
Call for public 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 REDD+ stakeholders on those identified elements through a structured template which is included below. A parallel process focused on GCF procedures and mandates requiring Board decisions and the technical modalities is being conducted for board members.

Input from the REDD+ stakeholders will be shared publicly and analysed by the Secretariat for the preparation of the first draft of the RfP.

Input requested

The GCF Secretariat is pleased to invite organizations and all entities involved and interested in REDD+ results-based payments, to provide inputs for the development of the GCF Request for Proposals for REDD+ RBP. The template enclosed below includes guiding questions provided as reference only and can be complemented with additional questions identified by the REDD+ stakeholders.

Submission

Official submission of inputs on behalf of an organization or group of organizations preferably in MS Word format should be sent via e-mail as one document with subject line:

“REDD+ RBP – call for public inputs” to fundingproposal@gcfund.org by **20th March 2017 at 23:59 Korean Standard Time**

The official submission should clearly indicate: Full Name; Title/Position; Organization/Affiliation
Contact details including telephone and e-mail address



Template for receiving inputs

I. Elements related to technical modalities

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?

UNDP's views throughout this call for inputs are based on its experience supporting countries on REDD+ readiness and initial implementation and are guided by the following principles:

- *Consistency with the UNFCCC Warsaw Framework for REDD+ and associated UNFCCC COP decisions*
- *Facilitation of a stepwise approach and incentivizing improvements over time*
- *Flexibility, allowing for a variety of national circumstances and approaches*
- *Streamlining and avoiding duplication of processes*
- *Cost-effectiveness*
- *Maximizing use of existing policies, institutions and legal instruments*
- *Simplicity, in the case of measures needed to fully operationalize REDD+ RBPs under the GCF*

The UNFCCC decisions call for National Forest Monitoring Systems (NFMS) and national-level Forest Reference Emission Levels / Forest Reference Levels (FREL/FRLs), while recognizing the need for a stepwise approach and subnational monitoring systems and subnational FREL/FRLs in an interim phase. Furthermore, in keeping with UNFCCC guidance and modalities, the scale of implementation, as we interpret the use of this term here, is determined by the country's FRL/FREL submission to the UNFCCC and the results measured against that FREL/FRL, for which RBPs are being sought, though acknowledging that even if that scale is subnational, a national REDD+ strategy or action plan must still be in place to seek RBPs. The REDD+ results reported in the Technical Annex of the BUR need to ensure consistency with the FREL/FRL that has been submitted to the UNFCCC and assessed through the UNFCCC process. **Some countries have submitted national FRL/FRELS while others have submitted sub-national FRL/FRELS. Therefore, from the perspective of UNDP, both national and subnational scales of implementation should be considered for the RFP.**

Options:

- 1) Require that scale of the proposal is the same as that of the UNFCCC assessed FRL/FREL
- 2) Priority given to proposals that put forward national-scale results as a selection criterion
- 3) No specific GCF-specific requirements related to scale



From UNDP's point of view, Option 1 is the preferred approach. This option retains complete consistency with the UNFCCC Warsaw Framework and related decisions, with subnational scale allowed in an interim phase.

Additionally, in the context of Option 1, one means of ensuring the intended transition to national-scale REDD+ while also maintaining consistency with a stepwise approach might be to establish a requirement that the scale of the FRL/FREL and the associated results reported in seeking RBPs would need to increase over time. Countries could be requested to commit to making national-level proposals for RBPs to the GCF at a set date in the future.

If there needs to be some type of prioritization among country proposals, given limited available funding, then Option 2 could also be considered, alongside Option 1. Proposals that put forward national-scale results could be given some level of priority, recognizing in particular, the higher displacement risk associated with subnational REDD+. That being said, other criteria can also be considered alongside such a criterion, to prioritize countries, such as whether a country is a Least Developed Country. Such prioritization criteria would need to be weighted in a well-justified and transparent way.

Whether or not national scale proposals are prioritized, it will be necessary to ensure that the higher displacement risk associated with subnational proposal is being taken into account, consistent with UNFCCC guidance. In practice, this means that (i) the safeguard on minimizing displacement risk is being addressed and respected, as presented in the summary of information submitted to the UNFCCC and (ii) there is full alignment with para. 71(c), footnote 7 of 1/CP.16, which calls for the following in the case of subnational monitoring systems for REDD+:

- Monitoring and reporting of emission displacement at the national level, if appropriate
- Reporting on how displacement of emissions is being addressed
- Reporting on means to integrate the subnational monitoring system into a national monitoring system

The GCF would need to address as an integral part of review of proposals for RBPs at subnational scale that there is full consistency with the above provisions of UNFCCC decision 1/CP.16. Subnational REDD+ proposals should fully demonstrate how these monitoring and reporting requirements have been addressed during the results period.

In UNDP's view, Option 3 would be contrary to UNFCCC guidance and modalities and would open the door to nested approaches to REDD+ which bring extra complexities and costs. We do not think this option should be considered by the GCF.

A proposal for RBPs which is of a different scale than the UNFCCC assessed FRL/FREL would be inconsistent with the Warsaw Framework and the spirit of the UNFCCC which establishes that reference levels are "benchmarks for assessing each country's performance" in implementing REDD+ activities. Accepting such proposals would run contrary to Decision /CP.19, paragraph 7 of the Warsaw Framework, which makes clear that the GCF, in its key role in providing results-based finance (RBF)/Results-Based Payments (RBP) for REDD+, is requested to apply the methodological guidance agreed through the various UNFCCC REDD+ decisions agreed by Parties¹.

If proposals of a different scale than the UNFCCC assessed FRL/FREL were considered eligible under the REDD+ RBPs, the GCF would need to establish specific requirements/criteria for this category of proposals to ensure environmental integrity, transparency, accuracy and avoidance of double counting. This would likely create the following additional challenges:

- Creation of monitoring and reporting processes which are parallel to the UNFCCC processes thus increasing the general transaction costs of delivering RBPs for the GCF.
- Requiring the adoption of criteria and procedures to demonstrate of technical consistency of the proposed scale of intervention with the NFMS and UNFCCC revised FREL/FRL (scope, data, construction methods for FREL/FRLs).
- Requiring the adoption of accounting rules and procedures to reconcile REDD+ results reported on a different scale with results reported to the UNFCCC.
- Creation of data management infrastructure that allows for the management of all relevant information.

