Call for Board inputs
REDD+ Results-Based Payments

The GCF aims to support a paradigm shift in the global response to climate change, for which It allocates ex-ante resources to low-emission and climate-resilient projects and programmes in developing countries. RBP for REDD+ implies the allocation of ex-post resources to reward emission reductions and increased removals by forest. In the context of RBP for REDD+, the REDD+ activities will be in line with the paradigm shift that the GCF aims to support.

At the fourteenth meeting, through decision B.14/03, the Board of the Green Climate Fund (GCF) requested the Secretariat to develop "a request for proposals (RFP) for REDD+ results-based payments (RBP), including guidance consistent with the Warsaw Framework for REDD+ and other REDD+ decisions under the United Nations Framework Convention on Climate Change (UNFCCC).

While the UNFCCC guidance including the Warsaw Framework provides guiding pillars for REDD+, operationalization of REDD+ results-based payments at the GCF requires further analysis and discussion of elements related to technical and procedural aspects in the context of the governing instrument of the Fund and current procedures. These elements have been identified in section 4.1 of document GCF/B.14/03 and section 3 of document GCF/B.15/Inf.07. These elements have also been discussed in the GCF dialogue at the 22nd session of the Conference of the Parties (COP) and analyses undertaken to date on the existing UNFCCC guidance and current GCF policies, standards and procedures.

This call seeks inputs from the Board on those identified elements through a structured template which is included below. In the template, a distinction is made between those elements that relate to the GCF procedures and mandates requiring Board decisions for framing of the RFP and those elements that relate to the technical aspects of the modalities. A parallel process focused on the technical modalities only seeks inputs from relevant global stakeholders, including CSOs, Indigenous peoples' representatives, private sector and REDD+ experts.

Input from the Board will be shared publically and analysed by the Secretariat for the preparation of the first draft of the RfP.

Input requested

The Board is requested to provide input on the following key procedures and technical elements to support the development of the RfP for RBP. The template enclosed below includes guiding questions provided as reference only and can be complemented with additional questions identified by the Board.

Please provide your inputs using the template and send to fundingproposal@gcfund.org by **20th March 2017 at 23:59 Korean Standard Time with subject line "Call for Inputs REDD+ Board"**. Include in the text message: Name title and Organization; Country/constituency

Template for receiving inputs

I. Elements related to procedures and mandates of the Fund (for the Board only)

Procedure element 1: Access modality

Issue: While the COP noted that national entities or focal points of developing country Parties may nominate their entities to obtain and receive RBF,[1] consistent with any specific operational modalities of the financing entities providing them with support, GCF resources are currently accessed through accredited entities.[2] Guidance is required regarding the access modality for channelling RBP in accordance to the Governing Instrument while following COP decisions.

UNFCCC mandates and existing practices of key initiative funds:

- UNFCCC: Formally nominated national entities or focal points to receive RBPs, consistent with any specific operational modalities of the financing entities providing them with support
- Forest Carbon Partnership Facility (FCPF) Carbon Fund: Government or a government-approved entity that is authorized to enter into a legal agreement with the fund
- REDD Early Movers (REM): National and state administrations (e.g. Ministry of Environment)
- Norway-Guyana bilateral agreement: Finance channelled through the Guyana REDD+ Investment Fund
- Norway-Brazil bilateral agreement: The Amazon Fund administered by the Brazilian Development Bank
- Norway-Peru agreement: Implemented by the Inter-American Development Bank

Guiding questions:

1.1: What should be the role of the REDD+ national entities or focal points to the UNFCCC in accessing RBP?

1.2: What should be the role of the accredited entity (AE) in the RBP process?

1.3: Should there be another access modality for RBP other than though AE?

1.4: Should the NDA play a formal role in the RFP proposal process besides providing a NOL, and if so, what role should that be?

1.5 Others?

Response to all questions:

It is of critical importance for the Board to fully understand the relevant COP decisions prior to its discussions on access modalities for RBP, in accordance with the GI and arrangements. In particular, e COP decision 10/CP.19, notes "entities obtaining and receiving results based payments must be consistent with any specific operational modalities of the financing entities providing them with support." In this regard, the GCF's Governing Instrument is clear that the Fund "may employ" results based financing approaches where approrpaite. As such RBP approached are to be seen as a type of financial instrument. Accordingly, the Board will need to take a decision to employ such approaches prior to its consideration of a pilot RFP. This determination has not happened, despite the GI and relevant elements of the Strategic Plan.

