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## 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](mailto:fundingproposal@gcfund.org) by **20<sup>th</sup> 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,<sup>1</sup> consistent with any specific operational modalities of the financing entities providing them with support, GCF resources are currently accessed through accredited entities.<sup>2</sup> 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?

National focal point for REDD+ nominated to the UNFCCC should be involved in the decision process: this would ensure national coordination (notably between national focal point for REDD+ nominated to the UNFCCC and the national designated entity to the GCF), and that the people responsible for REDD+ implementation following UNFCCC guidance are fully consulted and involved with regard to GCF intervention in this area.

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

AEs should continue to play this role for REDD+ RBP proposals, and it should coordinate with REDD+ national entities or focal points.

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

AE should remain the only channels for GCF funding.

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?

The NDA should remain responsible for providing a no objection letter, and should also make sure that national focal point for REDD+ nominated to the UNFCCC is involved in the process.

1.5 Others?

AE, NDA and REDD+ national entities or focal points should promote optimal coordination.

#### 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 (tCO<sub>2</sub>eq).

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 tCO<sub>2</sub>eq. No additional payment premium for co-benefits provided.
- REM: USD 5 per tCO<sub>2</sub>eq
- Norway-Guyana bilateral agreement: USD 5 per tCO<sub>2</sub>eq
- Norway-Brazil bilateral agreement: USD 5 per tCO<sub>2</sub>eq

Guiding questions:

2.1: How should the valuation of results (payment/tonne CO<sub>2</sub>) be estimated?

- a) A single, fixed payment; if so, indicate the amount and rationale.

<sup>1</sup> UNFCCC decision 10/CP.19, paragraphs 1 and 2.

<sup>2</sup> Except for resources for readiness and preparatory support which can be accessed by national designated authorities.



- 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?

It should be necessary to indicate a basic fixed price (since the FCPF has a base price of \$ 5 / ton, this figure should be retained at this time) but it should be possible to offer premiums for co-benefits (social and environmental) generated through REDD+ activities to reward tons ++ (e.g. conservation of natural forests, livelihood)

Option B could incentivize countries to improve progressively the quality of their inventories.

**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?

No suggestion as we have no estimation of the demand for such funding.

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

Such an estimation should be based on the demand (through consultations with NDAs, national focal point for REDD+ nominated to the UNFCCC, AEs, ..., and other sources of information), on the resources available in the GCF, and on the share of the GCF resources the Board would agree to set aside for the RFP based on this information and on the Fund's Governing Instrument and strategic plan.

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 would be preferred a regional allocation of the overall funding available to allow a better distribution of funds between different tropical regions, while ensuring that the allocation is in line with the Governing Instrument of the GCF.

The objective is to channel GCF resources in a fair and balanced manner, avoiding having a few higher income countries with important forest resources capture all GCF resources for RBP on the detriment of poorest countries. But the question of using of a cap per country is sensitive. The Board could also discuss the option to ensure that a minimum of the overall set aside goes to least developed 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.

Guiding questions:

4.1: In what instances may double financing of results generate a concern? How could this concern best be addressed?

The main problem is the double accounting of ex-post payments: therefore, a register must be set up in conjunction with UNFCCC.

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?

Financial support for Phases I and II for REDD+ should not be considered double financing when seeking RBP. There is a need for ex-ante funding: countries (or REDD + project developers) should not be prevented from having access to traditional GCF windows.

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 GCF should require the use of a registry for all RBP, not only for REDD+. This may be through an acceptable existing registry, or where necessary, the establishment of a new registry. In addition, the GCF should report all REDD+ finance in the UNFCCC REDD+ information hub and in accordance with future UNFCCC guidance.

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?

GCF funding received through results-based payments should be invested in activities that are consistent with the Governing Instrument and the Investment Framework of the GCF. To address this challenge, it could be useful to be ask ex-ante a benefit-sharing or investment plan.

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



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?

*This is something that should be solved in the UNFCCC framework, once modalities on Article 6 approaches under the Paris Agreement are defined.*

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?

*As mentioned above, we will know more on how to solve this once article 6 discussions progress, and the relation of the provisions in this article and REDD+ is further clarified.*

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

*The results in REDD+ can be considered national results and used for national compliance of the NDCs.*

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?

*The eligibility date should be any time after the report of that technical assessment is released, and should consider the findings of that report. The payments for results should be conditioned to the quality of the information assessed.*

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

*It would be preferable to be evaluated on a case by case basis*

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

*Idem, on a case by case basis*

7.4: Other questions?

## 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?

[REDD+ RBP should be for activities implemented at a scale in line with UNFCCC guidance, including the Warsaw Framework for REDD+: at national and subnational level.](#)

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

[It could be useful that subnational should be a jurisdictional delineation.](#)

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?

[A REDD+ proposal should only be considered by the GCF if the involved country has had its FREL/FRL reviewed and assessed by the technical assessment team \(TAT\) of the UNFCCC as a prerequisite.](#)

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

[GCF should follow FCPF methodological framework \(same criteria\) because it's the only one with on-going implementation at a national or sub-national scale.](#)

2.3: How should the GCF take into account the results of the analysis of the REDD+ technical annex<sup>3</sup>? What process and review criteria, if any, in order to make funding decisions?

[The results of the technical analysis are the key element to decide if a country must be funded or not.](#)

<sup>3</sup> Decision 14/CP.19



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<sup>4</sup> 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)?

[REDD+ results-based payments proposals should demonstrate compliance with the Cancun Safeguards, a prerequisite for all REDD+ activities, and complementary to the IFC Performance Standards, the Fund’s interim safeguards, which are required for all activities financed by the GCF.](#)

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

[The GCF should compare the Cancun Safeguards and IFC Performance Standards to identify gaps between the safeguard requirements. REDD+ results-based payments proposals should then demonstrate compliance with any element of the IFC Performance Standards identified as a gap, in addition to the Cancun Safeguards required for all REDD+ programs.](#)

3.3: Other questions?

**Any additional issues/comments**

<sup>4</sup> Appendix I to UNFCCC decision 1/CP.16.