession areas are extensive. It is therefore very important and urgent to test management systems suitable for these concessions in terms of securing the rights of rural communities and the management e.g. through third parties like private sector entities.

47. Only project and program concepts that were submitted by the agreed dates and by an MDB to the CIF Administrative Unit will be reviewed by the expert group.

48. Based on the lessons learned from the first round of the FIP private sector set-aside, the financial envelope for the theme-based FIP set-aside should provide for a mix of grants (for technical assistance, advisory services and investments) and concessional finance (loans, equity, and guarantees) consistent with the *FIP Financing Modalities*. A small portion of grants should be made available for the development of the concepts and projects and programs once the concept has been endorsed.

Assessment Criteria

49. The expert group will review the concept proposals and make prioritized recommendations based on the extent to which the concept proposals meet the below criteria. For each criterion, a weight has been assigned to guide project proponents and the expert reviewers when considering concepts.

- a) ***Further advancement of the objectives of the endorsed investment plan*** (15%): The degree to which the proposed project meets the objectives and purpose of the FIP and further advances or complements the objectives of the endorsed FIP investment plan.
- b) ***Level of innovation relevant to the country proposed*** (15 % weighting): this may include innovation in terms of technology, business model, financial instruments or structure in a pilot country. The "level of innovation proposed" needs to be justified in the country- or sector-specific context of the proposal.
- c) ***Readiness*** (30% weighting): feasibility of MDB board approval within 9-18 months of FIP funding approval by the FIP Sub-Committee. An assessment of readiness may also include as to whether the national policy and regulatory framework is supportive of private sector or other innovative investments and the implementation risk.

- d) ***Level of benefits to forest-dependent groups or sectors addressed through the future project or program*** (20% weighting): how the project/program may benefit forest-dependent groups, and how gender considerations will be taken into account. If the concept addresses a specific economic sector, the transformational changes to the sector need to be described.
- e) ***Sustainability of intended results*** (20% weighting): the likelihood of the FIP-supported investment to produce results which can be sustained over time without additional concessional support or have a demonstrative character to be scaled up through markets.

Expert Group

50. The review of the concept proposals submitted under the thematic FIP set aside will be undertaken by a group of experts with operational experience with REDD+ initiatives who can provide an assessment on proposals submitted under the “call for proposals”. Meetings of the expert groups will be held virtually.

51. The CIF Administrative Unit will consult with the FIP Sub-Committee members and the MDBs to propose appropriate experts for approval by the Sub-Committee. In reaching out, the CIF Administrative Unit would share the current FCPF Roster of Experts as one possible source for identifying experts for reviewing proposals under the dedicated FIP set-aside. The CIF Administrative Unit, in collaboration with the MDB Committee, would propose: (a) [2][3] experts from among those proposed by the pilot countries and (b) [2][3] experts from among those proposed by the FIP contributor countries, to be invited to participate in the expert group. The list of the [4][6] proposed experts including their credentials will be submitted to the Sub-Committee for approval by mail.

52. The review for all four “calls for proposals” would preferably be undertaken by the same expert group assisted by a representative from the CIF Administrative Unit. If individuals selected to participate as experts are unavailable to participate in one or more of the four rounds, the CIF Administrative Unit will consult with the MDBs and the FIP Sub-Committee to propose new experts for approval by the Sub-Committee.

53. The expert group will assess the concepts against the weighted criteria listed in paragraph 48 and will prepare a list of priority concept proposals that it recommends be allocated FIP resources. In recommending a priority list of concepts, the CIF Administrative Unit should submit together with the expert group report a balance sheet on the set aside resources envelop, including endorsed and available resources, for consideration by the Sub-Committee in making its decision on allocating the resources.

54. The expert group should include a qualitative explanation of the methodology used to assess and prioritize concept recommendations based on the guidelines described in this document.

55. The CIF Administrative Unit will submit the report of the expert group and a balance sheet for the agreed set-aside amount to the FIP Sub-Committee for a decision-by-mail. The Sub-Committee will endorse proposals for further development.

Learning Lessons and Managing Knowledge

56. The CIF Administrative Unit, the MDBs, and the FIP pilot countries are requested to collect lessons and reflections about the effectiveness and value-added of the theme-based FIP set aside and the modified competitive selection process with a view to drawing lessons for the future. The lesson-learning process will include assessment of the contribution to transformative change through scaled-up private sector or innovative investment and knowledge transfer of good practice in FIP pilot countries.

57. Based on experience and lessons learned in funding projects from the set aside, the Sub-Committee may consider whether new funding may be made available to finance projects in FIP countries through another “call for proposals”.

Option 3 - Additional resources to existing FIP pilot countries

58. Over the past years, the eight FIP pilot countries have frequently expressed the need for additional resources to address their REDD+ priorities and needs. Recognizing that the needs of all pilot countries far exceed the available FIP funding, this option proposes that if new FIP resources become available, these would be made available to the current set of FIP pilot countries.