However, before its consideration of whether to emply results based payments as one of the Fund's financial instruments, the Board should be appraised of the operational modalities for engaging in payments that are consistent with the Fund's current arrangements. There should be no changes to the Fund's policies to specifically accommodate results based payments. No new or stand alone access modalities should be created for results based payment approaches i.e entities would need to seek accreditation, submit a funidng proposal that is to be assessed against the Fund's investment framework etc. The roles of the NDAs remain as per decision B.04/05, and subsequent decisions related to national processes. The Board should not provide additional guidance on how the NDAs/FP interact with REDD+ focal points/entities and these national arrangements should be left to the countries to determine themselves.

[1] UNFCCC decision 10/CP.19, paragraphs 1 and 2.

[2] Except for resources for readiness and preparatory support which can be accessed by national designated authorities.

Procedure element 2: Financial valuation of results

Issue: Guidance is required on how to determine the relationship between the Emissions Reductions results proposed and the amount of finance to be provided. For example, most initiatives set a payment per tonne of carbon dioxide equivalent (tCO2eq).

UNFCCC mandates and existing practices of key initiative funds:

- UNFCCC: No specific guidance on methods of financial valuation.
- FCPF Carbon Fund: Subject to negotiation between the fund and the REDD program but fund participants have currently indicated a willingness to pay up to USD 5 per tCO2eq. No additional payment premium for co-benefits provided.
- REM: USD 5 per tCO2eq
- Norway-Guyana bilateral agreement: USD 5 per tCO2eq
- Norway-Brazil bilateral agreement: USD 5 per tCO2eq

Guiding questions:

2.1: How should the valuation of results (payment/tonne CO2) be estimated?

a) A single, fixed payment; if so, indicate the amount and rationale.
b) A payment (or volume paid) adjusted according to methodologies used (i.e. use of IPCC tier 1-3 Good Practice Guidance, uncertainty level of estimated Emission Reductions, etc.)
c) Open prices submitted to the RFP
d) Other?

Response:

Ideally, the competitive process as envisaged in Decision B.05/05, should apply. However, should the Board approve an RFP on a pilot basis, it makes sense to have a single, fixed payment for the pilot phase.

Procedure element 3: Size of the RFP

Issue: The Board would need to determine the overall size of the RFP in terms of funding. This decision could take into account the existing funding available, the estimated potential demand for RBP during the period of the RFP, the potential to meet the objectives of the GCF via a RBP program, and other considerations such as the length of the RFP (discussed below under Procedure element 7).

UNFCCC mandates and existing practices of key initiative funds:

- UNFCCC: No guidance on funding size, but encourages GCF to collectively channel adequate and predictable results-based finance in a fair and balanced manner, taking into account different policy approaches (Decision 9/CP.19 paragraph 5).
- FCPF Carbon Fund: Around US$ 735 million in committed funding for emission reduction payments through 2025
- REM: US$ 56.5 million
- Norwegian International Climate and Forest Initiative (NICFI): US$ 365 million/year

Guiding questions:

3.1: What should be the total amount of funds to be set aside for the RFP at this time?

3.2: On what basis should the GCF estimate the total amount of funds to be set aside for the RFP?

3.3: How should the funds be channeled in a fair and balanced manner?

a) An initial RFP for a limited number of countries with an equal cap per country.
b) An initial RFP for a limited number of countries without a cap
c) An initial equal cap per country allowing transferability of funds among countries
d) A regional allocation of the overall funding available
e) Other?

Response:

The determination of the overall size of an RFP, should the Board agree to one, needs to be based on the current and projected pipeline and the commitment authority the Fund has over the period that the RFP is expected to be operational. The Board should be aware that the RFP above 500 million could place limitations on the overall approvals pipeline, which for 2017 is already close to the commitment authority. Again, the overall size of a proposal would be in relation to the accreditation scale and risk category of the accredited entity and consistent with the investment framework. Given that this is a pilot initiative, the scale should be limited and the operation of the RFP should correspond to the Secretariat's capacity to manage the process.

Procedure element 4: double financing

Issue: The current REDD+ finance landscape provides finance through a range of bilateral and multilateral funding sources. There is also a potential overlap of finance provided for a country to generate emission reductions through ex-ante finance which could later pursue ex-post payments. This could take place from different sources of funding as well as from the current finance provided by the GCF under the regular project cycle and through RBP.

UNFCCC mandates and existing practices of key initiative funds:

- UNFCCC: Risk of double finance is not mentioned in the COP decisions. Nonetheless, paragraph 9 of Decision 9/CP.19 establishes the information hub aiming to increase transparency of information on results-based actions, and the corresponding payments.
- FCPF Carbon Fund: Requirement that emission reductions sold and transferred to the Carbon Fund are not used again by any entity for sale, public relations, compliance or any other purpose. An ER transaction registry is required to offer insurance against double counting and provide transparency to the public that there is no double claiming of the environmental benefit, in respect of the GHG emission reductions or removals.
- REM: REDD+ partner countries should have a mechanism, such as a registry, in place that prevents double counting as well as payments or the use of these ERs as offsets.