Given these challenges, for which there is no UNFCCC guidance, it is our view that such an approach should not be incentivized or prioritized by the GCF, as this reflects a context for REDD+ that is not aligned with the UNFCCC guidance and modalities.

¹ "Requests the Green Climate Fund, when providing results-based finance, to apply the methodological guidance consistent with decisions 4/CP .15, 1/CP .16, 2/CP .17, 12/CP.17 and 11/CP.19 to 15/CP.19, as well as this decision, in order to improve the effectiveness and coordination of results-based finance"



Requiring that the scale of intervention be determined by the country’s FRL/FREL submission to the UNFCCC, the preferred option stated above, avoids having to deal with these challenges in the context of this RFP for REDD+ RBPs.

Nesting

Responding to guiding question 1.1., where nesting is specifically referred to, along with national and subnational scale, we address this issue here. We consider nesting a different issue than that of sub-national versus national scale. Indeed, nesting is different from implementing REDD+ at a sub-national scale during an interim phase, and it is not referenced in the UNFCCC decisions.

It is first important to clarify how we are defining “nesting” in the presentation of inputs here. We are referring to nesting of individual local projects from private or private-public sector initiatives in the context of either subnational or national-scale REDD+, and attributing and accounting for the emissions reductions and/or enhanced removals associated with that project or initiative alongside the FREL/FRL and MRV at the higher scale.

Nesting brings with it the additional complexities and associated costs mentioned above when discussing proposals that would be of a different scale than the UNFCCC revised FRL/FREL.

From an operational and technical point of view, however, it may be feasible (and desirable) to nest a large-scale subnational initiative covering a whole province into a national approach. For example, if a country is already engaged in an Emission Reduction programme with the FCPF Carbon Fund or in a bilateral agreement which is of a smaller scale than the UNFCCC assessed FRL/FREL, that country could establish a process to ensure environmental integrity, transparency, accuracy and avoidance of double counting. Such an exercise should not be too difficult if there is only one level of nesting. It would be important, we think, for the GCF to build on and support existing programmes which were launched before the Warsaw Framework was finalized and before countries had the opportunity to complete all of the UNFCCC requirements to receive RBPs. We do not, however, see value in GCF incentivizing new nested proposals in the context of the RFP.

We would also discourage the GCF from considering proposals that have three levels of nesting (i.e., nesting projects into province into a country) given that these will bring about important challenges in terms of data management and regulations. Such nesting would require the adoption of some country-level rules/regulations on how sub-national results can be nested within UNFCCC reported results. To implement such regulations a country must then develop a data management architecture (or outsource this). Additionally, if such nested proposals were to be considered eligible for REDD+ RBPs, the GCF would need to establish specific requirements/criteria for this category of proposals. Perhaps this is something that the GCF could consider in the future, but given this need for specific requirements to be developed for nested proposals of this type, including such proposals now could lead to additional time and complexity to develop the RFP and associated guidance.

Overall, in our view, a national approach (or subnational, on an interim basis) best reflects the spirit of the Paris Agreement as well as the UNFCCC guidance on REDD+. It is also the most cost effective given there is only one MRV process : only one FREL/FRL process and only one “set” of REDD+ results for each period reported through the REDD+ Technical Annexes of the Biennial Update Reports.

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 annex²? What process and review criteria, if any, in order to make funding decisions?
- 2.4: Should a description of how alignment of subnational FREL/REL to national-scale FREL/REL be required?
- 2.5: Other questions?

Major issues to consider for the FREL/FRLs are scope and scale. Others include adjustments, time period, and technical analysis of the submitted FREL/FRLs. In addition, we address the technical analysis of reported REDD+ results here, given that this has also been included in the description and guiding questions for Technical element 2.

According to the UNFCCC guidance, FREL/FRLs are expressed in tonnes of carbon dioxide equivalent per year (tCO₂e/year) and defined as “benchmarks for assessing each country’s performance” in implementing REDD+ activities. The FRL/FREL that has been assessed through the UNFCCC process should be accepted by the GCF as the benchmark against which RBPs would be determined, in order to maintain consistency with UNFCCC decisions.

Countries are currently given flexibility to develop their own methodologies for reference level construction, but should take into account historic data and maintain consistency with national GHG inventories and the most recent IPCC Guidance and Guidelines. Adjustments for national circumstances are allowed by any country, but information to substantiate such adjustments must be provided. FRELs / FRLs submitted to the UNFCCC are subject to a technical assessment which is intended to be facilitative, non-intrusive and with a view to support the capacity of developing country Parties to make future improvements to their FREL/FRLs.

There are alternate options where such flexibility on FREL/FRL construction is not embedded. These have already been presented above, in the description of existing practices of other funds under the Technical element 2 header. Overall, however, in our view, the GCF should be aiming to uphold the flexibility in the UNFCCC decisions, to the greatest extent possible. This would be in alignment with decision 9/CP.19, paragraph 7 of the Warsaw Framework, which makes clear that the GCF, in its key role in providing results-based finance (RBF)/Results-Based Payments (RBP) for REDD+, is requested to apply the methodological guidance agreed through the various UNFCCC REDD+ decisions agreed by Parties:

“Requests the Green Climate Fund, when providing results-based finance, to apply the methodological guidance consistent with decisions 4/CP .15, 1/CP .16, 2/CP .17, 12/CP.17 and 11/CP.19 to 15/CP.19, as well as this decision, in order to improve the effectiveness and coordination of results-based finance”

Scale of the FREL/FRL

Though scale was already discussed more thoroughly above, under Technical element 1, it is very relevant within the context of FRELs/FRLs specifically. In response to guiding question 2.4, it is worth, therefore, reiterating key points made above. Yes, in our view, a description of how a UNFCCC assessed subnational FREL/FRL is/will be aligned to a future UNFCCC assessed national-scale FREL/REL should be required. This is consistent with the spirit of para. 71(c), footnote 7 of UNFCCC decision 1/CP.16, which calls for the following in the case of subnational monitoring systems for REDD+:

- Reporting on means to integrate the subnational monitoring system into a national monitoring system

² Decision 14/CP.19



The GCF would need to address as an integral part of review of proposals for RBPs at subnational scale that there is full consistency with para. 71(c), footnote 7 of 1/CP.16 with the proposals fully demonstrating how these monitoring and reporting requirements specific to subnational REDD+ have been addressed during the results period.