59. All countries have an endorsed investment plan. The investment plans were developed in an inclusive and transparent manner to describe the theory of change expected from the deployment of FIP resources to address challenges and opportunities associated with REDD+ at the country level. The investment plans are owned by the government and build on national and sub-national strategies and plans. During the FIP programming process, several rounds of consultations with stakeholders from the government, civil society, the private sector, indigenous peoples groups and local communities were held from which new and enhanced country platforms for dialogue and information sharing have emerged.

60. In elaborating such an option, the CIF Administrative Unit solicited pilot country feedback on needs and key areas for potential use for new FIP funding. Overall, countries are supportive of the use of new FIP funding in the context of the good experiences they have made with the FIP programming and implementation process. There is agreement that the lessons learned from that process can be usefully applied in programming the new resources. The process would be much faster since structures are in place and the investment plan would remain the valid framework for programming and implementing new FIP investments.

61. Newly allocated FIP resources, including adding FIP funding to existing projects need to be processed in accordance with MDB policies and procedures, including a formal MDB approval and safeguards review.

62. Resulting from the consultation with the FIP pilot countries, the expressed needs and key areas of potential use of new available funds are described below. For each country, the main drivers of deforestation and forest-degradation are identified¹⁴ as to give context to the identified needs and key areas.

Brazil

Ecological/forest type: *Cerrado* biome

Main drivers: conversion (expansion) to agriculture; agricultural management practices

Secondary drivers: cattle; illegal logging

Key REDD+ priorities that Brazil would be able to address with new FIP resources:

- scaling up the FIP experience and innovation to new areas of the *Cerrado* where pressure on forest resources is high; e.g. low-carbon agricultural development and recovery of degraded lands;
- making further use of the processes and achievements during the development of the FIP investment plan for Brazil.

Burkina Faso

Ecological/forest type: Open forest to wooded savannah

Main drivers: Livestock activities, agricultural expansion (cotton and food); fuel wood; fire

Secondary drivers: Mining; NTFP extraction

Key REDD+ priorities that Burkina Faso would be able to address with new FIP resources:

- linking renewable energy and REDD+ with co-benefits related to poverty reduction and the improvement of living conditions specifically for women and youth;
- fostering biodiversity conservation in the context of REDD+ through forest conservation activities and development of bio-corridors to reduce forest fragmentation;
- addressing mining as a driver of deforestation; and
- Testing new and innovative approaches to the sustainable management of forests through empowering communities.

Democratic Republic of Congo

Ecological/forest type: Natural forest areas – savanna area, savanna-forest transition area, forest area

Main drivers: Fuel wood use; conversion to agriculture

Secondary drivers: Poor management of community forests

Key REDD+ priorities that DRC would be able to address with new FIP resources:

- linking renewable energy considerations and REDD+;
- developing sustainable supply chains of timber and non-timber products;
- fostering biodiversity conservation in the context of REDD+ through forest conservation activities;
- addressing mining as a driver of deforestation;
- exploring the use information and communication technology in support of REDD+ at

¹⁴ FIP/SC.10/5, *Approaches to Measuring and Reporting Results in endorsed FIP Investment Plans*, April 16, 2013.

- the local level;
- expanding REDD+ activities to two additional hotspots for deforestation and forest degradation (5 were identified, FIP is working currently in three hotspots); and
- testing management options for forest concessions allocated to rural communities

Ghana

Ecological/forest type: High Forest Zone - wet and moist evergreen

Main drivers: agricultural expansion; wood harvesting

Secondary drivers: population and development pressures; mining

Key REDD+ priorities that Ghana would be able to address with new FIP resources:

- expanding REDD+ interventions to other forest ecosystems and biomes; e.g. woodland areas;
- linking renewable energy and REDD+;
- developing sustainable supply chains of timber and non-timber products; and
- addressing mining as a driver of deforestation.

Indonesia

Ecological/forest type: Forest and peatland areas

Main drivers: Commercial logging, forest conversion to agriculture (agribusiness estates), illegal logging, tenure conflicts

Secondary drivers: Mining, fires

Key REDD+ priorities that Indonesia would be able to address with new FIP resources:

- supporting and expanding the KPH approach (forest management units) to limit open access to forests by having better on-site management capacities; and
- exploring innovative conflict resolution mechanism.

Lao PDR

Ecological/forest type: Tropical evergreen, dry dipterocarp and deciduous forest

Main drivers: Expansion of agriculture and industrial tree plantations (esp. rubber); illegal logging, fuel wood extraction, shifting cultivation

Secondary drivers: Hydropower development; mining

Key REDD+ priorities that Lao PDR would be able to address with new FIP resources:

- continuing efforts to restore forest landscapes through community-based restoration efforts.

Mexico

Ecological/forest type: Tropical wet and moist; Temperate broadleaf and evergreen.

