



Rights, forests and climate briefing series – October 2009

The World Bank's Forest Investment Programme (FIP): core elements and critical issues

What is the FIP and what is it for?

The Forest Investment Programme (FIP) is part of a bundle of new climate-related finance initiatives announced by the World Bank under the banner of the 'Climate Investment Funds' (CIFs). It is one of three 'targeted' climate programmes and 'multi-donor trust funds' set up within the Bank's Strategic Climate Fund (SCF), which was approved by its Board of Executive Directors in September 2007.¹ The objectives and governance structure of this global forest fund are set out in a general FIP 'Design Document' adopted in July 2009.² According to the Design Document, the main purpose of the FIP is to finance the implementation of national strategies for 'Reducing Emissions from Deforestation and forest Degradation in developing countries (REDD)' that are being developed by governments under the World Bank's Forest Carbon Partnership Facility (FCPF)³ and related schemes such as the 'United Nations Collaborative Programme on Reducing Emissions from Deforestation and forest Degradation in developing countries' (UNREDD). Specific objectives of the FIP are summarised in Box 1.

How will the FIP work?

A Sub-Committee of the FIP (FIP S-C) will govern the fund and will be responsible for agreeing and appointing a FIP 'expert group'; refining selection and operational criteria for pilot programmes; selecting pilot countries based on the recommendations of the expert group and approving FIP financing for programs and projects. This Sub-Committee will comprise of up to six representatives of the donor governments and an equal number (up to six) representatives of the recipient governments.

The FIP S-C may include 'active observers' from UNREDD, the FCPE, the Global Environment Facility (GEF); as well as four representatives each (two representatives plus two alternates) for indigenous peoples, civil society and the private sector. The Committee is required to achieve consensus decisions among

government members, but is only encouraged to 'take into account' the views of observers [FIP Design Document, para. 22].

Schedule and process for FIP activities

Donor government members of the FIP S-C were selected in July 2009 (Australia, Denmark, Norway, United Kingdom and the United States), but the process for the final selection of recipient country and observer members is not clear. It seems an interim group of observers (already selected for the SCF) will take part in the first FIP S-C-meeting – planned to take place at the end of October 2009.⁶

After the full Sub-Committee is established, eligible CIF countries may submit national or regional 'investment strategy proposals' seeking FIP support. REDD and related forest investment proposals will be reviewed by the FIP expert group.

Once potential pilot countries have been identified, a 'joint multilateral development bank (MDB) mission' will visit the countries to 'develop an investment plan.' This plan will be approved by the FIP S-C and then specific projects and programmes will be prepared and joint financing for these activities will be decided in more meetings of the FIP-SC.⁷ No target date has been set for approval of the first plans or projects.

Weak treatment of rights issues

Other than a commitment to undertake prior impact assessments⁸ and the principle that the FIP '*...should* contribute to the livelihoods and human development of forest dependent communities, including indigenous peoples...', FIP principles are generally weak on social and rights issues. Criteria for the review of investment strategies only acknowledge the need to ensure that their development has involved public consultations at the country or regional level 'consistent with relevant international instruments, obligations and domestic laws' (Design Document, para 16(d)). More generally, however, the

Box 1: Objectives of the FIP

The FIP will provide 'up-front bridge financing' for REDD readiness reforms and other activities that aim to influence the forestry policies of developing countries in a 'transformational' way by supporting programmes and projects to:

- scale-up and implementation of national and local strategies for 'Reducing Emissions from Deforestation and forest Degradation in developing countries (REDD)'
- support improvements in forest law enforcement and governance
- address 'key direct and underlying drivers of deforestation'
- support activities including forest conservation, 'enhancement of carbon stocks', and 'scaled-up private investment in alternative livelihoods for forest dependent communities'
- promote payment for environmental services (PES) schemes, 'company community partnerships', forest certification, afforestation and reforestation of 'degraded' forest lands and forest landscape restoration⁴
- enable investments outside the forest sector to reduce 'pressure' on forests, including 'agricultural investments' and 'agricultural intensification, including agroforestry'⁵
- finance pilot projects and programmes to 'generate understanding' about the links between 'forest investments', policies and measures and the 'conservation, enhancement and retention of forest cover and carbon stocks in developing countries'
- lever additional funds for REDD, including through a possible 'United Nations Framework Convention on Climate Change' (UNFCCC) forest mechanism
- generate lessons and experience for input to 'UNFCCC deliberations on REDD'

FIP fails to recognise the need for its projects to respect human rights standards and obligations. Treatment of indigenous issues is largely confined to a World Bank plan to establish a fund for indigenous peoples (Box 2).