Guiding questions:
4.1: In what instances may double financing of results generate a concern? How could this concern best be addressed?
4.2: How should the GCF take into account the ex-ante finance provided either by the GCF regular project cycle or other sources of finance?
4.3: Should GCF create or utilize an existing registry to track GCF-funded Emission Reduction tonnes in some way, in addition to the UNFCCC information hub?
4.4: Other?

Procedure element 5: Use of proceeds

Issue: The Board may need to consider if any restrictions are needed on how the GCF RBPs are subsequently used, for example for activities implemented that do not contradict the results achieved or more broadly contradict the objectives of the GCF. This is also related to Operationalization of the 'Cancun Safeguards' discussed below.

UNFCCC mandates and existing practices of key initiative funds:

- UNFCCC: Use of proceeds is not mentioned in the UNFCCC decisions
- FCPF Carbon fund: Programs to provide a description of the benefit-sharing arrangements including a benefit sharing plan
- REM: Programmatic benefit-sharing and investment plan are set in bilateral agreement; Requires that at least 50% of RBP reaches local level.
- Norway-Indonesia bilateral agreement: Transparent and equitable benefit-sharing mechanism required.

Guiding questions:
5.1: Should the GCF place any conditions or restrictions on the use of RBPs? If so, what kind of conditions would that be?
5.2: Other?

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Response:

Yes, the FAA between the Fund and the Entity receiving resources needs to clearly spell out in a legally binding matter what the resources received from the GCF will be used for. This is in accordance with current policy.

Procedure element 6: Ownership, legal title and implications for NDCs

Issue: The COP decisions do not provide any guidance regarding transfer and legal title of emissions reductions that result from REDD+ activities for the financial mechanisms like the GCF. Board would need to consider providing clarity on the status of Emission Reductions paid with GCF funds (may also apply for ex-ante finance).

UNFCCC mandates and existing practices of key initiative funds:

- UNFCCC: REDD+ in the UNFCCC is referred to as “policy approaches and positive incentives”. Also, decision 2/CP.17, paragraphs 66 and 67, refer to both appropriate market-based approaches and non-market-based approaches could be developed to support the results-based actions by developing country Parties. While the COP decisions do not mention title creation and transfer, article 6 of the Paris Agreement envisions the use of internationally transferred mitigation outcomes on a voluntary basis as authorized by participating Parties through a mechanism established under the authority and guidance of the COP (rules, modalities and procedures are yet to be defined).
- FCPF Carbon fund: Requires transfer of ERs, formalized through emission reduction payment agreements (ERPAs)
- REM: No transfer of ERs; ERs are retired and cannot be used for offsets, but recipients may report ERs to UNFCCC
- NICFI: No transfer of ERs.

Guiding questions:
6.1: Should there be any legal title or transfer of ownership associated with the payments? If so, should the GCF-funded Emission Reductions be fungible with other mechanisms?
6.2: Should GCF “pay” for results without claiming any emission reductions? If so, would there be any obligation from the recipient country in relation to the “paid” emission reductions?
6.3: What are the implications for reporting in a country NDC from GCF-funded Emission Reductions?
6.4: Other?

Procedure element 7: Eligibility date for payments and length of the RFP

Issue: Under the current UNFCCC REDD+ decisions, Parties, when constructing their national (or subnational) forest reference emission level and/or forest reference level, may choose their own baseline. This flexibility results in various reference and accounting periods that vary by country. The Board may need to set a starting date from which it will operationalize financing for results achieved by countries. This will be linked to the overall length of the RFP.

UNFCCC mandates and existing practices of key initiative funds:

- UNFCCC: no reference to eligibility date for payments.
- FCPF Carbon Fund: payments can be made for emission reductions during the term of the Emission Reduction Payment Agreement (ERPA).
- REM: varies by country, in the case of Acre-Brazil emissions reductions are accounted from 2012 to 2015 while in Colombia from 2013-2017.

Guiding questions:
7.1: What should be the starting date for considering eligible results for RBP?
7.2: Should the starting period be the same for all countries or defined on a case by case basis?
7.3: What should the payment period be – over what timeframe? i.e., when should it end?
7.4: Other questions?