Main drivers: Conversion to agriculture and then to pasture for livestock; conversion to commercial agriculture; illegal logging; fuel wood use

Secondary drivers: Urban expansion and development

Key REDD+ priorities that Mexico would be able to address with new FIP resources:

- positive experiences with FIP in Mexico; there is excellent acceptance of the introduced approaches, tools and technologies (e.g. financial schemes; credit line for *ejidos*);
- scaling up and out the positive experiences to other REDD+ early action areas identified in Mexico's FIP investment plan; any new project would further enhance the value of the existing projects in the country; and
- good potential to use FIP funding in the context of Mexico's emission reduction initiative.

Peru

Ecological/forest type: Peruvian Amazon - tropical wet and moist

Main drivers: expansion of farming and livestock; infrastructure

Secondary drivers: illegal activities: timber, gold mining, coca production; migration

Key REDD+ priorities that Peru would be able to address with new FIP resources:

- land use planning in areas beyond the current geographic focus of the Peru FIP investment plan.

63. Under this option new FIP resources would be made available to all pilot countries to augment their initial FIP allocations, depending on the available amount of additional resources.

64. Additional resources could be allocated as follows:

- a) ***Pre-allocation:*** Under this allocation option, all FIP pilot countries would receive a set-amount based on the distribution key used to allocate the original FIP resources to the eight pilot countries¹⁵. Under this possibility, the pre-allocation would be as follows:
 - i. Brazil and Indonesia would each receive an amount x ;
 - ii. Democratic Republic of Congo and Mexico would each receive 86% of the amount x ;
 - iii. Ghana and Peru would each receive 71% of the amount x ;
 - iv. Burkina Faso and Lao PDR would each receive 43% of the amount x .

Considering that an objective of the FIP is to provide funding for scaled-up investments that can initiate transformational change, and taking into account the transactions costs to program and implement the additional investments, a minimum additional allocation should be agreed on (e.g. USD 10 million).

- b) ***Combination of a minimum pre-allocation and competition for additional resources above the pre-allocated amount:*** Under this allocation option, all FIP

¹⁵ Summary of the Co-Chairs. FIP Sub-Committee Meeting, November 9, 2010.

pilot countries would receive a minimum allocation of USD x million of new FIP resources and would compete for additional resources above the minimum allocation. For this option, the FIP Sub-Committee would agree on a date by when the proposals need to be received to be eligible for the competitive part of the allocation. An expert group would be established to review the proposals and make a recommendation to the FIP Sub-Committee on which proposals should be funded from the competitive allocation. The assessment criteria discussed in option 2 of this paper could be used for the competitive part of this allocation option.

65. For both options, it is proposed that countries would need to submit detailed information on how the use of the new money would further enhance the objective of the FIP investment plan and the national REDD+ agenda before submitting specific projects for approval.

Annex 1: Decisions of the Warsaw Framework for REDD-plus

Decision 9/CP.19: Work programme on results-based finance to progress the full implementation of the activities referred to in decision 1/CP.16, paragraph 70

The COP in this decision, inter alia:

- Reaffirms that results-based finance may come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources
- Encourages financing entities, including the Green Climate Fund in a key role, to channel adequate and predictable results-based finance in a fair and balanced manner, and to work with a view to increasing the number of countries that are in a position to obtain and receive payments for results-based actions
- Decides to establish an information hub on the REDD Web Platform, to publish information on the results and corresponding results-based payments
- Requests the Standing Committee on Finance to consider the issue of financing for forests in its work on coherence and coordination
- Recognizes the importance of incentivizing non-carbon benefits for the long-term sustainability of the implementation of the activities referred to in decision 1/CP.16, paragraph 70

Decision 10/CP.19: Coordination of support for the implementation of activities in relation to mitigation actions in the forest sector by developing countries, including institutional arrangements

The COP in this decision, inter alia:

- Invites interested Parties to designate a national entity or focal point to serve as liaison with the secretariat and bodies under the Convention, on coordination of support, and may also be nominated to receive and obtain results-based payments
- Recognizes that in order to address issues related to the coordination of support, a number of needs and functions were identified
- Encourages national entities/focal points, Parties and relevant entities financing REDD-plus to meet, on a voluntary basis, to discuss the needs and functions identified to address issues relating to coordination of support; with the first meeting to be held in conjunction with SBI 41 (December 2014)
- Requests the Subsidiary Body for Implementation, at the latest, at its forty-seventh session (November-December 2017) to review the outcomes of these meetings

Decision 11/CP.19: Modalities for national forest monitoring systems

The COP in this decision, inter alia:

- Affirms that the activities referred to in this decision are undertaken in the context of the provision of adequate and predictable support to developing country Parties
- Decides national forest monitoring systems should be guided by the most recent IPCC guidance and guidelines, as adopted or encouraged by the COP
- Also decides that national forest monitoring systems should provide data and information that are transparent, consistent over time, suitable for MRV, and build upon existing systems while being flexible and allowing for improvement

Decision 12/CP.19: The timing and the frequency of presentations of the summary of information on how all the safeguards referred to in decision 1/CP.16, appendix I, are being addressed and respected

The COP in this decision, inter alia:

- Agrees that the summary of information on how all of the safeguards referred to in decision 1/CP.16, appendix I, are being addressed and respected throughout the implementation of the activities referred to in decision 1/CP.16, paragraph 70, could also be provided, on a voluntary basis, via the REDD Web Platform
- Decides that developing country Parties should start providing the summary of information after the start of the implementation of activities referred to in decision 1/CP.16, paragraph 70
- Also decides that the frequency for subsequent presentations of the summary of information should be consistent with the provisions for submissions of national communications and, on a voluntary basis, via the REDD Web Platform

Decision 13/CP.19: Guidelines and procedures for the technical assessment of submissions from Parties on proposed forest reference emission levels and/or forest reference levels

The COP in this decision, inter alia:

- Decides that each submission of forest reference emission levels and/or forest reference levels shall be subject to a technical assessment
- Invites Parties and relevant international organizations to support capacity-building for development and assessment of forest reference emission levels and/or forest reference levels
- Adopts the guidelines and procedures for the technical assessment, as contained in the annex to this decision

Decision 14/CP.19: Modalities for measuring, reporting and verifying

The COP in this decision, inter alia:

- Decides that measuring, reporting and verifying anthropogenic forest-related emissions by sources and removals by sinks, forest carbon stocks, and forest carbon stock and forest-area changes is to be consistent with the methodological guidance provided in decision 4/CP.15, and any guidance on the measurement, reporting and verification of nationally appropriate mitigation actions by developing country Parties as agreed by the COP
- Decides that data and information should be provided through a technical annex to the biennial update reports, underlining that the submission of the technical annex is voluntary and in the context of results-based payments
- Further decides to include two additional LULUCF experts in the technical team of experts for the international consultation and analysis of results-based actions reported in a technical annex to the biennial update reports, and agrees that these LULUCF experts will develop a technical report on their analysis of the technical annex and identified areas for technical improvement

- Also agrees that results-based actions that may be eligible to appropriate market-based approaches that could be developed by the COP may be subject to any further specific modalities for verification

Decision 15/CP.19: Addressing the drivers of deforestation and forest degradation

The COP in this decision, inter alia:

- Encourages Parties, organizations and the private sector to take action to reduce the drivers
- Also encourages to continue work to address drivers, and to share information
- Further encourages developing country Parties to take note of the information shared

Annex 2: Additional Countries Requesting Support from the Forest Investment Program

Paragraph 14 of the *FIP Design Document* provides that a country is eligible for participating in the FIP if it

- a. is eligible to receive Official Development Assistance (ODA) (according to the Organization for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) guidelines); and
- b. has an active MDB country program. For this purpose, an “active” program means where an MDB has a lending program and/or on-going policy dialogue with the country.

The *FIP Design Document* further provides that FIP should build on REDD+ readiness strategies or equivalents.

Below is a list of countries which have expressed interest in participating in the FIP and are ODA eligible¹⁶ and have an active MDB program. These countries (without the current FIP pilot countries) should be invited to express interest in participating in the FIP¹⁷. Additional information is provided on their participation status in the FCPF and the UN-REDD Programme.

Table a) lists countries /regions/states which expressed interest prior to the selection of the FIP pilot countries. Table b) lists countries which have expressed interest in participating in the FIP after the selection of the eight FIP pilot countries. Table c) lists the alternate FIP pilots recommended by the FIP independent expert group in 2010. Table d) lists other eligible FIP countries which have not expressed interest yet in participating in the FIP and their participation status in the FCPF and the UN-REDD Programme.

a) Countries/regions/states which have expressed interest prior to the selection of the FIP pilot countries (January/February 2010)¹⁸

	FIP (40)	Date of Expression of Interest	FCPF	UN-REDD
1	Albania	1/29/2010	-	-
2	Algeria	1/29/2010	-	-
3	Amapá State/Brazil	1/29/2010	-	-
4	Argentina	1/26/2010	Country Participant	Country with UN-REDD NP ¹⁹
5	Bangladesh	1/20/2010	-	Country with UN-REDD NP
6	Belarus	1/19/2010	-	-
7	Bolivia	1/13/2010	Country Participant	Country with UN-REDD NP

¹⁶ The DAC List of ODA Recipients lists countries and territories eligible to receive official development assistance (ODA): <http://www.oecd.org/dac/stats/49483614.pdf>

¹⁷ The current FIP pilot countries are excluded from the list: Brazil, Burkina Faso, Democratic Republic of Congo, Ghana, Indonesia, Lao PDR, Mexico and Peru.

¹⁸ The Russian Federation expressed interest in participating in the FIP on January 20, 2010. It is listed in this table with a note that the country is not eligible for ODA assistance and hence, not eligible to receive FIP funding.