Given that the REDD+ results estimated, based on these monitoring systems, need to be consistent with the UNFCCC assessed FREL/FRLs, then it follows that the alignment/integration of subnational and national FRELs/FRLs should also be required. In addition, as pointed out above in the discussion on scale, requiring a description of how a subnational FREL/FRL is/will be aligned to a national-scale FREL/REL ensures environmental integrity, transparency, accuracy and avoidance of double counting.

Scope of the FREL/FRL (REDD+ activities, pools & gases)

According to the guidelines for submissions of information on FRELs/FRLs to the UNFCCC (Annex to 12/CP.17), no significant activities, pools or gases should be excluded. Given that this is a “should,” it is a relatively strict requirement to include all significant activities, but it does also provide flexibility considering monitoring challenges, data gaps, etc. Additionally, it is important to point out that the significance level for assessing which activities to include or not is also not specified in UNFCCC decisions.

An alternate example of how scope may be handled is requiring inclusion of certain activities. In the case of the FCPF CF, for example, deforestation is a required activity, and the CF Methodological Framework (MF) specifies that degradation should also be included if the emissions from degradation are significant. With this, the MF also specifies that significance level, which was set at more than 10% of total forest-related emissions within the Accounting Area.

Treatment of significant activities and whether these are prioritized or required also relates to displacement risk. As displacement may occur between activities (i.e., displacement of deforestation in one area may manifest itself as degradation elsewhere). Addressing and respecting the safeguard on displacement should involve evaluating and aiming to reduce the risk of displacement between activity categories.

Options:

- 1) No requirements related to scope of REDD+ activities
- 2) No requirements, but prioritize countries that do include all significant activities.
- 3) Require inclusion of significant activities, either all, or deforestation at a minimum.

As suggested in the case of scale, prioritization of those countries that do include all significant activities could be considered. The use of the “should” in the UNFCCC decision text, as well as the benefit of minimizing displacement risk, could serve as justification of this approach. However, in the case of scope it is likely not the most favorable option. First of all, there are issues of uncertainty and conservativeness to consider. In other words, if a country has a high level of certainty associated with its FREL/FRL estimates and the limitation on scope enhances the conservativeness, then that country should not be penalized for excluding the other activities.

Moreover, both the prioritization option as well as the option of requiring significant activities would be difficult options to implement because countries that have excluded these activities due to limited data, high uncertainty, etc. would likely not have the necessary information available to them to make a determination of significance in the first place. Therefore, in the case of scope, it seems that the only workable option, at least in the interim, would be no requirements or prioritization based on scope of activities (and/or pools).

Adjustments to the FREL/FRLs

When considering FREL/FRL construction, specific issues also arise in the case of adjustments.

The first is the option of placing limitations on which countries may adjust as well as on the type and extent of those adjustments. The FCPF CF, for example, allows only a limited set of ER Programmes to adjust reference levels above average historical rates, states what adjustments may be made, and defines quantitative limits on adjustments. In our view, the GCF should not be considering such an approach on adjustments because it would be inconsistent with the flexibility embedded in



the UNFCCC REDD+ decisions. Rather, we recommend that the GCF rely on the UNFCCC TA process to determine if an adjustment has been reasonably justified or not.

Options (Adjustments to FRELs/FRLs):

1. Accept the FREL/FRL that results from the UNFCCC Technical Assessment (TA) process, regardless of suggested improvements or potential technical issues related to any proposed adjustment
2. Accept the adjusted FREL/FRL that results from the UNFCCC Technical Assessment (TA) process only if the TA team has found the adjustment sufficiently justified. If the TA team identified technical issues with the proposed adjustments, then it is possible that the FREL/FRL could be accepted only on the basis of addressing those issues.

In the case of adjustment to a FREL/FRL, it seems reasonable that the UNFCCC TA team must have found an adjustment sufficiently justified in order for it to be eligible as is under the GCF. There would, however, need to be some degree of qualitative assessment through the GCF review of the RBP proposal to determine if a given adjusted FREL/FRL had been “sufficiently justified.” If the UNFCCC TA team did not find an adjustment sufficiently justified, but an RBP proposal met all other requirements and criteria, the GCF could call for the country to address the identified issues. Another workable option might be to offer RBPs based on the non-adjusted FREL/FRL in an interim phase while remaining resources from an envelope earmarked to the country could be set aside until the validity of a proposed adjustment could be demonstrated through future reporting.

Time period of FREL/FRL

In order to maintain consistency with the guidance provided by UNFCCC, particularly in terms of the flexibility of the FREL guidance, but also the guidance to the GCF on ensuring equitability and making RBPs available for a number of countries, flexibility should be retained when it comes to time periods of FREL/FRLs and the corresponding time period for reporting REDD+ results. See below for “Eligibility date for payments and length of the RFP” under “Additional Issues,” for more details.

FREL/FRL Technical Assessment and Technical Analysis of REDD+ Results

The submissions of the FREL/FRL and REDD+ results, in the context of seeking RBPs, as well as the FREL/FRL TA process and technical analysis of the REDD+ results are all already fully covered under the UNFCCC decisions. Therefore, any supplementary requirements to validate or verify methodologies applied, etc. would be considered inconsistent with the flexibility and facilitative character of the UNFCCC guidance and modalities agreed on these aspects. We do recognize, however, that there will need to be some level of screening-type assessment to ensure the country has both met the requirements of the WFR (i.e., all required information included on the Info Hub), as well as those of the relevant GCF frameworks and policies.

Options (FREL/FRL)

- 1) No additional requirements. FRL/FREL that has been assessed through the UNFCCC process is accepted as is by the GCF, regardless of the findings of the technical assessment team (AT), as long as FREL and TA report are available on Info Hub.
- 2) GCF screening/assessment of AT findings, ensuring no major areas for improvement flagged. The FRL/FREL that has been assessed through the UNFCCC process is accepted by the GCF except for cases where need for significant improvements have been flagged by the AT. This option assumes there will be technical capacity to engage in such a review of the FREL/FRL TA findings.

