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

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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?

As per decision 10/CP19, national entity or focal point should serve as a liaison with the secretariat and the relevant bodies under the Convention and on the coordination of support for the full implementation of activities and elements referred to REDD+ activities, conditions for countries for the access of REDD+ finance and the three phases of the REDD+. Furthermore in the same decision it is established that national entities/focal points of developing country Parties may nominate their entities to obtain and receive results-based payments, consistent with any specific operational modalities of the financing entities providing them with support for the full implementation.
Therefore, in coherence with the above decision and with the operational modalities of GCF, the REDD+ national entity or focal point, if not accredited to the GCF, will have to indicate the accredited entities for RBP. Written consent from the national entity or focal point to the GCF NDA should be mandatory for the approval of the proposals.

Currently GCF proposals can be submitted by both existing accredited entities and entities with the potential to become accredited. In case of potential AE submitting proposals for RBP from REDD+ countries without AE, the process for the accreditation could be accelerated so to guarantee full participation of countries.

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

The accredited entities are entitled to receive funding under RBP only after written consent from the REDD+ national entity or focal point to the GCF NDA.

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

Direct access through the REDD+ national entities/focal point could be explored, but exclusively through the GCF accreditation process.

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?

No other roles should be given to the NDA beyond providing the NOL. The NOL should be provided only after written consent from the REDD+ national entity or focal point.

1.5 Others?

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

[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.

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.
- 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.

In coherence with the current ongoing processes, in the first phase of the GCF a fix payment per tonne should be established with a starting price of 5 per tCO2eq, that could be reviewed in a second phase of the process according to the experience gained, with the view of setting a system of payments that values multiple non-carbon benefits that can contribute also to adaptation (Decision 18/CP.21) with an higher price (or other criteria to be established) payed to proposals according to guidelines to be established.

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.)

Rather than price adjustments, a system with a discount factor on the volume paid for low level of methodological accuracy could be established, allowing those countries with limited forest monitoring capacity to join, without undermining the integrity of the system. A promising approach is the one proposed by Grassi et al. 2013 (*Grassi G, Federici S, Achard F. Implementing conservativeness in REDD+ is realistic and useful to address the most uncertain estimates Climatic Change (2013) 119:269–275 DOI 10.1007/s10584-013-0780-x*). This approach proposes to apply conservative discounts to those estimates which may be assumed to be inherently more uncertain (e.g. when tier-1 carbon stock factors are used), using the adjustment process applied by the review process in the Kyoto protocol. This would allow the participation of countries capable of assessing changes in forest area following IPCC guidance but without a proper forest inventory to estimate the amount of carbon per unit of area, lowering the risk of the overestimation of Emission Reduction claimed for payments.

c) Open prices submitted to the RFP

d) Other?

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?

With the view of proceeding with a stepwise approach, where the amount of funding are reviewed after a first pilot phase on the basis of experience gained and current conditions, a first allocation not exceeding 500 million of US$ should be considered for this first phase.

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

Total amount for RBP should be balanced within the overall GCF commitments, taking into consideration the funds allocated for mitigation, seeking balance between the REDD+ and the other sectors as well as among the different phases of the REDD+.

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?

It is important to ensure a broad participation among regions and Countries and that adequate financing is shared according to emission reduction potentials. An equal cap per country doesn't exploit the potentiality of countries with large forests and potential emissions. A possible option would be an allocation of the overall funding available for the RFP on the basis of forest cover and type (linked with carbon content). Alternatively the sharing could take into account the number of the countries that have submitted their FRL/FREL to the UNFCCC: 25 Countries have submitted their FRL/FREL by now; 10 of these proposed FRL/FREL have been already technical assessed. Only one Country has already presented results which have been technical assessed through the assessment of the relevant technical annex to the I Biennal Update Report (BUR) . The quantitative information assessed in their submissions in relation to the mitigation potential related to the REDD+ activities to implement could be used as starting point for fix the share of the amount for RBP.

Once received the proposals, the GCF will share the total funds among those submitting countries, taking into consideration the amounts of RBP requested by each proposal and the respective initial allocation. The total RBP will be therefore shared among those that have submitted a proposal, according to the relative share of the submitting countries.

In case of few countries are submitting in this first phase, a cap could be considered in order to guarantee an equal access to all countries and respecting the overall geographical balance. In case of remaining funds, those funds could be set aside for the next RfP for RBP.

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?

Double financing of the same results under third phase should be avoided. This concern can only overcome through the establishment of a registry where all the RBP are registered related to the emission reduction achieved and corresponding founds received. The use of the UNFCCC information hub to track should address this issue. In addition, a declaration from the Country should be requested by GCF in conjunction with the submission of the RFP to ensure that no other fundings have been received for the same RBPs claimed to the GCF.

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?

Ex ante finance for the implementation of REDD+ phases I and II (readiness) should not be taken into account in the double financing risk. Financing for the readiness phases is key for achieving the RBP phase.

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?