¹⁹ NP – National Programme

8	Bosnia & Herzegovina	1/14/2010	-	-
9	Bulgaria	1/18/2010	-	-
10	Cameroon	1/28/2010	Country Participant	Other Partner Country
11	Colombia	1/22/2010	Country Participant	Country with UN-REDD NP
12	COMIFAC	1/19/2010	-	-
13	Costa Rica	1/26/2010	Country Participant	Other Partner Country
14	Croatia	1/26/2010	-	-
15	Ecuador	1/21/2010	-	Country with UN-REDD NP
16	Ethiopia	1/20/2010	Country Participant	Other Partner Country
17	Greater Mekong Sub-Region	2/2/2010	-	-
18	Guatemala	1/18/2010	Country Participant	Other Partner Country
19	Guyana	1/20/2010	Country Participant	Other Partner Country
20	Jamaica	1/21/2010	Country Candidate	-
21	Kosovo	2/11/2010	-	-
22	Liberia	1/19/2010	Country Participant	Other Partner Country
23	Macedonia	1/20/2010	-	-
24	Madagascar	1/22/2010	Country Participant	Other Partner Country
25	Morocco	1/29/2010	-	Other Partner Country
26	Mozambique		Country Participant	Other Partner Country
27	Nepal	1/22/2010	Country Participant	Other Partner Country
28	Nigeria	1/20/2010	Country Candidate	Country with UN-REDD NP
29	Panama	2/1/2010	Country Participant	Country with UN-REDD NP
30	Papua New Guinea	1/20/2010	Country Participant	Country with UN-REDD NP
31	Philippines	1/13/2010	Country Candidate	Country with UN-REDD NP
32	Romania	1/20/2010	-	-
33	Russian Federation (not ODA eligible)	1/20/2010	-	-
34	Serbia	1/20/2010	-	-
35	Suriname	1/7/2010	Country Participant	Other Partner Country
36	Tajikistan	1/25/2010	-	-
37	Thailand	2/3/2010	Country Participant	-
38	Tunisia	2/1/2010	-	Other Partner Country
39	Uganda	1/28/2010	Country Participant	Other Partner Country
40	Vietnam	1/26/2010	Country Participant	Country with UN-REDD NP

b) Countries which have expressed interest in participating in the FIP after the selection of the eight FIP pilot countries (as of October 2014)

	FIP (3)	Date of Expression of Interest	FCPF	UN-REDD
1	Côte d'Ivoire	10/17/2012	Country Candidate	Country with UN-REDD NP
2	Honduras	3/5/2013	Country Participant	Other Partner Country
3	Guatemala	10/8/2014	Country Participant	Other Partner Country

c) Alternate FIP pilots recommended by the FIP independent expert group in 2010

	FIP (4/9)	Date of Expression of Interest	FCPF	UN-REDD
1	COMIFAC (Cameroon, Central African Republic, Republic of Congo, Democratic Republic of Congo, Equatorial Guinea, Gabon)		Country Participant Country Participant Country Participant Country Participant - Country Participant Country Participant	Other Partner Country Other Partner Country Country with UN-REDD NP Country with UN-REDD NP Other Partner Country Other Partner Country Other Partner Country
2	Mozambique		Country Participant	Other Partner Country
3	Nepal		Country Candidate	Country with UN-REDD NP
4	Philippines			

d) Eligible countries which have so far not expressed interest in participating in the FIP and participation status in the FCPF and UN-REDD Programme

	Country (98)	FCPF	UN-REDD
1	Afghanistan	-	-
2	Angola	-	-
3	Antigua and Barbuda	-	-
4	Armenia	-	-
5	Azerbaijan	-	-
6	Belize	Country Participant	-
7	Benin	-	Other Partner Country
8	Bhutan	Country Participant	Other Partner Country
9	Botswana	-	-
10	Burundi	-	-
11	Cambodia	Country Participant	Country with UN-REDD NP
12	Cape Verde	-	-
13	Central African Rep.	Country Participant	Other Partner Country
14	Chad	-	Other Partner Country
15	China	-	-
16	Chile	Country Participant	Other Partner Country
17	Comoros	-	-
18	Congo Republic	Country Participant	Country with UN-REDD NP
19	Cook Islands	-	-
20	Cote d'Ivoire	Country Participant	Country with UN-REDD NP
21	Djibouti	-	-
22	Dominica	-	-
23	Dominican Republic	Country Participant	-
24	Egypt	-	-
25	El Salvador	Country Participant	-
26	Equatorial Guinea	-	Other Partner Country
27	Eritrea	-	-
28	Fiji	Country Participant	Other Partner Country
29	FYR Macedonia	-	-
30	Gabon	Country Participant	Other Partner Country
31	Gambia	-	-
32	Georgia	-	-

