CIF CLIMATE INVESTMENT FUNDS

MIDTERM EVALUATION OF THE FOREST INVESTMENT PROGRAM

// July 2024

EVALUATION AND LEARNING //
Summary Brief

CIF Program:
Forest Investment Program (FIP), Dedicated Grant Mechanism (DGM)

TOPICS

- Sustainable Forest Management
- Climate Finance for Forests
- Indigenous Peoples and Local Communities (IPLCs)

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1. OBJECTIVE

This independent, learning-oriented evaluation assessed what elements of the Forest Investment Program (FIP) and Dedicated Grant Mechanism (DGM) have or have not worked, for whom, and under what conditions. The findings and recommendations will be used to inform the remainder of FIP implementation and generate lessons for new CIF programs. The recommendations will also inform discussions on how climate finance can better support Indigenous Peoples and Local Communities (IPLCs) and on ways to improve private sector participation in forest and nature-based programming.

2. CONTEXT

The Climate Investment Funds (CIF) established FIP in 2009 to provide funding for countries to reduce deforestation, curb forest degradation, support sustainable forest management, and promote forest carbon stocks. FIP aims to: 1) initiate and facilitate transformational change in developing countries' forest policies and practices; 2) pilot replicable models to understand the links between forest investments, policies, and measures and their long-term impact on reducing emissions from deforestation and forest degradation; 3) leverage additional financial resources for REDD+, including through a possible United Nations Framework Convention on Climate Change (UNFCCC) forest mechanism; and 4) contribute to the UNFCCC deliberations on REDD+.

In 2009, when FIP was launched, few mechanisms existed to channel forest finance directly to IPLCs. As a result, the DGM was established in 2010, as part of the broader FIP portfolio, to enhance the role of IPLCs in protecting the forests that they depend on. The DGM, as a specialized IPLC-managed mechanism, allows IPLCs to directly access and self-determine the use of resources. As the primary drivers and stakeholders of the DGM, IPLCs play a crucial role in all its activities and decisions.

As of June 2023, a total of US$586 million in FIP financing had been approved by the FIP Technical Committee and Multilateral Development Banks (MDBs), with 75 percent of this funding disbursed. FIP had 52 projects across 13 countries, with 16 projects completed. Most FIP financing (84%) was programmed through country investment plans, with smaller shares channeled through the DGM (13%) and a separate Private Sector Set-Aside (PSSA) (3%). The DGM was active in 12 of 13 FIP countries, with 628 sub-projects and 77 percent of total financing disbursed.

This summary brief is a synthesis of the full report "Midterm Evaluation of the Forest Investment Program", conducted by Indufor North America and ICF.

3. KEY FINDINGS

1 **FIP's concessional finance was important to address funding gaps in the "missing middle" between REDD+ readiness and results-based payments.** FIP was designed as a vehicle to address the funding gap between REDD+ readiness and results-based payments (see Figure 1). Over the past decade, FIP has been a key funder for the forest sector in developing countries, accounting for 18 percent of the US$9.5 billion in public international climate mitigation finance for forests from 2010–2022.

2 **FIP achieved significant successes and results,** including:

- **a** **Strengthened forest governance** in eight countries, helping four countries **unlock REDD+ payments,** bringing **35.9 million hectares of forest under sustainable land use,** and **benefiting 2.8 million people.**
- **b** **FIP and DGM resources were used efficiently,** and projects that focused on land titling for Indigenous communities, agroforestry, and policy reform/implementation were especially cost-effective.
- **c** **All closed FIP projects achieved or exceeded their beneficiary targets, primarily benefiting poor, rural IPLCs.** FIP projects delivered both monetary benefits (i.e., diversifying and increasing income and employment for people in forest and adjacent communities) and non-monetary benefits (i.e., increasing social capital and improving access to food and public infrastructure).
- **d** **Most mature FIP projects deliver gender-responsive results,** although, often, due to the constraints of traditional sector dynamics and gender roles, the potential to close gender gaps is limited.