The FIP has committed to designing this dedicated initiative '...through broad, transparent consultation with indigenous peoples and local communities...across all forest regions, and should build upon lessons learned from existing mechanisms' [Design Document para. 39]. Terms of Reference for the design process are to be finalised by the end of October 2009. Indigenous and local community-led consultations will take place to help elaborate a full proposal. The final design for the dedicated initiative is expected to be adopted in the second half of 2010.

Failure to uphold the right to free, prior and informed consent (FPIC)

Despite strong advocacy by indigenous peoples' representatives during the FIP design phase, certain donor governments insisted on the removal of any reference to free, prior and informed consent in the final design document. Instead, the FIP has provided non-binding 'consultation' guidelines on how FIP-supported programmes or actions should address the need to involve indigenous peoples and local communities (Box 3). As non-binding guidance, FIP considers the FIP consultation guidelines to be significantly below international standards on requiring consent from indigenous peoples for activities that impact on their lands and on their rights.

In addition, the use of optional language on prior consultation in FIP-assisted operations appears to contradict binding safeguard standards established under the World Bank's Operational Policy on Indigenous Peoples (OP4.10).

The FIP design document affirms that 'the FIP programming, approval and supervision processes will follow the MDB's policies and procedures, including the relevant MDB's disclosure policy', which presumably includes the Bank's safeguard policies, *though this is not made explicit*.¹⁰ There is thus some confusion over the precise relationship between the FIP optional guidelines and the binding policies of the World Bank and other MDBs.

Risks and potential social impacts

The FIP's focus on supporting national REDD strategies and changing the forest laws and policies of recipient countries means that it could have a direct and immediate impact on the lives and livelihoods of indigenous peoples and traditional forest dwellers.

While the design document affirms that the FIP '...should not support the conversion, deforestation or degradation of...forests, *inter alia*, through industrial logging, conversion of natural forests to tree plantations or other large-scale agricultural conversion',¹¹ critics emphasise that criteria for FIP financing remain unclear and loopholes remain. They are still concerned that FIP will be used to expand Bank finance for conventional forestry projects.

They note, for example, that FIP plans to support 'enhancement of carbon stocks' and 'reforestation' may mean that the fund will finance tree plantations, while FIP support for 'company and community partnerships' and forest certification could still mean finance for logging companies.

FIP objectives to 'reinforce' ongoing conservation efforts in forests may also include finance for protected area systems that likewise have tended to generate adverse impacts on indigenous peoples and forest-dependent communities. At the same time, it is not at all clear what the FIP intends under its plans for 'increased private sector support for alternative livelihoods' nor how this might impact on indigenous peoples. Past 'alternative livelihood' efforts in forests supported by the World Bank and GEF have often not generated significant local benefits for communities and in some cases have left local people worse off.¹²



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Top: Current FIP objectives include proposals to support ‘agricultural intensification’. Middle: Loopholes in the design of the World Bank forest fund may mean that large scale plantations or logging may still be financed under the FIP.

Bottom: Forest communities are often remote from central World Bank decision-making. Bagyeli forest house, Cameroon.

Box 2: The Indigenous Peoples and Local Communities Dedicated Initiative⁹

This dedicated fund ‘*should*’ include support for:

- securing and strengthening customary land tenure and resource rights and traditional forest management systems of indigenous peoples and local communities
- capacity building for the development of pilot project proposals by indigenous peoples and local communities and their implementation
- the involvement of indigenous peoples and local communities in monitoring and evaluation of forest activities, in conformity with relevant *national* laws and regulations

FIP Design Document para 39, (italics added)

Box 3: FIP consultation guidelines

Key guidelines, include, *inter alia*:

- ‘(1) Consultation with indigenous peoples and local communities likely to be affected by proposed investment strategies, programs and projects should occur freely and voluntarily, without any external manipulation, interference, or coercion...’
- ‘(6) A consensus reflecting *broad community* support for the investment strategy, program or project *should* emerge from the consultations before the strategy, program or project moves forward.
- (7) In the case of indigenous peoples, such consensus *should* include support from the community as expressed by their leader(s). In addition, for both indigenous peoples and local communities, the strategy, program or project *should* not proceed without acquiring broad community support, as set forth in these FIP guidelines.’

