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?

REDD+ national entities and focal points should play a central role in ensuring that all proposals for results based payments are initiated as part of a national or significant sub-national REDD+ strategy consistent with the Warsaw Framework for REDD+. REDD+ national entities and focal points should identify existing or potential accredited entities and work with them in developing a robust RBP proposal, supporting the accreditation process as required. It should remain the case that only accredited entities that can meet the Fund's rightly stringent fiduciary and safeguards standards are able to access resources. Some REDD+ national entities may wish to apply for accreditation.

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?

[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.

Our ambition is that GCF is the gold standard of REDD+ finance - supporting only those proposals that ensure a high level of environmental integrity, development effect, social, environmental and fiduciary safeguards. Much effort has been put into ensuring such standards in the existing multilateral jurisdictional programmes such as the Forest Carbon Partnership Facility (FCPF) Carbon Fund.

If the GCF were to replicate such an approach, the GCF Secretariat may need to engage extra resources for the technical assessment of proposals and negotiation of agreements. However, a fixed price approach may be more appropriate in the early stages of gaining experience with results based payments.

We encourage the GCF to set out an expectation that the price paid will be less than \$5 per tonne CO_2eq, to ensure that the GCF does not undermine existing jurisdictional REDD+ programmes in design and implementation 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?

The UK supports approaches to financing forest protection and restoration commensurate with the size of both the challenge and the opportunity. We recognise that REDD+ results-based finance is one of a number of instruments and approaches that developing countries may want to access to support the transition to a sustainable forests and land-use, and that not all countries are currently ready to access such finance. It is important, therefore, that GCF finance is available to support REDD+ readiness and investments in a range of areas that ultimately promote paradigm shift for this sector, such as: strengthening forest governance, land-tenure reform, monitoring, reporting and verification, stakeholder engagement, institutional and technical capacity-building, regulatory or market-based approaches and initiatives to leverage private finance.

The allocation to this pilot RFP should be within the range of other pilot RFPs issued by the GCF.

Depending on the criteria decided upon, the potential volume of REDD+ results that could be eligible for GCF funding could be worth more than the GCF's available funding, and only a few countries may be eligible during the RFP period to receive results. To ensure resources are channeled in a fair and balanced manner we would support option b) An initial RFP for a limited number of countries without a cap. We also note the importance of issuing guidance alongside the RFP to encourage countries to put forward proposals through accredited entities that will support nationally-appropriate readiness activities and investments.

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?

As a principle, applicants should not be discouraged from seeking other funding sources in addition to GCF funding. The GCF investment criteria require that proposals demonstrate potential to catalyse and / or leverage investment from other sources. Ideally, emission reduction efforts should be put on a sustainable footing through, for example, accessing private finance to introduce sustainable agriculture, or through payments for environmental services including through international carbon markets.

To avoid the potential for overpayment and to ensure opportunities for leveraging private finance are maximised, applicants should be required to clearly set out all other existing and planned funding sources - for readiness, implementation and proposed emission reduction credit sales - against a costed plan for achieving emission reductions. Emission reduction exclusivity rights and consequent reductions / repayments in funding if additional financing is received should be covered in agreements with the GCF. This may lead to the need to either create a GCF registry or to require forest nations to transparently record GCF contributions in their own national registry. The GCF should consider following best practice from the FCPF Carbon Fund.[3]

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?

[3] See Indicators 38.1 to 38.4 pp.29-30
https://www.forestcarbonpartnership.org/sites/fcp/files/2016/July/FCPF%20Carbon%20Fund%20Methodological%20Framework%20revised%202016.pdf

Building on the experience and best practice of existing multilateral and bilateral funds, applicants should include a transparent and equitable benefit sharing plan.

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?

It could be that applicants will propose a range of approaches to the GCF around the use of emission reduction credits, the leveraging of private finance and the recycling of results based payments into further programmes that might suggest a range of different price points, and the GCF should be open to consider different innovative approaches. However, as stated under question 2 the price paid should be less than $5 per tonne CO_2eq.