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II. Elements related to technical modalities (for the Board and REDD+ stakeholders)

Technical element 1: Scale of implementation

Issue: UNFCCC provisions request forest reference emission level and/or forest reference level (FREL/FRL) and measurement, reporting and verification (MRV) to be national with some flexibility for subnational scale as an 'interim measure'. Guidance is required for defining the scale of implementation for countries requesting RBPs. The GCF needs to state in the RFP what scale of implementation is acceptable in proposals; while being consistent with UNFCCC guidance on FREL/FRL and MRV. The GCF should also contemplate whether and how the existing REDD+ initiatives at different scales and approaches can be considered in the RFP.

UNFCCC mandates and existing practices of key initiative funds:

- UNFCCC: Requires national FREL/FRL or, if appropriate, as an interim measure, subnational FREL/FRL, in accordance with national circumstances (Decision 1/CP.16 paragraph 71).
- Forest Carbon Partnership Facility (FCPF) Carbon Fund: Allows for national and subnational (jurisdictional) level. Most programs are subnational.
- REDD Early Movers Program (REM): Allows for national and subnational. So far the experience has been subnational.
- Norwegian International Climate and Forest Initiative (NICFI): Mainly national level agreements with national governments, although implementation occurs at subnational scales in some countries.

Guiding questions

1.1: What scale of implementation (national, subnational, nested) should be considered for the RFP?

1.2: Should the GCF provide detailed guidance for defining the scale of eligible proposals?

1.3: Other questions?

Technical element 2: Forest reference emissions levels (FREL)/forest reference levels (FRL)

Issue: Warsaw Framework for REDD+ articulates modalities for the development and technical assessment of FRELs/FRLs, and for monitoring, reporting and verification (MRV) of emission reductions achieved through REDD+ activities. Under the current UNFCCC REDD+ decisions, Parties, when constructing their national (or subnational) forest reference emission level and/or forest reference level, may choose their own baseline. This flexibility results in various reference and accounting periods that vary by country. The GCF needs to consider ways to link these procedures with RBF while considering specific countries' circumstances.

Existing practices of other funds:

- FCPF Carbon Fund: Follows UNFCCC requirements of using historical averages and adjustment but it only allows limited adjustment for "high forest low deforestation" (HFLD) countries with justified changes in deforestation trends and puts in place further requirements on the historic averages by requiring that the historic period considered is about 10 years before the end date which should be the most recent date prior to two years before the start of the draft ER Program Document assessment.
- REM: Historical average rates
- Norway-Guyana bilateral agreement: Mean value of historic average rate and developing country average, with downward adjustment option
- Norway-Brazil bilateral agreement: Historical average rates, updated every 5 years

Guiding questions:

2.1: How should the GCF take into account the different approaches used for defining FREL/FRL and translated into verified REDD+ results?

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2.2: Is there a need for additional GCF-specific criteria for FREL/FRL and MRV? If so, what type criteria should that be?
2.3: How should the GCF take into account the results of the analysis of the REDD+ technical annex[3]? What process and review criteria, if any, in order to make funding decisions?
2.4: Should a description of how alignment of subnational FREL/REL to national-scale FREL/REL be required?
2.5: Other questions?

Technical element 3: Operationalization of the 'Cancun safeguards'

Issue: The Warsaw Framework for REDD+ and earlier COP decisions contain seven safeguards[4] that are required to be addressed and respected in all phases of REDD+. The GCF needs to consider how these relate to the existing GCF policies, procedures and reporting requirements, in particular how they can be reconciled with the interim safeguards of the GCF (IFC Performance Standards). The GCF also needs to decide if additional guidance is required on REDD+ RBP-specific considerations in order to operationalize RBP. Such guidance could be warranted, for example, to address the risks of reversals of Emission Reductions achieved, or information may be required to ensure GCF's ESS, fiduciary standards, and gender policy are upheld in activities that produced ERs being rewarded.

Existing practices of other funds:

- FCPF Carbon Fund: World Bank safeguard policies and processes (Strategic Assessment and Management Framework); Benefit Sharing Plan
- REM: Cancun REDD+ Safeguards; KfW safeguards; BMZ human rights guidelines
- Norway-Guyana bilateral agreement: World Bank, IDB and UNEP safeguards
- Norway-Brazil bilateral agreement: Safeguards of the Brazilian Development Bank

Guiding questions:
3.1: How should the GCF assess the implementation of the Cancun Safeguards in addition to the IFC performance standards (interim GCF ESS)?
3.2: Should the GCF develop additional guidance for the reporting on how the Cancun Safeguards are being respected?
3.3: Other questions?

Any additional issues/comments

[3] Decision 14/CP.19
[4] Appendix I to UNFCCC decision 1/CP.16.