Forest Investment Program (FIP)
Summary of First Design Meeting

Ad Hoc Expert Group
UNFF

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World Bank
November 10, 2008
**FIP within the CIF**

**Climate Investment Funds Partnership Forum**

- **Clean Technology Fund** [US$ 5-10 billion]
  - Promote transformational technologies for transformational change at scale; Unleash potential of public and private sectors to achieve GHG reductions

- **Strategic Climate Fund**
  - Pilot Program for Climate Resilience [US$ 500 million]
  - FIP Forest Investment Program
  - Other SCF Programs

**Contributors**

**SDN Forests**
“Potsdam Mandate”

- To establish a FIP by the end of 2008 within the SCF framework
- FIP to mobilize significantly increased funds to
  - reduce emissions from deforestation and forest degradation, and to
  - promote sustainable forest management and
  - protect carbon reservoirs
- FIP to be developed based on a broad and transparent consultation process taking into account country-led priority strategies and build on complementarities between existing forest initiatives
Underlying Causes of Deforestation

- Socio-economic drivers
- Extra-sectoral policies
- Investment in unsustainable logging
- Weak capacities and inefficient financial resources
- Poor governance and corruption
- Undervaluing forests
- Unclear land tenure and rights
- No access to capital
## Potential of Climate Change Mitigation Measures of Forestry Activities in Non-Annex I Countries

<table>
<thead>
<tr>
<th>Region</th>
<th>Reduced deforestation and degradation (REDD)</th>
<th>Improved Forest Management, including Restoration (IFM)</th>
<th>Afforestation/Reforestation (A/R)</th>
<th>Total (million tCO₂ / yr in 2030)</th>
<th>Share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Non-Annex I</td>
<td>3,900</td>
<td>3,910</td>
<td>3,370</td>
<td>11,180</td>
<td>100</td>
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<tr>
<td>Share, %</td>
<td>35</td>
<td>35</td>
<td>30</td>
<td>100</td>
<td>100</td>
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<tr>
<td>Share of the global potential %</td>
<td>99</td>
<td>68</td>
<td>83</td>
<td>81</td>
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Note: Potential at cost equal or less than USD 100/t CO₂:

### Climate Change Mitigation Potential of Different Forest Measures

<table>
<thead>
<tr>
<th>Deforestation rate/relative forest cover</th>
<th>Low forest cover countries</th>
<th>High forest cover countries</th>
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<tbody>
<tr>
<td><strong>Countries with high deforestation rate</strong></td>
<td><strong>REDD</strong>: high/medium potential&lt;br&gt;<strong>IFM</strong>: low/no potential&lt;br&gt;(<strong>Restoration</strong>: high potential)&lt;br&gt;<strong>A/R</strong>: high potential</td>
<td><strong>REDD</strong>: high potential&lt;br&gt;<strong>IFM</strong>: high potential&lt;br&gt;<strong>A/R</strong>: high potential</td>
</tr>
<tr>
<td><strong>Countries with low deforestation rate</strong></td>
<td><strong>REDD</strong>: low/no potential&lt;br&gt;<strong>IFM</strong>: low/no potential&lt;br&gt;(<strong>Restoration</strong>: medium potential)&lt;br&gt;<strong>A/R</strong>: high potential</td>
<td><strong>REDD</strong>: medium potential&lt;br&gt;<strong>IFM</strong>: high potential&lt;br&gt;(<strong>Restoration</strong>: low potential)&lt;br&gt;<strong>A/R</strong>: low/medium potential</td>
</tr>
<tr>
<td><strong>Countries with zero deforestation/increasing forest area</strong></td>
<td><strong>REDD</strong>: no potential&lt;br&gt;<strong>IFM</strong>: low potential&lt;br&gt;(<strong>Restoration</strong>: low/medium potential)&lt;br&gt;<strong>A/R</strong>: medium potential</td>
<td><strong>REDD</strong>: no potential&lt;br&gt;<strong>IFM</strong>: high potential&lt;br&gt;(<strong>Restoration</strong>: low/no potential)&lt;br&gt;<strong>A/R</strong>: low potential</td>
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## Investment Gap with FCPF and UNREDD

### Readiness

- Emissions reference scenario
- Forest carbon inventory
- Stakeholder consultations
- Identification of the drivers of deforestation/degradation
- Elements of a national strategy to reduce emissions from deforestation and degradation
- Development of monitoring and verification system
- Capacity building

### Investment Needs

- **Closing the Gap through FIP?**

### Payments for Emission Reductions

- Performance-based payments (against measured reductions in emissions from deforestation or degradation)
What is the scope of the FIP?

- Filling current investment gaps in REDD?
- Broader mitigation approach...
- Including adaptation?
- Improve forest livelihood functions?
- Other “co-benefits”?
- Focus on all types of forests or on tropical forests only?
Question 2

What type of investments should be financed through the FIP?

Potential Investments in...

- Institutional capacity, forest governance and information
- Increasing forest benefit yields by forest resource investments
- Investments outside the forests sector
Question 3

Develop FIP as a pilot program or make it more broadly available?

- Need for upfront, at-scale investments in pilot countries?
- Open access for a larger number of individual approaches and country projects?
Question 4

How can the FIP be aligned with country priorities?

- To achieve consistency with National development priorities including national forest programs?
- To develop a shared vision among national forest stakeholders?
- To liaise with FCPF and UNREDD stakeholder processes?
- To make use of the new GFP program?
Question 5

How to harness synergies with other initiatives and funding mechanisms?

- Joint programming exercises with international partners and bilateral donors?
- Build synergies with GEF, FCPF, UNREDD and other initiatives (Amazon Fund)?
- What is the relationship with other international processes/instruments, such as UNFF?
Question 6

What instruments to maximize climate benefits and who should be the beneficiaries?

- Using a range of concessional financing instruments?
  - Grants
  - Concessional loans
  - Risk mitigation instruments
  - Others

- Combine FIP financing with existing ODA mechanisms?

- Link with private sector?

- Funds accessible to governments, private sector, civil society, etc?
Question 7

How to structure the FIP Sub-TF Committee?

- Who should be observer/member of the Sub-TF Committee?
- How to make effective decisions?
Key Outcomes

- Agreement that principle objective is to pilot new approaches and scale-up
- FIP should lead to REDD and promote improved SFM to lead to emissions reductions and protection of carbon reservoirs
- Should work with both public and private sectors
- Should
  - Be inclusive
  - Address drivers of deforestation
  - Take a multi-sectoral approach
  - Maintain flexibility to promote learning
- Recognize that REDD can promote co-benefits, including adaptation
- Indigenous communities needs should be addressed in design and implementation
- Should build upon complementarities, such as GEF, FCPF, UNREDD and UNFF and follow country-led priorities
- Should be a pilot program (number of pilot countries determined by available resources)
- Criteria and process for selecting pilot countries
- Proposal to cover different situations:
  - demonstrate how to curb deforestation over medium term (REDD)
  - demonstrate how to lay foundations for sustainable management of forests in “big prize states”
  - demonstrate incentives to maintain carbon stocks and avoid deforestation processes to take off
  - Systematic halt and reverse degradation
- Build on FCPF and UN-REDD
- Multi-stakeholder working group being created to plan next design meeting