33	Grenada	-	-
34	Guinea	-	-
35	Guinea Bissau	-	Other Partner Country
36	Haiti	-	-
37	Honduras	Country Participant	Other Partner Country
38	India	-	-
39	Jordan	-	-
40	Kazakhstan	-	-
41	Kenya	Country Participant	Other Partner Country
42	Kiribati	-	-
43	Korea DR	-	-
44	Kyrgyz Republic	-	-
45	Lebanon	-	-
46	Lesotho	-	-
47	Libya	-	-
48	Malawi	-	Other Partner Country
49	Malaysia	-	Other Partner Country
50	Maldives	-	-
51	Mali	-	-
52	Marshall Islands	-	-
53	Mauretania	-	-
54	Mauritius	-	-
55	Micronesia	-	-
56	Moldova	-	-
57	Mongolia	-	Country with UN-REDD NP
58	Montenegro	-	-
59	Myanmar	-	Other Partner Country
60	Namibia	-	-
61	Nauru	-	-
62	Niue	-	-
63	Nicaragua	Country Participant	-
64	Niger	-	-
65	Nigeria	Country Participant	Country with UN-REDD NP
66	Pakistan	Country Participant	Other Partner Country
67	Palau	-	-
68	Paraguay	Country Participant	Country with UN-REDD NP
69	Rwanda	-	-
70	Samoa	-	-
71	Sao Tome & Principe	-	-
72	Senegal	-	-
73	Seychelles	-	-
74	Sierra Leone	-	-
75	Solomon Islands	-	Country with UN-REDD NP
76	Somalia	-	-
77	South Africa	-	-
78	South Sudan	-	Other Partner Country
79	Sri Lanka	-	Country with UN-REDD NP
80	St. Kitts-Nevis	-	-
81	St. Lucia	-	-
82	SVG	-	-
83	Sudan	Country Participant	Other Partner Country
84	Swaziland	-	-
85	Tanzania	Country Participant	Country with UN-REDD NP
86	Timor-Leste	-	-
87	Togo	Country Participant	Other Partner Country
88	Tonga	-	-

89	Turkey	-	-
90	Turkmenistan	-	-
91	Tuvalu	-	-
92	Uruguay	Country Participant	-
93	Ukraine	-	-
94	Uzbekistan	-	-
95	Vanuatu	Country Participant	-
96	Venezuela	-	-
97	Zambia	-	Country with UN-REDD NP
98	Zimbabwe	-	Other Partner Country

Annex 3: Outline of Expression of Interest to Participate in FIP²⁰

I. COUNTRY AND GOVERNMENT AGENCY SUBMITTING EXPRESSION OF INTEREST

II. DESCRIPTION OF THE COUNTRY AND REDD+ CONTEXT

Please provide a summary of the country and sector context relevant to REDD+, including potential to reduce emissions from deforestation and forestation and/or enhance forest carbon stocks, status of REDD+ readiness process, status of the REDD+ strategy or equivalent, targets, and implementation measures.

Note: This section will inform the discussion on criteria 1 (*Rate of Deforestation and Forest Degradation*) and 2 (*Country Readiness*) used as the basis for considering new FIP pilot countries.

III. ENABLING POLICY AND REGULATORY ENVIRONMENT

Please provide an overview of the existing policies, legal framework, and regulatory structure for reducing/avoiding deforestation and forest degradation, and manage forests and trees sustainably and the potential impacts of public and private sector interventions in addressing the barriers. Discuss the existing regulatory environment for attracting private investments in investments relevant to REDD+, including certification, pricing and tariff practices, competitive procurement of goods and services, the transparency and accountability of these practices and the degree to which they are subject to public oversight.

Note: This section will inform the discussion on criteria 2 (*Country Readiness*) and criteria 3 (*Potential for Private Sector Engagement*) used as the basis for considering new FIP pilot countries.

IV. INSTITUTIONAL AND TECHNICAL CAPACITY FOR IMPLEMENTATION

Please provide an analysis of the institutional and technical capacity for implementation, including the government's ability to effectively absorb additional funds. Please also provide a preliminary assessment of potential implementation risks.

Note: This section will inform the discussion criteria 4 (*Potential Capacity for Implementation*) used as the basis for considering new FIP pilot countries.

V. PROGRAMS OF MDBS AND DEVELOPMENT PARTNERS

Please describe briefly the ongoing and planned programs of the relevant multilateral development banks (MDBs) and other development partners relevant to REDD+ (including the FCPF and the UN-REDD Programme) and how the proposed interventions for FIP would link to and build upon these programs.

²⁰ The expression of interest should not exceed 10 pages, excluding tables, charts, and annexes.

VI. RATIONALE FOR SELECTED SECTORS FOR FIP FINANCING

Please identify barriers for reducing/avoiding deforestation and forest degradation, potential sector, sub-subsectors, and mechanisms for possible FIP financing as well as the rationale for prioritizing them for FIP interventions.

Annexes:

- Report on the progress with the implementation of the REDD+ readiness grant country has received from the FCPF or the UN-REDD Program.
- Other information as needed

Annex 4: Provisional Timeline for the Selection of New FIP Countries

November 2014	FIP Sub-Committee reviews elaborated options for the use of new FIP funding should it become available.
December 2014	CIF Administrative Unit sends out letters to eligible countries soliciting expressions of interest CIF Administrative Unit solicits names for experts from the FIP Sub-Committee and the MDBs
Mid February 2015	FIP Sub-Committee approves members of the expert group
End February 2015	Expressions of interest from eligible countries received
Mid-March 2015	Virtual organizational meeting of the expert group
End March 2015	Expert group for review of expressions of interest meets in Washington, DC to carry out its work
Mid-April 2015	Expert group submits its report to CIF Administrative Unit
May 2015	CIF Administrative Unit circulates expert group report to the FIP Sub-Committee
June 2015	FIP Sub-Committee meets and selects new FIP pilot countries