FIP Design Document, Annex III (italics added)

Box 4: Some remaining problems with the FIP

- failure of the FIP to require that its operations comply with applicable international standards, including norms established under the UN Declaration on the Rights of Indigenous Peoples and related human rights instruments
- lack of provisions and mechanism to protect the right of indigenous peoples to grant or withhold their free, prior and informed consent (FPIC)
- confusion over which social policies, standards and commitments apply to the FIP and a risk of dilution of existing safeguard standards and accountability structures
- unresolved safeguard compliance and due diligence problems in existing Bank loans and grants for forest and climate initiatives, including readiness activities supported by its Forest Carbon Partnership Facility – see FPP briefing on the FCPF
- ongoing risks that FIP funds could be used to finance destructive plantation and logging investments in the name of climate protection (greenwash and business as usual)
- contradictions between the World Bank's stated commitment to combat climate change through initiatives like the FIP and its ongoing finance for fossil fuel development and extractive industries

Outstanding concerns with the FIP

While plans to set up an indigenous fund have the potential to deliver local benefits if implemented with the full support and involvement of rights holders, the lack of adequate social safeguards and commitments for the rest of the FIP activities as a whole remains a serious concern (Box 4). At the same time, critics point out that the FIP design document is vague on precisely which activities the FIP may or may not finance and detailed eligibility criteria are yet to be developed by the FIP S-C. Civil society organisations express concerns that they will now be effectively excluded from participation in the formulation of these criteria as they only have observer status in the FIP.

Undue influence?

Despite the existence of a 'sunset clause' in CIF documents promising to close down the World Bank's climate funds once a new international financial architecture is 'effective', some NGOs, indigenous peoples and developing country governments remain concerned that the World Bank is gaining undue influence in the development of global finance for forest-related climate projects and programmes.¹³ Given that agreed structures for global climate finance might take a significant number of years to establish, these critics fear that the World Bank could become the de-facto interim finance mechanism for the UNFCCC without being under its direct authority, raising a whole series of accountability questions.

Recommendations

To address the above problems the FIP needs to:

- define strong and unambiguous criteria and indicators for FIP financing including an exclusion list for investment that would not be eligible for FIP funds.
- establish mechanisms and procedures to ensure that all its operations meet international environmental and human rights standards, including the UN Declaration on the Rights of Indigenous Peoples and related human rights instruments, with mechanisms to uphold FPIC
- ensure greater transparency in the operation of the FIP, including disclosure of draft documents concerning FIP investment strategies that must be made available to civil society, indigenous and other forest peoples' organisations to allow for effective review and inputs
- take measures to ensure that the wider portfolios of the World Bank and other MDBs do not undermine the FIP's climate change mitigation objectives. □

1. The other two programmes under the SCF are the Pilot Programme for Climate Resilience and the Scaling Up Renewable Energy Programme (SREP).
2. http://siteresources.worldbank.org/INTCC/Resources/Final_Design_Document_July_7.pdf
3. FIP Design Document, paragraph 10, page 4
4. FIP Design Document paragraph 12(b)
5. FIP Design Document paragraph 12(c)
6. CIF (2009) *Chair's Summary of Meeting on Pledging for SCF Targeted Programs: Forest Investment Program and Program for Scaling Up Renewable Energy in Low Income Countries*, July 13, 2009
7. Flow Diagram for FIP Programming, FIP Design Document page 16
8. FIP Design Document paragraph 11(b)
9. FIP Design Document paragraph 39
10. See also, CIF (2008) *Governance framework for the Strategic Climate Fund* Joint Meeting of the CTF and SCF Trust Fund Committees Washington, D.C. November 18, 2008 paragraph 8
11. FIP Design Document paragraph 16(g)
12. e.g. Griffiths, T (2006) *The Global Environment Facility (GEF) and its Local Benefits Study – A critique* FPP, Moreton-in-Marsh
13. Tan, C (2008) 'World Bank's Climate Funds Will Undermine Global Climate Action' Third World Network

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