

Development of the Request for Proposals for REDD+ Results-based Payments

Technical element 3: Operationalization of Cancun Safeguards

Submission of Inputs

The objective of this submission is to inform the GCF's thinking around the assessment of safeguard implementation in accordance with the Warsaw Framework for REDD+ (WFR),¹ based on CLP's direct experience in developing approaches to meet UNFCCC safeguard requirements and in carrying out FCPF SESA/ESMF processes. This submission considers both procedural and substantive aspects of safeguard implementation and the types of assessment tools that may be required, in the context of the broader scope of Results Based Finance (RBF) the GCF is considering to support a more full and effective implementation of REDD+ activities.

1. Background

While acknowledging the potential risks associated with REDD+ implementation, and the need for REDD+ to go beyond climate change mitigation and achieve multiple benefits, the UNFCCC COP agreed on a set of seven environmental and social safeguards² (hereafter referred to as the Cancun safeguards).

The UNFCCC requirements on safeguards can be broken down into **substantive and procedural components**. In terms of substantive requirements, countries are required to ensure that REDD+ activities are designed and implemented in a manner that is consistent with all seven Cancun safeguards.³ In addition to this substantive requirement, countries must meet the following procedural requirements:⁴

- To have in place a system for providing information on how all safeguards have been addressed and respected throughout REDD+ implementation (also known as a Safeguard Information System or SIS); and
- To provide the most recent summary of information on how all safeguards have been addressed and respected (SOI).

While UNFCCC COP decisions define the key procedural safeguards-related milestones,⁵ they provide no official guidance on *how* countries should fulfill the substantive requirements. Instead, REDD+ COP decisions stress the country-driven and step-wise nature of safeguards-related requirements, in order to accommodate national circumstances and capabilities, and to allow for improvements over time. The UNFCCC does not mention assessment of the degree to which REDD+ has been designed and implemented in a manner consistent with the Cancun safeguards.

¹ in particular Decision 9/CP.19 paragraphs 3, 4 and 7,

² UNFCCC Decision 1/CP.16 appendix 1 paragraph 2

³ UNFCCC Decision 2/CP.17 paragraph 63

⁴ UNFCCC Decisions 1/CP.16 paragraphs 71(d) and 72 and 9.CP/19 paragraphs 3, 4 and 11.

⁵ Establishment of a SIS and provision of the most recent summary of information.

Some multilateral institutions and bilateral donors have developed safeguards-related requirements and guidance applicable to the REDD+ readiness, demonstration and results-based activities they support. This has resulted in increasing pressure for REDD+ countries to develop safeguards responses to meet not only UNFCCC requirements, but also those of other multilateral and bilateral donors. Countries' responses to meeting safeguards requirements have varied from siloed/isolated approaches to meeting each funding/contractual requirement, to more comprehensive and coordinated approaches.⁶

Regardless of the approach used to meet UNFCCC and other safeguards requirements, there is a growing recognition that meeting safeguard requirements is significantly more complicated, time consuming and expensive than originally anticipated. The lack of detailed guidance, coupled with the limited available funding for safeguards implementation means that few countries have achieved significant progress in meeting safeguards commitments, both procedural and substantive.

During its seventh meeting, the GCF Board agreed to adopt the International Finance Corporation's (IFC) Performance Standards as an interim measure until the completion of the development of the Fund's own environmental and social safeguards (ESS).⁷ When applying the GCF's interim ESS, accredited entities are required to demonstrate *how key environmental and social risks are being address and managed*, which in the context of the Fund's future REDD+ RBF scheme should be reconciled with countries' efforts to address and respect the Cancun safeguards.

The IFC Performance Standards (PS) constitute part of the IFCs Sustainability Framework and have been designed to guide clients in the identification of **potential risks and impacts from project-level activities** in order to help them to avoid, mitigate and manage such risks and impacts.⁸ In terms of procedural requirements, applying the IFC PS entails that countries should ensure:

1. An integrated assessment to identify environmental and social impacts, risks and opportunities;
2. Effective engagement through timely information disclosure and consultations;
3. Management of environmental and social risks and impacts through the development and implementation of an Environmental and Social Management System (ESMS).

2. Considerations for the operationalization of the Cancun Safeguards in the context of the GCF's two-track RBF scheme for REDD+

When considering how to reconcile the UNFCCC safeguard requirements with the Interim ESS (in terms of substance and process) and how to operationalize the RBF scheme, particularly regarding how to assess safeguard performance to qualify for both types of RBF, we note the following:

⁶ Rey, D., Korwin, S., Ribet, U. and Rivera L. [2016] Best Practices and Considerations for the Development of REDD+ Country Approaches to Safeguards and Design of Safeguard Information Systems. CLP and SNV, London, United Kingdom

⁷ Decision GCF/B.07/02 and Annex III.