Annex 5: Lessons from and Measures to Improve the FIP private sector set-aside (Summary)

1. In response to the strategic challenge to enhance private sector engagement in the FIP, the FIP Sub-Committee agreed in November 2012 to set aside resources for allocation through a competitive process, to additional private sector programs and projects that further the objectives of the FIP investment plans. Programs and projects financed from the set aside were to be either for private sector clients working through the MDB private sector arms or for public sector entities working through the MDB public sector arms. No one project or program funded from the reserve should receive more than USD 15 million nor less than USD 3 million in FIP funding. For FIP only one round of allocating FIP resources under the FIP private sector set-aside was completed.
2. During the first round, eleven concepts totaling USD 78.82 million were received by the CIF Administrative Unit for review by the expert group. Proponents from the following FIP pilot countries submitted concepts through the MDBs: Brazil, Burkina Faso, DRC, Ghana and Mexico. Additionally, one multi-country proposal was submitted for Africa. At its meeting in November 2013, the FIP Sub-Committee reviewed the expert group report and prioritized recommendations of project concepts submitted under the first round of the FIP private sector set-aside, and endorsed five concepts totaling USD 35.3 million for further development. An additional three project concepts (USD 16.02 million) were to be revised taking into account comments of the expert group and Sub-Committee members and submitted for further review and endorsement by mail.
4. In total, for round 1 of the FIP private sector set aside, the FIP Sub-Committee has endorsed 7 concepts allocating USD 44.3 million in near-zero interest FIP credits.
5. In October 2013, the CIF Administrative Unit, in collaboration with the MDBs and the pilot countries, was requested²¹ to analyze and share lessons learned on the private sector set-asides with the respective Sub-Committees and external stakeholders with the view to generate lessons from engaging the private sector in the CIF and recommendations for future funding of private sector engagement in the CIF.
6. The CIF Administrative Unit contracted the firm *Vivid Economics* for the consultancy. The final assessment report is available as information document CTF-SCF/TFC.13/Inf.5, *A Review of the Private Sector Set-Asides of the Strategic Climate Fund*.
7. For the FIP private sector set-aside, the report identifies the following relevant lessons:
 - The strategic objective of the FIP set-aside was met, in particular the number and value of private sector projects in FIP pipeline has more than doubled.
 - Projects submitted under the FIP set-aside were not considered to be particularly innovative except for a few exceptions (Mexico, Brazil).

²¹ *Summary of the Co-Chairs, FIP Sub-Committee Meeting, October 30, 2013.*

- The overall number of project concepts submitted to the FIP set-aside was limited. The availability of concessional loans only and not grants limited the number and diversity of concepts submitted.
- A lack of awareness and, in some cases, capacity of potential project developers has also proved challenging.

8. The assessment report identifies a number of measures that may improve the mechanism of the FIP set-aside that could be implemented in a relatively short timeframe.

Measure 1: Provide grant funding for MDBs to develop proposals. This would aim to improve incentives and reduce the risk for MDBs to develop concepts and projects.

Measure 2: Regularize the timing of the call and provide sufficient time for submissions. A number of stakeholders, particularly MDBs and project developers, noted that this could improve MDB engagement and smooth the process of project development and submission by having more predictability regarding timing and resources.

Measure 3: Place less emphasis on MDB co-finance in assessing and selecting concepts. Although there are significant benefits of securing MDB and other co-financing, less emphasis on the amount of co-financing may lead to greater innovation of submitted concepts.

Measure 4: Allow expansion of the FIP set-aside to other SCF and/or CIF countries. This would likely increase the number of high quality projects submitted, and make regional projects more feasible (e.g. for creating risk insurance schemes).

Measure 5: In addition to concessional loans, the FIP set-aside mechanism should provide grant funding and local currency loans to projects that need upfront grant funding to cover risks and stimulate the market. Expanding the use of grant resources might be particularly valuable in enhancing private sector capacity through technical assistance and improving the enabling environment for the private sector to conduct its business successfully in a country.

Measure 6: Develop a strategic plan for enhanced outreach on the opportunities associated with the FIP sector set-aside. The majority of stakeholders – including expert group members and pilot country representatives - believe that improved outreach for (potential) project developers would help increase the number of high quality proposals. Different actors have various strengths and weaknesses in conducting outreach, and it is most likely to be effective if these actors collaborate within a single coherent strategic plan.

9. These above presented lessons from the only rounds of the FIP private sector set-aside process and suggested measures to improve the effectiveness of the mechanism have been taken into account in the design of the dedicated set-aside under the FIP described in option 2 of this paper.