We find Option 2 preferable to Option 1 in this case. The GCF should engage in a review of a country’s FREL/FRL submission to the UNFCCC alongside the completed technical assessment report in order to evaluate whether the technical assessment team had indicated a need for substantial improvements (i.e., a case of significant overestimation of emissions).

In those cases where a UNFCCC technical assessment team has identified areas for significant technical improvements, the GCF might request the country to address these issues first before REDD+ RBPs would be made available. However, practically, this would make a country ineligible, as preparing a revised FREL and completing a new technical assessment process would take over a year. Therefore, we think this option should only be considered for the most extreme cases, given that the stepwise approach allows countries to implement improvements in future FREL/FRL submissions and does not require such improvements be made as a precondition to qualify for RBPs. Alternatively, the GCF could require the country to report how it is taking concrete steps to address those key technical recommendations of the AT experts. Finally, there could also be the option to set aside RBPs for the tonnes in question until a revised FREL/FRL has been resubmitted and has undergone a full



technical assessment. So, in this scenario, the country would still be eligible and receive a portion of the RBPs, but the remainder would be contingent upon the results of the next TA process of a revised FREL/FRL.

Options (REDD+ Results):

- 1) REDD+ results reported in BUR REDD+ technical annex and analyzed via UNFCCC process (technical analysis of REDD+ technical annex as part of ICA process)
- 2) REDD+ results reported in BUR REDD+ technical annex but subject to additional GCF verification process
- 3) Specific GCF reporting and verification required

In our view, Option 1 here is the only approach maintaining consistency with the UNFCCC. The GCF should accept the BUR REDD+ technical annex as the means of reporting REDD+ results, and the results should be “verified” via the UNFCCC process (technical analysis of the REDD+ technical annex as part of ICA process). Again, however, it would be expected that the GCF would do some level of screening/review of the report by the LULUCF experts convened by the UNFCCC for the technical analysis, to ensure that there were no major issues flagged in that report. This would not involve, however, the GCF itself doing its own full review/verification of the REDD+ results achieved. While we recognize that independent verification processes, beyond the technical analysis of the BUR annex, have been negotiated in the context of other multilateral and bilateral arrangements for REDD+ RBPs, requiring such verification in the context of the GCF, beyond the type of screening described here, would not maintain full consistency with the UNFCCC decisions.

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

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?

As outlined in the GCF/B.15/Inf.07 progress report document, with regards to safeguards for REDD+ RBPs, “The Board may need to consider: (i) procedures for receiving and assessing the summaries of information provided by countries to determine that the REDD+ safeguards have been addressed and respected; (ii) how to include the GCF ESS in the overall safeguards assessment; and (iii) how to reconcile the Cancun REDD+ safeguards and GCF ESS.”

In response to this call for inputs, UNDP presents its views on Technical Element 3: *Operationalization of the ‘Cancun safeguards’*, covering each of these three issues. The first sub-section focuses on reconciling Cancun safeguards with the GCF ESS (i.e., the safeguard content), the second on provision of information (reporting on safeguards) and the third on assessment.

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



The inputs below are based on the assumption that RBPs accessed through GCF will come in the form of GCF projects or programming that allows the clear use of proceeds (See also *Use of Proceeds* section below).

Rather than present a series of options for each sub-section below, one coherent approach is put forth. This approach is in line with the overarching principles guiding this paper, with the aim of promoting a simple, streamlined and step-wise approach in response to the overlapping and complex set of multiple safeguard requirements countries face.

How to reconcile the Cancun REDD+ safeguards and GCF ESS (Safeguards Content)

UNFCCC

COP16 (Cancun) in 2010 agreed that a set of seven safeguards, commonly referred to as the Cancun safeguards, should be promoted and supported when undertaking REDD+ activities. The safeguards in Appendix I of decision 1/CP.16 indicate that when undertaking activities referred to in paragraph 70 of decision 1/CP.16, the following safeguards should be promoted and supported:

- (a) That actions complement or are consistent with the objectives of national forest programmes and relevant international conventions and agreements;
- (b) Transparent and effective national forest governance structures, taking into account national legislation and sovereignty;
- (c) Respect for the knowledge and rights of indigenous peoples and members of local communities, by taking into account relevant international obligations, national circumstances and laws, and noting that the United Nations General Assembly has adopted the United Nations Declaration on the Rights of Indigenous Peoples;
- (d) The full and effective participation of relevant stakeholders, in particular indigenous peoples and local peoples and local communities, in the actions referred to in paragraphs 70 and 72 of this decision;
- (e) That actions are consistent with the conservation of natural forests and biological diversity, ensuring that the actions referred to in paragraph 70 of this decision are not used for the conversion of natural forests, but are instead used to incentivize the protection and conservation of natural forests and their ecosystem services, and to enhance other social and environmental benefits;
- (f) actions to address the risks of reversals;
- (g) Actions to reduce displacement of emissions.

GCF

The GCF has adopted the IFC Performance Standards (PS) to apply in an interim phase, until 2017, at which point the agreement was that GCF will have developed its own Environmental and Social Standards (ESS).

- Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- Performance Standard 2: Labor and Working Conditions
- Performance Standard 3: Resource Efficiency and Pollution Prevention
- Performance Standard 4: Community Health, Safety, and Security
- Performance Standard 5: Land Acquisition and Involuntary Resettlement
- Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
- Performance Standard 7: Indigenous Peoples
- Performance Standard 8: Cultural Heritage

While a comprehensive comparison of IFC PS and Cancun safeguards content would depend on how each country interprets the Cancun safeguards into key issues, based on national context, some notable differences can be identified, including:



- Cancun safeguards have less detail and specificity than IFC PS;
- Cancun safeguards explicitly adopt both a ‘do no harm’ and ‘do good’ approach, while IFC PS focus on a ‘do no harm’ approach;
- Cancun safeguards apply to both national and subnational levels; while IFC PS only apply to project (subnational) level.
- Cancun safeguards apply to government actors’ activities while IFC PS apply to private sector actors’ activities.
- Cancun safeguards do not explicitly cover IFC PS 1, 2, 3 and 4 (though some countries may include elements of these IFC PS within their national clarification of Cancun safeguards).
- IFC PS do not explicitly cover Cancun safeguards (f) and (g) (though a combination of IFC PS 1 and 6 may be interpreted to sufficiently cover these).