Unless the GCF decides to purchase emission reductions and sell them on to other Parties under the UNFCCC, recipient countries should report such emission reductions against their NDC and report on the funding received from the GCF as required under Article 13 Paragraph 10 of the Paris Agreement.

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?

In order to be consistent with:

- *the GCF investment criteria (e.g. the need for proposals to demonstrate potential to catalyse and/or leverage investment from other sources)*

- *the GCF mandate to deliver a paradigm shift towards low-emission and climate-resilient development; and*
- *the demonstrable application of the Cancun Safeguards and IFC performance standards.*

the start date for RBPs should be no earlier than Board approval of a proposal and run for a fixed period of no longer than five years.

Applicants should be required to have met every element of the Warsaw Framework for REDD+ before being considered eligible to receive payments.

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? *In line with the Warsaw Framework for REDD+, only national or as an interim measure, subnational proposals should be considered for results based payments. The GCF should define a minimum scale for subnational proposals.*
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? 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[4]? What process and review criteria, if any, in order to make funding decisions?

[4] 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?

The GCF should not fund proposals based simply on the results submitted to the UNFCCC as the robustness of FRELs cannot be guaranteed owing to the lack of formal requirement to address the findings of the subsequent technical assessment, and there being no standardised approach to baseline setting.

The FREL should be an historical average based on a ten year reference period using the most recent data available. The GCF should apply the same rules as the FCPF Carbon Fund rules around allowable adjustments for national circumstances. In cases where this FREL uses methodologies developed for submission of a FREL to the UNFCCC or to bilateral or multilateral funding programmes, the applicant should be required to show how any of the findings of any technical assessment have been taken into account and/or will be addressed in future. This information should be used by the Secretariat as one factor to assess the adequacy of any proposed buffer should the scale of results fall following any further development (in line with the findings of the technical assessment) of the FREL and the methodologies used to produce it.

The data and processes used to measure results should be consistent with the Reference Level requirements. Requirements that might be considered (all FCPF Carbon Fund requirements) include:

- *that the programme accounts for all carbon pools and greenhouse gases that are significant within the accounting area, for both the Reference Level and for Monitoring, Reporting and Verification;*
- *uncertainties are identified and quantified;*
- *emissions and removals are both accounted for; and*
- *at least IPCC Tier 2 or higher methods are used to establish emission factors.*

Technical element 3: Operationalization of the 'Cancun safeguards'

Issue: The Warsaw Framework for REDD+ and earlier COP decisions contain seven safeguards[5] 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?

The GCF Board and Secretariat will need access to a technical advisory panel which can assess applications for RBPs against both the Cancun Safeguards and the IFC performance standards (interim GCF ESS).

Drawing on the experience of existing bilateral and multilateral REDD+ funds, the GCF should develop additional guidance on safeguards reporting and ensure that on-going assessment and reporting of safeguards is fully transparent. This should be part of the GCF's monitoring and accountability framework - which will set out reporting requirements for accredited entities on individual funded projects. In doing so, the GCF may be able to draw on material from the FCPF and the REDD Early Movers Programme. Applicants will be able to draw on or refer to material previously submitted to the UN REDD Web Platform.

The GCF should require buffers to reduce the risk of non-permanence. The GCF should be able to draw from experience from the

[5] Appendix I to UNFCCC decision 1/CP.16.

FCPF and Bio Carbon Fund when providing guidance on buffers. *The GCF should require an estimation of domestic and international leakage resulting from the programme and a description of policies and measures that are being taken to mitigate this risk.*
Any additional issues/comments
The UK is keen to see the additional guidance to applicants seeking funding approvals for Phase 1 and Phase 2 proposals to proceed in parallel with the work on RBPs and on leveraging private finance for forest protection, so that the Fund can communicate to nationally designated authorities a coherent support package which can help every forest nation to progress toward achieving significant emission reductions at national scale through a jurisdictional REDD+ programme.