3 **Important lessons emerged from FIP's investment plan development and implementation processes:**

- **a** **FIP's design choices led to investment plans and projects that address key, small-scale drivers of deforestation.** FIP investments were designed to be highly relevant to national REDD+ plans, which often identify small-scale actors (e.g., smallholders and local communities) as agents behind deforestation and forest degradation.
- **b** **CIF's programmatic approach was stronger in the FIP investment planning phase than in the implementation phase.** During the investment planning phase, a programmatic approach advanced dialogue on countries' involvement in the global forest carbon agenda and provided a basis for collaboration among different government ministries and MDBs. However, systematic collaboration among MDBs did not necessarily continue into the implementation phase, with many countries reverting to a project-oriented approach.
- **c** **The transformational potential of FIP interventions could have been enhanced through greater attention to scaling mechanisms and systems thinking during the investment planning phase.** FIP investment plans and project designs often lacked a clear line of sight between small-scale actors and large-scale drivers or systems of deforestation that the FIP projects were aiming to change. This led to undue responsibility on small-scale actors, although larger, more powerful actors contributed significantly to deforestation. The FIP experience has demonstrated the importance of engaging with both large- and small-scale direct and indirect drivers of deforestation to advance sector transformation.

4 **FIP has not engaged the private sector at the level or breadth anticipated, although private sector projects have delivered some outcomes in line with FIP objectives.** Private sector projects represented six percent of the overall FIP portfolio. Private sector engagement was hindered by government-led investment planning processes, design flaws in the private sector set-aside mechanism, and the MDBs' relative inexperience and caution in the forest sector.

5 **Many important insights were gained regarding the DGM:**

a **The DGM is an innovative and successful IPLC-governed model to channel finance to forest-dependent IPLCs.** A key outcome across all DGM countries is the enhanced capacity of IPLCs to govern and implement projects using climate finance. This experience has enabled them to pursue other funding sources more effectively.

b **The DGM has delivered many successes and outcomes related to IPLCs' sustainable livelihoods and enhanced capacity, notably around representation and engagement of IPLCs in decision-making, and rights and governance over natural resources.** With governance structures predominantly made up of IPLC representatives, the DGM's institutional structure has empowered IPLCs through self-determination, governance power, representation, and direct access to funding.

c **Although considerable time and resources were required to establish DGM governance structures, they provide strong value for money, especially if they are sustained.** The high initial costs and substantial progress made in setting up this IPLC-accountable and -led funding mechanism have enabled more than half of DGM's country budgets to be allocated directly to IPLC-led initiatives. The long-run cost efficiency will depend on the sustainability of the local governance structures and their ongoing capacity to access and use climate finance to generate local benefits. Other donors can utilize the existing governance structures to allocate resources to IPLCs.

6 **Many of FIP's and DGM's forest and livelihood gains are at risk of not being sustained.** Risks arise from insufficient community governance capacity, lack of market access, and systemic barriers, such as tenure insecurity and policy distortions. Follow-on project funding, especially from the MDBs, has become a default strategy for sustaining and advancing changes beyond FIP's interventions. For the DGM, identifying sustainable and long-term funding has been a challenge, partly due to the absence of a clearly defined fundraising strategy.

4. RECOMMENDATIONS

The evaluation provided recommendations to ensure stronger results and sustainability of new and ongoing FIP projects and improve processes, outcomes, and transformational impact in future CIF programming.

1 **CIF should strengthen its strategic focus on transformational change by operationalizing its programmatic approach to a greater extent.**

2 **Country representatives and MDBs should strengthen project design and implementation to align with the programmatic investment plan, and to improve impact and adaptive sustainability.**