In addition to this rapid comparison of the IFC PS vis a vis the Cancun safeguards, it is important to consider the Fund’s commitment that its “environmental and social safeguards will be consistently in line with international best practices and standards, and systematically endeavour to reflect the best of the experience and lessons learned by relevant institutions.”⁴ Concerns have been raised about whether or not the IFC PS are in fact ‘in line with international best practices and standards,’ particularly with regard to how issues of human rights, indigenous peoples rights, and compliance with international law are dealt with, among others⁵. These issues are particularly relevant considering the GCF was established by the UNFCCC, a treaty under international law. It follows therefore, that the standards guiding GCF-supported activities should reflect the highest standards and practice with regard to international law. While the GCF’s draft Environmental and Social Management System (ESMS) outlines principles and commitments that could address some of the identified gaps and complement the IFC PS, the GCF will need to clarify how it intends to ensure their practical application at the project level.

Noting these important gaps in the IFC PS framework, if the GCF intends to adopt the IFC PS as a basis for its ESS, therefore continuing to have these as a benchmark against which entities are accredited to, then the GCF should:

- Undertake a comprehensive analysis of the IFC PS and the Cancun safeguards, with the aim of identifying and addressing any identified gaps;
- Undertake a comprehensive analysis of the IFC PS and international best practice and standards, with the aim of identifying and addressing any identified gaps;
- Clarify how the GCF will ensure the application of new commitments, principles and gap-filling measures by entities that have already been accredited using only the IFC PS as the benchmark.

In this way, the GCF could adopt a sort of “IFC PS-plus” approach, building on the already detailed and elaborated PS and guidance of the IFC, while also ensuring consistency with the Cancun safeguards and international best practice. This approach may be preferable to GCF adopting an entirely new set of standards or a set of standards specific to REDD+ RBPs for a number of reasons:

- The level of specificity provided in the IFC PS and associated Guidance can prove useful to countries in interpreting and/or addressing and respecting the Cancun safeguards;
- IFC PS 2, 3 and 4 (related to Labor, Pollution; Community Health) that are not explicitly referenced by the Cancun safeguards can have important relevance to GCF-supported REDD+ RBA. For example, the recently GCF-approved [Ecuador REDD+ Proposal](#) applied UNDP’s Standards related to Pollution Prevention and Community Health;
- The development and consultation on a new set of standards may not be time/resource-efficient;

⁴ GCF/B.07/02, p. 12

⁵ See UNDP’s response to the GCF Call for Input on the Draft GCF ESMS.



- A REDD+ RBP-specific set of standards different than those required by other GCF-supported activities / RBPs could add to the proliferation of multiple standards, contributing to the confusion and burden on recipient countries.

How to include the GCF ESS in the overall safeguards assessment (Submission of Information on Safeguards)

UNFCCC

Decision 1/CP.16 requests REDD+ countries to establish a system to provide information on how the seven Cancun safeguards are being addressed and respected during the implementation of REDD+ activities. This is commonly referred to as the Safeguard Information System (SIS). Decision 12/CP.17 states that the SIS should:

- Be consistent with guidance in decision 1/CP.16, appendix I, paragraph 1;
- Provide transparent and consistent information that is accessible by all relevant stakeholders and updated on a regular basis;
- Be transparent and flexible to allow for improvements over time;
- Provide information on how all of the safeguards are being addressed and respected;
- Be country-driven and implemented at the national level;
- Build upon existing systems, as appropriate.

COP Decision 12/CP.17 also states that Parties undertaking REDD+ activities “...should provide a summary of information on how the safeguards in 1/CP.16 appendix I, are being addressed and respected throughout the implementation of the activities.” The decision states that this summary of information (Sol) should be provided periodically and be included in national communications to the UNFCCC. In addition, it was agreed in decision 9/CP.19, that developing countries seeking to obtain and receive RBPs / RBF should provide the most recent summary of information on how all of the Cancun safeguards have been addressed and respected before they can receive RBPs / RBF.

Decision 17/CP.21 provides further guidance on ensuring transparency, consistency, comprehensiveness and effectiveness when informing on how all the Cancun safeguards are being addressed and respected, through the summary of information on safeguards. According to this decision, developing country Parties:

- Should provide information on which REDD+ activities are included in the summary of information (i.e., the scope);
- Are *strongly encouraged* to provide the following in the summary:
 - a) Information on national circumstances relevant to addressing and respecting the safeguards
 - b) A description of each safeguard in accordance with national circumstances
 - c) A description of existing systems and processes relevant to addressing and respecting the safeguards, including information systems
 - d) Information on how each safeguard has been addressed and respected, according to national circumstances
- Are *encouraged* to provide any other relevant information on the safeguards in the summary and to improve the information provided over time, taking into account the stepwise approach.

GCF

Many of the GCF safeguards reporting requirements can be found in the draft GCF ESMS (p. 22-24):

57. The reporting requirements will include annual performance reports and interim evaluation and final evaluation reports specifying the projects’ consistency with the ESS standards, the ESMS of the GCF, and any other applicable environmental and social provisions in the legal agreement....



58. In monitoring a project's environmental and social performance, the accredited entities will obtain the involvement of communities, local stakeholders and civil society organizations in all the stages of the project cycle...

60. The Governing Instrument affirms that the GCF will operate in a transparent and accountable manner guided by the principles of efficiency and effectiveness. The GCF information disclosure policy operationalizes this commitment by ensuring transparency, public access to information and stakeholder participation in all its activities. The policy requires that relevant information, including with respect to environmental and social issues, is made available to the affected and potentially affected communities and external stakeholders.

61. ...The information in the form of environmental and social reports will be provided through electronic links on the websites of both the accredited entity and the GCF (in the case of the GCF website, upon submission of the funding proposal to the Secretariat), as well as in locations convenient to affected peoples...

64. Entities will also disclose a project/programme summary, alongside the environmental/social information, including the following at a minimum:

- (i) The purpose, nature and scale of the project;
- (ii) The duration of proposed project activities;
- (iii) The envisaged stakeholder engagement process; and
- (iv) The available grievance mechanism(s).