⁸ Overview of Performance Standard on Environmental and Social Sustainability:
http://www.ifc.org/wps/wcm/connect/115482804a0255db96fbffd1a5d13d27/PS_English_2012_Full-Documents.pdf?MOD=AJPERES

1. While REDD+ countries are required to have in place a system for providing information on how safeguards have been addressed and respected throughout REDD+ implementation, as well as to provide the most recent summary of information on said safeguards, the measurement factor for REDD+ performance are those mitigation outcomes achieved, expressed in tonnes of carbon dioxide equivalent per year. Therefore, while countries are required to demonstrate how Cancun safeguards have been addressed and respected when seeking to obtain RBF, this does not in itself constitute a performance measure for REDD+ implementation.
2. Although the GCF RBF scheme aims to assist a larger number of REDD+ countries to progress towards results-based actions, this has particular implications when assessing *how* - (Cancun) safeguards-related requirements have been met at national level, which can largely vary throughout REDD+ phases as well as from country to country. The assessment of SolS should therefore be done in a flexible manner and in recognition of the REDD+ phase each country is in.
3. Countries are required, when developing their national strategies or action plans and throughout REDD+ implementation to address and respect safeguards. However the specific scope and approach of REDD+ implementation varies based on national circumstances, from project based approaches, to policy interventions, to a mixture of both. This in turn entails that national approaches to addressing and respecting safeguards, are likely to vary significantly from country to country.
4. According to the WFR, countries are required to provide information on how all of the Cancun safeguards have been addressed and respected at the national level. This means that summaries of information are likely to provide information on how each safeguard has been addressed and respected during the design and implementation of the country's REDD+ National Strategy and /or Action Plan. The assessment of these summaries will therefore need to be done in a flexible manner and tailored to the REDD+ approach (for instance, how to assess safeguard implementation in the context of policy interventions vs projects).
5. While the safeguards requirements under the WFR aim to ensure that REDD+ is consistent with safeguards, regardless of the chosen REDD+ approach and that this should be demonstrated at a national scale, the IFC PS are designed with project/activity level assessment and reporting in mind. The GCF Board should bear in mind that Cancun safeguards differ from traditional *risk-management* safeguards in the sense that they don't focus on *defining acceptable and unacceptable performance*, but rather aim to promote *improvements and positive actions* as the means to operationalize the rights and benefits to which they refer.⁹ These measures will largely vary from country to country in accordance with the policies and measures envisaged in the national strategy or action plan. By applying the GCF interim ESS, the GCF is adopting a risk management approach to safeguards, similar of the World Bank's Forest Carbon Partnership Facility (FCPF). However, while the substantive equivalencies between the Cancun safeguards and IFC PS may be identified in a reasonably straightforward manner, the adoption of the interim ESS risks placing significant additional procedural burdens (risk assessments) on REDD+ countries, with their own cost implications. As such, additional ex ante funding

⁹ Rey, D., Korwin, S., Ribet, U. and Rivera L. [2016] Best Practices and Considerations for the Development of REDD+ Country Approaches to Safeguards and Design of Safeguard Information Systems. CLP and SNV, London, United Kingdom.

should be made available, for instance to implement the procedural requirements of the IFC PS.

6. The current GCF thinking on RBF (two-track approach) is welcome. The milestone approach could be extremely useful for countries to not only access much-needed finance for safeguard implementation, but also to provide guidance on the types of governance approaches that can lead to successfully addressing and respecting (and reporting) safeguards, both with policy intervention and project based approaches to REDD+.

3. Inputs and proposed way forward for the operationalization of Cancun Safeguards

In the aim of assisting the GCF Board in the development of an effective framework for evaluating how UNFCCC safeguard requirements have been met, which reconciles the GCF interim ESS with the methodological guidance agreed under the WFR and with a view to minimizing substantive and procedural burdens placed on REDD+ countries, CLP proposes a two-fold strategic approach.

This approach entails the development of **assessment tools**, which should build upon the considerations detailed in section 3 of this submission:

1. An **equivalency document** should be developed to reconcile the substantive content of the Cancun safeguards with the IFC Performance Standards – as the GCF interim ESS –, while acknowledging that national interpretations of the Cancun safeguards will vary. Such a document would inform a unified assessment of *summaries of information*, identifying substantive elements to be considered with regards to *how* – and the extent to which¹⁰ – safeguards have been addressed and respected, and *how* potential risks and impacts have been addressed and managed. This document could also serve as a valuable guidance document to countries currently defining their safeguard approaches and for the preparation of their SOI.
2. **An Assessment tool** for the *summaries of information* should be developed to help determine whether the substantive aspects of safeguards¹¹ have been addressed (i.e. how required structures or PLRs are in place) and respected (i.e. how structures or PLRs have been implemented and associated outcomes). Such a document could distinguish between policy interventions and project interventions when defining expectations on the types of information to be provided to demonstrate how the safeguards have been addressed and respected (including, if appropriate information on how risks have been identified and addressed).

Such proposed assessment tools would help to:

- Build on existing experiences from REDD+ funding initiatives but also recognise the challenges and limitations faced so far by REDD+ countries towards REDD+ results-based implementation.

¹⁰ In accordance to the phased approach and the milestone-based financing, rather than to performance on safeguards application.

¹¹ Both Cancun and GCF (interim) safeguards, based on the *equivalency document*.

- Ensure the GCF process is consistent with the country-driven and flexible approach that characterizes the WFR, as well as guide countries in the preparation of summaries of information to be submitted to the UNFCCC and assessed by the GCF.
- Help to foster a more consistent approach to safeguard implementation, but also assessment across the various entities providing REDD+ RBF in order to improve the effectiveness and coordination of RBF for REDD+, without creating additional burden to REDD+ countries.