
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 publicly 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

- Accreditation Entities (AEs) should continue to be the only entity which can access the GCF to submit applications but the recipients of the result-based payments could be pluralized, in other words, an AE and/or a developing country (i.e. national entity or focal point) could be the recipients.
- In general, a reward from the result-based payments should be received by developing countries (i.e. national entity or focal point) since it aims to incentivize them to address REDD+. We believe that developing countries should be in driving seat in coordination with an AE for the long-term success of the REDD+.
- In conclusion, a developing country (i.e. national entity or focal point), an AE and other stakeholders which support the REDD+ implementation in the developing country should make an arrangement how the AE apply for and receive the results-based payments before the AE submits its application.

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

- It is not appropriate for the GCF to adopt the fixed single price for the RBPs and we should maintain flexibility of the pricing.
- But at the same time, prices of other schemes on RBPs could be a reference as well as the tendencies of the price per tons of carbon at both international and domestic markets.
- When the GCF prices Emission Reductions (ERs), other factors such as international transfer of mitigation outcomes, the level of safeguards and non-carbon benefits, if technically feasible, could be taken into consideration.

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

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.



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

- GCF could introduce some kind of caps and/ or payment intervals in RBPs in fair and balanced manner in order to increase the number of the countries that are in a position to obtain and receive RBPs.
- In case that modality of any caps to be introduced should be identified with full consideration of the actual operating environment in developing countries.

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.

- REDD+ activities should be implemented effectively with a variety of types of financial resources, public and private, bilateral and multilateral, including alternative sources, and appropriate coordination on financial resources should be considered in order to avoid double financing under the ownership of developing countries.
- The definition of 'double financing' should be made clear in order to discuss this matter.
- GCF should be cautious in conducting RBPs against the ERs generated as a result of the GCF-funded REDD+ project/ programme in the implementation phase.
- Essential information about REDD+ projects/ programmes such as financial entity, date of funding, financial instruments, components of project/ programme should be compiled and disclosed to avoid the above-mentioned double financing and to coordinate the REDD+ projects/ programmes at both the national and subnational level.

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.



- GCF RBPs are designed to be utilized for activities related to REDD+ to implement the REDD+ related strategy, action plan or investment plan etc. to ensure the sustainability of REDD+ activities at both the national and sub-national level.
- It would be effective for GCF RBPs to be leveraged as payments for ex-ante supports in preparation and implementation phase of REDD+ in a developing country for scaling up REDD+ activities.
- It is very important to ensure the transparency, accountability and ownership of developing countries for the appropriate management of the GCF RBPs.

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.

- The governments of developing countries should decide whether ERs would be utilized for their National Determined Contributions (NDCs) or the ERs would be transferred internationally in line with the related decisions under UNFCCC.
- Especially the ERs transferred internationally should be properly handled in line with guidance which will be developed under UNFCCC.
- Appropriate coordination on the ERs should be considered in order for avoiding double counting under the ownership of recipient countries.

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.

- Considering various national circumstances and early actions, the eligibility date for GCF RBPs should not be fixed among developing countries but dates can be chosen from a certain time period range.
- The range of time periods where payment for ERs can be made should be chosen between the latest year of the reference period, which was used for the establishment of national/subnational FREL/FRL, and December 31 of 2020.
- The overall length of the RFP should be reconsidered after the development of the guidance of the Paris agreement in 2018 to keep consistency with the post 2021 framework.





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.

- Scale of implementation should not be a technical element for GCF RBPs as well as the condition of REDD+ support through GCF.
- The GCF RBPs should be conducted under the condition that MRVs are implemented at either national level or subnational level.
- If developing country chose to adopt a nested approach, the guidance of ‘a nested approach’ should be developed in accordance with the related decisions under the UNFCCC.

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

- Forest Reference Emission Level / Reference Emission Level (FREL/ REL) should be developed in accordance with the related decisions under the UNFCCC.
- FREL/ REL used should be consist with FREL/ REL which was subject to the technical assessment referred to in decision 13/ CP.19 and, if appropriate, amended in accordance with the result of the assessment.

Technical element 3: Operationalization of the ‘Cancun safeguards’



Issue: The Warsaw Framework for REDD+ and earlier COP decisions contain seven safeguards³ 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
- Progress on issues related to the Cancun safeguards should be made step by step not only by the government but also by the stakeholders related to REDD+.

Any additional issues/comments

- In order to introduce the above-mentioned concepts, it might be valuable for some additional guidelines to be identified and to be developed under the GCF, in alignment with both the past and possible future decisions under the UNFCCC.

³ Appendix I to UNFCCC decision 1/CP.16.