While both the GCF and the UNFCCC require that information on the application of safeguards be transparent, accessible to all stakeholders and improve over time, a number of differences remain, including:

The GCF:

- includes more specificity overall with regard to reporting requirements than UNFCCC;
- includes requirements related to monitoring safeguards application while UNFCCC does not;
- requires more frequent reporting on safeguards application than UNFCCC (annual, with interim and final evaluations v. every 4 years with the national communications);
- requires that information on safeguards application be provided in more locations than UNFCCC (AE and GCF websites & locations convenient to affected peoples v. national communications with voluntary submission to UNFCCC web platform);
- explicitly requires a participatory approach to monitoring safeguards application while UNFCCC does not;
- explicitly requires disclosure of the available grievance mechanism associated with project activities while UNFCCC does not.

That being said, the two sets of requirements are not substantially inconsistent with each other. In fact, despite the above listed differences, and if the recommendations from the previous section are adopted, AEs should be able to incorporate UNFCCC reporting requirements fairly easily into the Results Monitoring and Reporting of the safeguards component of GCF projects.

With regard to reporting content, in line with what is proposed in the section above, some international AEs (e.g. WB and UNDP) have demonstrated consistency of agency policies with both IFC PS (for GCF accreditation) and Cancun. Thus, in cases such as these, application of agency policies in the context of GCF-funded projects would ensure compliance with both GCF ESS and Cancun safeguard requirements, with no further gap analysis or effort required to reconcile the two sets of safeguards. GCF could request comparative matrices from AEs demonstrating consistency across agency policies, IFC PS and Cancun safeguards, as UNDP and World Bank have already done⁶.

Since national AEs similarly need to demonstrate consistency with IFC PS to receive GCF accreditation, they could similarly develop a comparative matrix, demonstrating consistency across national policies, laws, regulations (PLRs), IFC PS and Cancun

⁶ For example, see: https://www.forestcarbonpartnership.org/sites/fcp/files/2013/june2013/FMT%20Note%20CF-2013-3_FCPF%20WB%20Safeguard%20Policies%20and%20UNFCCC%20REDD%2B%20Safeguards_FINAL.pdf



safeguards. Where there are gaps, gap-filling measures could be identified and addressed either before or as part of the GCF-funded project.

The following scenarios may be envisaged, when implementation of REDD+ results-based actions (RBAs) has already taken place, and there is a proposal to the GCF for REDD+ RBPs :

- Scenario #1: Proposal to GCF for REDD+ RBPs where RBAs were implemented through non-GCF funding: In cases where RBAs are achieved independently of GCF funding and there is a proposal to the RBP window, an SOI would need to reflect how the Cancun safeguards had been addressed and respected throughout the implementation of those activities, following the guidance agreed in decision 17/CP.21.
- Scenario #2: Proposal to GCF for REDD+ RBPs where RBAs were achieved through a GCF project: When the RBAs were achieved with GCF funding, and if the above recommendation is adopted (recipient AE has already demonstrated policy and institutional compliance with both GCF ESS and Cancun safeguards), then the reporting provided on ESMS implementation throughout the duration of the GCF project should provide sufficient information to demonstrate consistency with both GCF ESS and UNFCCC requirements in order to receive the requested RBPs. Reporting on the ESMS could be part of the SOI for RBPs requested as a result of the GCF project. Given the flexibility built into decision 17/CP.21, there is certainly space for countries to adapt the structure and content of their SOIs as they see fit, given the various requirements they are aiming to reconcile.

Procedures for receiving and assessing the summaries of information provided by countries to determine that the REDD+ safeguards have been addressed and respected (Assessment)

UNFCCC

Although the UNFCCC states that countries must address and respect safeguards during REDD+ implementation as a pre-requisite to receiving RBPs, it offers no means of reviewing or ensuring that this requirement has been adhered to before the release of RBPs. The UNFCCC does not provide for an assessment of the SOI, be it with regard to quality, completeness or comprehensively addressing/respecting the safeguards.

GCF

The draft GCF ESMS outlines the following roles and responsibilities of the GCF with regard to ensuring the quality assurance of and monitoring compliance with GCF safeguards requirements [bolding added for emphasis]:

Within the parameters of GCF-financed activities, the GCF is responsible for:

(a) Requiring the accredited entities to implement their ESMS, thereby providing for a systematic, consistent and transparent management of risks and impacts of GCF-financed activities. **Where gaps or weaknesses exist, the GCF will require that these be addressed by the entities in a manner and time amenable to the GCF and the entities so that an effective ESMS is in place before GCF-financed activities are implemented;**...

(c) Conducting **environmental and social due diligence on activities proposed for funding consideration, and recommending to the Board for GCF financing only those proposed activities with satisfactory approaches to managing environmental and social risks and impacts**, consistent with the ESS standards of the GCF;... (p. 13)

Where the accredited entities **fail to comply with the safeguards requirements, the GCF will work with them to develop and implement corrective actions that will bring the activities back into compliance.** Where the accredited entities **fail to re-establish compliance within a time frame and manner that are mutually agreed upon, the GCF may exercise its remedies under its legal agreement with the entities.** (p. 14)



When accredited entities bring investment projects to the GCF for consideration, **the GCF will review the environmental and social assessment of the activities** and related documents to determine the consistency of the project risk categories with the accreditation of the entities and the alignment of the proposed approach to environmental and social risks and impacts with the requirements of the ESS standards of the GCF. With the review, **a set of actions will be agreed upon with the entities to fill remaining gaps with the ESS standards, if any.** (pp. 18-19)

The GCF will **monitor the compliance of accredited entities with the ESS standards requirements.** On an annual basis, the accredited entities will provide the GCF with a self-assessment of their compliance with the ESS standards, among other issues. (p. 22)

Since the ESMS covers all GCF projects/programmes, the above, if approved, will apply to GCF-financed REDD+ project/programmes. What has not yet been articulated by the GCF is whether the above GCF policy and procedures would apply to countries' SOI submissions as part of their request for RBPs.