**Annex 6: Common Format for Project/Program Concept Note for the Use of Resources
from the Dedicated FIP Set-Aside**

FOREST INVESTMENT PROGRAM		
Dedicated FIP Set-Aside Concept Note		
1. Country/Region:		2. CIF Project ID#:
3. Project/Program Title:		
4. Date of Endorsement of the Investment Plan:		
5. Funding Request (in million USD equivalent):	<i>Grant:</i>	<i>Non-Grant (loan, equity, guarantee, etc.):</i>
6. Implementing MDB(s):	<input type="checkbox"/> Private sector arm <input type="checkbox"/> Public sector arm	
7. Executing Agency:		
8. MDB Focal Point and Project/Program Task Team Leader (TTL):	<i>Headquarters- Focal Point:</i>	<i>TTL:</i>

- I. Project/Program Description:** Provide a summary description of the project, objectives, and expected outcomes. Also, provide information whether this will be a solely private sector project, a PPP, a public sector project financing private sector or a public sector project financing public sector entities.

- II. Context and market:** Provide brief explanation of country/sector context and/or an overview of the market (product nature, supply and demand status, prices, and competition as applicable. For public sector projects, provide information on barriers to be removed through the project. For private sector projects, in the absence of other comparable products, provide a brief explanation on how the proposed product will substitute for existing products and the benefits from a climate standpoint, and the prospects of commercial viability. If proposing a new business model, provide information of comparable to business as usual). Also, provide an overview of current **market barriers** and how will they be reversed by the proposed project.

- III. County Plan Alignment:** Provide an explanation how the project/program is aligned with the objective of the FIP investment plans or other national policy and programming framework relevant to addressing REDD+.

- IV. Project Innovation:**

- a. **Innovation** - how the project is innovative in terms of approach, technology, business model, financial instruments or structure, market creation, and/or new partnerships, and how the innovation will add value to the project. The level of innovation proposed needs to be justified in the country- or sector-specific context of the proposal.
- b. **Approach, Technology, Product, and/or Business Model:** Provide description of the approach, technology, the technology provider if identified, whether it has been tested, commercialized and viable commercially. If the project does not involve a technology, provide a description of the business model and its structure.
- c. **Sustainability of intended results:** provide information on the likelihood of a project to produce results which can be sustained over time without additional external financial support or have a demonstrative character to be scaled up through markets.

V. **Addressing vulnerability of people and sectors:** Provide information on how the project/program may benefit vulnerable rural and forest-dependent groups or economic sectors will be addressed to the extent possible, provide information on the population size and affected economic sectors, the degree of vulnerability of people and/or sectors, and estimated impact on vulnerable populations and sectors.

VI. **Financial Plan (Indicative):**

Source of Funding (please indicate type of instrument, equity, debt, guarantee, grants, credit lines, etc. in each case)	Amount (USD million equivalent)	Percentage (%)
Project developer/proponent		
MDB		
FIP		
Local banks		
Other investors		
Development partners		
Others		
TOTAL		100%

VII. **Expected Results and Indicators²²**

Expected Result(s)	Indicator(s)
<i>Development Result(s):...</i>	

²² These indicators will need to contribute or mapped to the five agreed FIP core indicator themes.

- VIII. Implementation Arrangements and Feasibility:** Provide information on the implementation feasibility of the proposed project and an estimated timeline for FIP funding and MDB approval (FIP Sub-Committee and MDB).
- IX. Potential Risks and Mitigation Measures:** What are the risks that might prevent the project development outcome(s) from being realized, including but not limited to, political, policy-related, social/stakeholder-related, macro-economic, or financial?

Annex 7: Proposed Timeline for the Delivery of a First Round of Proposals under the Theme-based FIP Set-aside

End of November 2014

- Agree on procedures, criteria, timeline, and common format, including revised criteria for composition of the Expert Group. Circulate revised procedures and criteria for FIP Sub-Committee review and approval by mail by end of November 2014.
- Available FIP resources amount and submission deadline dates announced.
- CIF Administrative Unit informs by mail the FIP countries about the theme-based FIP Private Sector set-aside.

December 2014

- Solicit names of experts relevant for the thematic call for proposals from the FIP Sub-Committee and the MDBs.
- MDBs and CIF Administrative Unit to make available publicly through various channels, as appropriate, procedures, timeline and a common format as well as relevant background information. This will include revisions to dedicated pages on the CIF and MDB websites (as appropriate) as well as on websites in the countries and other communication means.
- Immediately upon approval of the procedures by the Sub-Committee, the FIP countries and other proponents will work with MDBs to generate project/program ideas to be submitted as a concept note using the common format for submission.

Deadline Date 2015

- Deadline for submission of concept proposals by MDBs to the CIF Administrative Unit. Proposals for review by the expert group compiled by CIF Administrative Unit.

2 Weeks Past Deadline Date

- Expert group meets virtually to review and score received eligible proposed concept proposals and agree on recommendations to be submitted to the FIP Sub-Committee.

2 Weeks Past Meeting of the Expert Group

- Expert group report and balance sheet submitted to the FIP Sub-Committee for a decision-by-mail (10 business days).

10 Days Past Submission to the FIP Sub-Committee

- Posting of decision on CIF website.