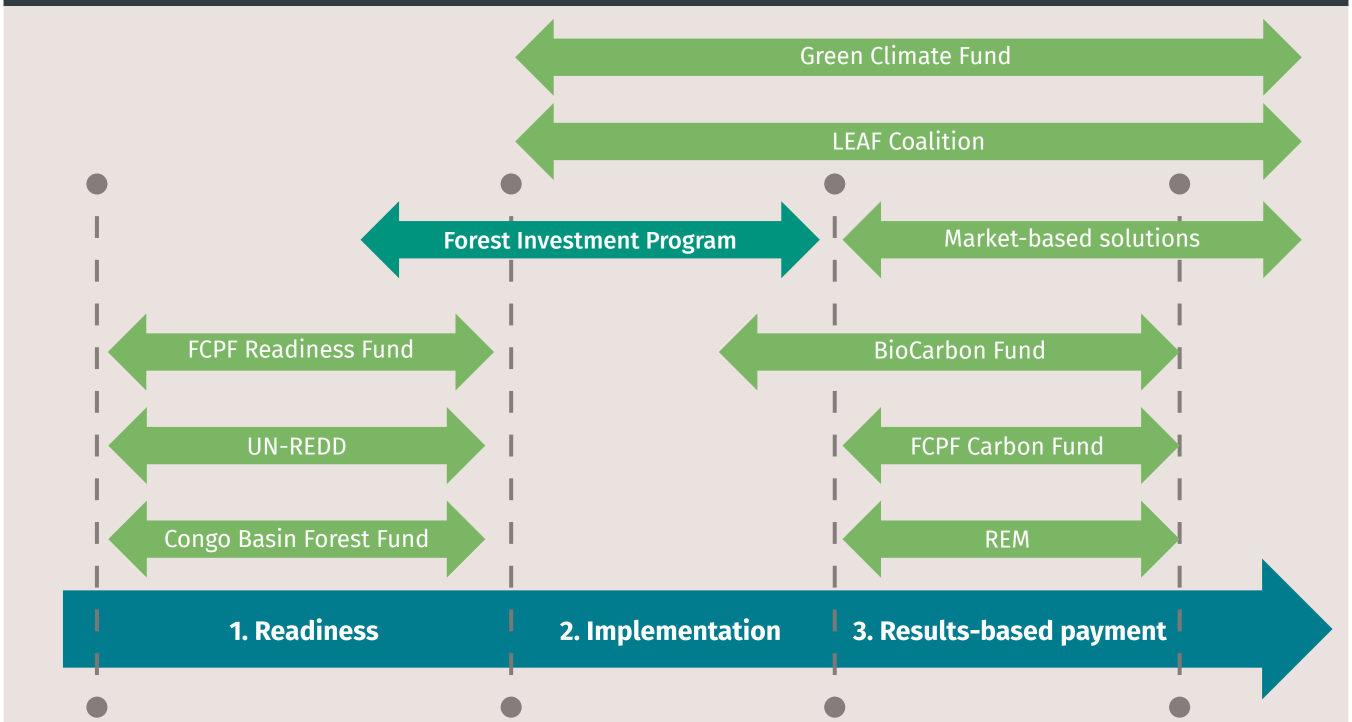
3 **CIF should design future private sector windows to address lessons from the FIP design, while remaining consistent with the principles of a programmatic approach and social inclusion.**

4 **CIF should streamline FIP and DGM collaboration while maintaining IPLC leadership for the DGM.**

5 **CIF and MDBs should engage with other donors to raise sustainable funding for maintaining DGM's capacities and structures.**

6 **CIF and MDBs should enhance support for gender-transformative approaches across the FIP portfolio.**

FIGURE 1. FIP in the Context of International REDD+ Finance



UN-REDD: United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries

FCPF: Forest Carbon Partnership Facility
REM: REDD Early Movers

Adapted from Von Pfiel, E. Redd Early Movers (REM): Rewarding pioneers in forest conservation. GIZ.

THE CLIMATE INVESTMENT FUNDS

The Climate Investment Funds (CIF) were established in 2008 to mobilize resources and trigger investments for low carbon, climate resilient development in select middle and low income countries. Fourteen contributor countries have pledged over US$11 billion to the funds. To date CIF committed capital has generated an additional US$62 billion in co-financing for mitigation and adaptation interventions at an unprecedented scale in 72 recipient countries. CIF's large-scale, low-cost, long-term financing lowers the risk and cost of climate financing. It tests new business models, builds track records in unproven markets, and boosts investor confidence to unlock additional sources of finance. The CIF is one of the largest active climate finance mechanisms in the world.

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