Options (using the same scenarios outlined above)

- Scenario #1: Proposal to GCF for REDD+ RBPs where RBAs were implemented through non-GCF funding:
 - Fully in line with the UNFCCC, there would be no requirements related to assessment of the SOI (which in this scenario includes information on how a country has addressed and respected the Cancun safeguards).
 - Going beyond the UNFCCC, GCF could analyze the SOI against: 1) the Cancun safeguards and; and 2) items described in decision 17/CP.21, which indicates what should be (or is strongly encouraged to be) included.
- Scenario #2: Proposal to GCF for REDD+ RBPs where RBAs were achieved through a GCF project:
 - In this scenario, if the GCF were to extend the above-listed draft ESMS policies to the SOI, the role of GCF could be to analyze the SOI against: 1) basic criteria derived from a combination of the Cancun safeguards and the IFC PS (reconciling gaps identified above); and 2) items described in decision 17/CP.21, which indicates what should be (or is strongly encouraged to be) included. Where an SOI was found to “fail to comply with the safeguards requirements”, the GCF could work with the AE “to develop and implement corrective actions that will bring the activities back into compliance. Where the accredited entities fail to re-establish compliance within a time frame and manner that are mutually agreed upon, the GCF may exercise its remedies under its legal agreement with the entities.” An approach could be envisioned in which a portion of RBPs could be used toward addressing gaps, weaknesses or inconsistency with safeguards application, supporting countries in a step-wise approach to meeting the UNFCCC and GCF safeguard requirements. In rarer and more serious cases, a portion of RBPs may need to be set aside until progress has been demonstrated in addressing areas that could be considered deficiencies.

Any additional issues/comments

In addition to the technical elements above, UNDP has also prepared inputs on several of the other issues described in GCF documents GCF/B.14/03 and GCF/B.15/Inf.07 and/or in the Call for Board Inputs:

- Risk of double financing
- Use of proceeds
- Ownership, legal title and implications for NDCs
- Eligibility date for payments and length of the RFP



Risk of Double financing

There are many related issues within this concept of double financing, as outlined in GCF document *Support for REDD-Plus* (GCF/B.14/03). There is first a need to clearly define the concept of “double financing” before providing inputs on this issue.

We distinguish here between 2 categories:

- A country requesting RBPs / RBF from the GCF (phase 3) is already receiving, or has received up-front finance (phase 2) from an existing initiative (e.g. FIP, CAFI, CBFF, Bilateral ODA) or within the regular GCF project cycle (Forest and land-use or Ecosystem-based adaptation window). We will call this the risk of “double dipping”
- A country requesting RBPs / RBF from the GCF (phase 3) is already receiving, or has received RBPs (phase 3) from an existing initiative (e.g. FCPF-Carbon Fund, BioCarbon Fund, REM). We could call this the risk of “double payment” in phase 3.

Double dipping across phase 2 and 3

Concerning the risk of “double dipping” across phase 2 and phase 3, there are challenges related to establishing what constitutes “ex-ante” or phase 2 finance for REDD+. Indeed, REDD+ NS / APs are multifaceted initiatives to achieve results at the national scale over varying time frames. Most countries will use many sources of financing, including their own budgetary resources. In order to establish what could be considered “double dipping” across phase 2 and phase 3, the GCF would need to clearly define phase 2 funding and establish criteria to assess whether this funding indeed overlaps with phase 3 RBPs in terms of scope of activities, geographical scale and time frame. This could be more easily done when looking solely at GCF funding, rather than looking at all sources of ODA, however even in this case defining a phase 2 or ex-ante investment may not be so easy. For example, the investments made in the result area of *reduced emissions from forestry and land use* may often be similar to those made in *increased resilience of ecosystems and ecosystem services*. Also important to note is the fact that creating a framework and requirements to avoid the risk of “double dipping” across phase 2 and phase 3 could be controversial given UNFCCC decisions stating that *addressing drivers of deforestation may have economic costs and implications for domestic resources* (15/CP.19); that *the progression of developing country Parties towards results-based actions occurs in the context of the provision of adequate and predictable support for all phases of the actions and [REDD+]activities* (9/CP.19 Par.2) ; and that recognize the key role that the Green Climate Fund will play in channeling financial resources to developing countries (9/CP.19 preamble and Par.5).

Options

In our opinion, there are 3 possible options to manage the risk of double dipping across phase 2 and 3:

- 1) The GCF decides that double dipping across phase 2 and 3 is not an issue. The fact that a country applies for phase 2 funding now has no implication on its ability to apply for future RBPs / RBF.
- 2) The GCF requires countries to refrain from seeking RBPs for an amount of emission reduction equal to the estimate provided in the phase 2 project proposals. This option would require a country to apply a discount equal to the Phase II project proposal emission reduction estimate, and, therefore, poses the challenge of attribution of emission reductions to specific sources of funding.
- 3) The GCF treats the phase 2 funding as an “advance payment” for the future emission reductions that will be achieved during a given period (e.g.2017-2022). These emission reductions will be reported in future BURs (e.g. 2018, 2020 and 2022). Results-based payments could be provided to countries during this time period only once the country has “paid back” the GCF in the form of emission reductions. GCF may want a discount on this advance payment given that it assumes the risk of no-results being achieved. However, noteworthy is the fact that the FCPF CF provides advance payments of up to 20% without applying a discount.

Given the imperative of maintaining consistency with the UNFCCC decisions, the preference is for Option 1, which implies that the nature of funding for phase 2 and phase 3 are different and complementary. In other words, we do not see the need to manage this risk of “double dipping”. However, if the GCF board considers that this risk needs to be managed, then we would recommend option 3 (treating ex-ante finance as an advance payment) over option 2. This is due to Option 2 requiring countries to refrain from seeking RBPs / RBF for emission reductions equivalent to the estimate provided in the GCF phase 2 project proposal. So, this involves the significant challenges of attributing REDD+ emission reductions to a particular project or source of funds, which would require the development of additional project/programme specific methodologies adding to the monitoring and reporting burden.



Double payment in Phase 3

Here, we are referring to the case where a country requesting RBPs from the GCF (phase 3) is already receiving, or has received RBPs (phase 3) from an existing initiative (e.g. FCPF-Carbon Fund, BioCarbon Fund, REM). We could call this the risk of “double payment” in phase 3.

It should be relatively straightforward to avoid this risk using the Lima REDD+ information hub under the UNFCCC. However, there are two situations where the Lima info hub as currently designed may be insufficient to entirely avoid this risk of double payment.