The Lima REDD+ Information Hub (http://redd.unfccc.int/info-hub.html), and its future development, if any, should be used as the official registry to track any result, in term of tonnes of reduced emissions and received payment. A further sworn declaration from the country at the time of submission of RFP should be required to further confirm that all RBP received by the country are submitted to the Lima REDD+ Information Hub, and no duplication of financing outside to the UNFCCC process is occurring on the same RBP required.

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?

For a lasting effect of REDD+ actions, it is important that the benefit share is fare and a sufficient amount of benefits reaches the local level. The GCF could therefore require a plan describing of the benefit-sharing arrangements, in respect of national sovereignty on decisions about funds received.

5.2: Other?

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

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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?

There are not "official units" defined under the Paris Agreement yet, as the details of the general framework for accounting, markets and compliance are still under discussion. For this reasons, for the time being the ownership of the emission reductions payed by GCF under the RBP should remain with the host country.

For emissions reduction and removals, appropriate measures to address non permanence should be established in order to guarantee the duration of the mitigation outcome generated.

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?

See answer to 6.1.

6.3: What are the implications for reporting in a country NDC from GCF-funded Emission Reductions?

The host country should be able use and report the paid ER to fulfil their NDC, as the ER are national results of mitigation activities.

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?

Starting date for considering eligible the results for RBP should be coincided with the approval of the proposal from the GCF and the applicant is compliant with all the steps foreseen under the Warsaw Framework decisions.
The disbursement of the RBP should take place after the MRV process is fulfilled and the technical assessment of the information is successfully accomplished, i.e. the country incorporates/changes in its calculation all the elements raised by the Assessment Team. Consequently the RBP should be connected with the review process of the Biennial Update Reports.

7.2: Should the starting period be the same for all countries or defined on a case by case basis?

See point 7.1

7.3: What should the payment period be – over what timeframe? i.e., when should it end?

The timeframe should take into account the reference period for the proposing Country's FREL/FRL and a reasonable length for guaranteeing the permanence of emission reduction/removals. Linkages with the established validity of the assessed FREL/FRL should be ensured, i.e. the duration of the payment period should be no longer than the reference period of the FREL/FRL.

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?

The preferred scale should be national, following the UNFCCC decisions. Subnational scale of FREL/FRL and activities should be only ad interim and duly justified with a plan and relative timeframe of extending the scope to the whole national territory.

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

See point 1.1

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?

The GCF should not implement further guidance or approaches for defining FREL/FRL beyond those established by the UNFCCC. It is of utmost importance that the FREL/FRL used in the proposals has fulfilled all the requirements/comments/suggestion of the technical assessment as provided by the Assessment Team **(14/CP.19, paragraphs 11 and 14 and annex to dec.13/CP.19).**

On the other side, the volume payed can be assessed according to the level of accuracy of the FREL/FRL submitted, as well as of the monitoring system applied, applying a discount factor to those estimates which may be assumed to be inherently more uncertain (e.g. when tier-1 carbon stock factors are used), using the adjustment process (see answer to point 2.1.b).

Transparency is the key in this context. Therefore, the technical information used in the construction of the FREL/FRL, the technical assessment as well as any additional information/action/measure implemented at national level, resulting in a modification of the previously data set used, should be publicly available.

2.2: Is there a need for additional GCF-specific criteria for FREL/FRL and MRV? If so, what type criteria should that be?

No need for additional GCF-specific criteria.

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?

The report of the technical assessment of the FREL/FRL and any additional information available, in relation to the abovementioned information/action/measure implemented at national level, should be the starting point for the GCF. The results of the technical analysis should be key for assessing whether the FREL/FRL is sufficiently robust for entering in the phase III of the REDD+. Country submitting proposal should have addressed all the critical elements raised by the technical assessment team.

2.4: Should a description of how alignment of subnational FREL/REL to national-scale FREL/REL be required?

The FRLs as submitted and technical assessed by the UNFCCC roaster of experts are to be considered. Therefore national or subnational, depending by the Party's submission.

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

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

(interim GCF ESS)?

Many provisions present in the Cancun Safeguards are already partly covered under the International Finance Corporation (IFC) Performance Standards, such as those related to biodiversity protection, indigenous people, consultation processes etc.
An initial analysis of synergies and overlaps between the IFC and the Cancun Safeguard should be undertaken, so to identify areas where the IFC do not address the Safeguards defined in Appendix I of decision 1/CP16. On the basis of the existing gap, further indicators should be developed so to address the Safeguard in appropriate manner.
The reconciliation of the two sets of standards will have to be taken into consideration also in the work foreseen under the GCF for the forthcoming development of the internal GCF standards (as planned to be developed after 2017 in the next 3 years). The level of details to be provided should be balanced to the current requirements under the GCF standards.

3.2: Should the GCF develop additional guidance for the reporting on how the Cancun Safeguards are being respected?

Further guidance should be provided at least for addressing the risk of displacement of emissions and of reversals.

3.3: Other questions?

Any additional issues/comments