The first situation will occur if REDD+ RBPs are made outside the processes outlined in the Warsaw Framework for REDD+, i.e. using a different FREL/FRL than the one revised by UNFCCC and reporting results through other means than the BUR technical annex. In this case, managing the issue of double payment becomes more complex and would warrant further work. This could become a particularly relevant issue if countries submit FREL/FRL to the FCPF CF which are different in scale and scope than those submitted to the UNFCCC, OR report results to the RBPs providers which are different than those included in their BUR Technical Annex. Under the current FCPF CF rules, such inconsistencies are possible. Therefore, it may be necessary to manage a database at the international level which includes all REDD+ RBP programmes, in order to ensure that they do not overlap in scope, scale and timeframe.

Given the current limited sources of RBPs for REDD+, it appears feasible to establish a process whereby the GCF could consult with the recipient country, other providers of RBPs and the UNFCCC secretariat to ensure that the results for which the country is seeking payment have not already been paid for before making RBPs.

The second case will occur if REDD+ RBPs under the GCF lead to the creation of offsets. The risk of “double payment” in phase 3 becomes a risk of “double counting,” in this case, and the data management system required to manage this risk will need to be much more sophisticated to be able to support the full chain of custody required to support emissions trading.

This case should, however, be prevented through standard text included in the Accreditation Master Agreements for Implementing Entities to the GCF: “...to the extent permitted by applicable laws and regulations, the Implementing Partner will ensure that any greenhouse gas emission reductions (e.g. in emissions by sources or an enhancement of removal by sinks) achieved by this project/programme shall not be converted into any offset credits or units generated thereby, or if so converted, will be retired without allowing any other emissions of greenhouse gases to be offset.”

In all cases, creating a single system at the international level provides large economies of scale compared to a country-based approach. Given these economies of scale, it is worthwhile to consider the possibility of enhancing the Lima Information hub prior to considering placing the data management burden onto developing countries.

Options

In our opinion the GCF has the following options to manage the risk of “double payment” in phase 3:

- 1) Create a consultation process whereby the GCF consults with the recipient country, other providers of RBPs and the UNFCCC secretariat to ensure that the results for which the country is seeking payment have not already been paid for before making RBPs.
- 2) Improve the UNFCCC Lima information Hub to manage additional data.

To reiterate, creating a single system at the international level would generate very large economies of scale and relieve developing countries of the burden of developing additional data management systems.

Finally, there are several other key issues relevant for the operationalization of REDD+ RBPs, as indicated in the Call for Board Inputs on REDD+ RBPs. We have included inputs on these as well to contribute to the consideration of those elements that relate to GCF procedures and mandates that require Board decisions.



Use of Proceeds

This issue refers to “what strings are attached” to the payments in terms of particular requirements for the subsequent use of the RBPs, once those payments have been channelled to the country. Specific examples of conditions that might be placed on use of RBPs are safeguards and/or performance standards applied to the investment of RBPs of the country and any activities the RBPs are financing.

While the UNFCCC REDD+ decisions do not put any conditions on the use of resources coming from RBPs, the FCPF CF MF does require that resources from RBPs be used according to a Benefit-Sharing Plan developed by the ER Program Entity in accordance with the ER Program Document and MF and submitted to the Trustee. The plan outlines how the ER Program Entity will share the Monetary and Non-Monetary Benefits with Beneficiaries. Its submission is a condition of effectiveness of the ERPA.

Options

1. No conditions on the use of RBPs transferred by the GCF
2. Conditions on the use of RBPs transferred by the GCF

Though we see Option 1 -placing no conditions on the use of RBPs -as the one that is fully consistent with the UNFCCC decisions, we recognize that RBPs will need to be used in a way that is consistent with GCF policies and frameworks. Additionally, we see the use of proceeds as a potential mechanism for incentivizing improvements over time, in the context of our assumption mentioned above, that RBPs would need to be implemented through projects or programmes. Potential improvements could include safeguard application, implementing technical recommendations of the UNFCCC TA team, scaling up from a subnational to national monitoring system, and so on. We see Option 2, therefore, as the only feasible option, with the use of proceeds serving as a means of, effectively, operationalizing the stepwise approach. This option would be consistent with the “spirit” of the UNFCCC REDD+ decisions.

Ownership, legal title and implications for NDCs

In regards to legal nature of RBPs /RBF, the main question for the GCF to consider is whether there would be the creation and transfer of title to REDD+ results for which RBPs / RBF are received.

It is not expected that there will be a transfer of title under the GCF, based on the UNFCCC context. RBPs / RBF under the UNFCCC do not require the creation, transfer or acquisition of title over ERs. According to this understanding, once the conditions listed in paragraph 3 of decision 9/CP.19 are fulfilled, payments can be made without any underlying asset changing title or ownership. Indeed, decision 9/CP19 paragraph 16 notes that the insertion of results on the information hub does not create any rights or obligations for any Party or other entity; and paragraph 18 further notes that nothing under this decision and its implementation prejudices any future decision with regard to the eligibility or non-eligibility of [REDD+] activities, to the [New Market mechanism], or to the outcome of the work programme referred to in decision 1/CP.18, paragraph 44 that relates to market and non-market approaches.

There is a question of how REDD+ RBPs might relate to the Nationally Determined Contributions as well as “Internationally Transferred Mitigation Outcomes” or ITMOs, referred to in Article 6 of the Paris Agreement. However, this is to be further clarified within the context of the UNFCCC.

Options

- 1) No title creation and transfer
- 2) Title creation and transfer
- 3) Title creation and optional transfer (the FCPF C Fund approach)



Given that RBPs under the UNFCCC do not require the creation, transfer or acquisition of title over ERs, Option 1 would maintain consistency with the UNFCCC if, for REDD+ RBPs through the GCF, there would be no title creation and transfer associated with REDD+ emission reductions for which RBPs are transferred.

Eligibility date for payments and length of the RBP

In our view, flexibility regarding start date for considering eligible results for RBPs is preferable to establishing a single start date or period. This approach would allow full recognition that countries' national circumstances will vary in terms of past efforts to reduce deforestation. For example:

- Costa Rica enacted a new forest law in 1996
- Brazil launched the Action Plan for Prevention and Control of the Legal Amazon Deforestation in 2006
- Ecuador Launched the Socio-Bosque Program in 2008

Not recognizing past efforts could be seen as a perverse incentive for countries to increase deforestation in the run-up to the operationalization of REDD+ RBPs. Indeed, REDD+ was included in the Bali roadmap in 2007 and since then billions of USD of domestic and international cooperation resources have been spent on REDD+ readiness and investments leading to important changes in policy in many countries.