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 publically 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?

To-date, twenty-five countries have submitted a FREL/FRL to the UNFCCC in accordance with the Warsaw Framework but only nine of these have already undergone technical review as required under the Framework[1] At the same time many landscape scale projects[2] are already validated and verified to robust standards that have been shown to be in alignment and in many cases exceeding the requirements under the UNFCCC[3]. These projects however need liquid carbon markets to continue their success, and to date have had little support from public funds in terms of payment for the performance they have delivered. In most cases projects are actively taking steps to align under emerging national and subnational accounting schemes.

In light of the large emission gap the GCF should aim to support as broad a base of REDD+ success as it can to maximize its impact. Therefore, the scope should be as wide as possible, allowing national, sub-national and nested project activities to receive financing. In many countries nesting is difficult as projects are often included as part of the BAU scenario. However, without a robust market those projects are at risk of reversal, which would be very detrimental for the future of REDD+ and the 2C climate target. Therefore the GCF could take role with helping projects to smoothly transition into the national systems by offering them a results based payment over a period of transition (e.g. 5 years or up until 2020). Such an early action RBP would send a positive signal for private sector and also help the supply-demand imbalance.

Allowing projects in the process of nesting to apply (with a certain cut off date e.g. 2020) would also create an upward pressure on Governments to continue with national and subnational systems. Seeing results based payments flowing to such projects would inspire Governments to support them and accelerate the development of national and sub-national systems. Fully nested projects should be allowed to apply after 2020.

Those advanced jurisdictions like Mato Grosso and Acre that have their own systems, aligned to federal systems, should also be supported by the GCF with results based financing. In such sub-national (but nested) ER programs it would be important to create a mechanism to directly channel the finance to the ground (subject to host country approval of course) which would reduce significantly he credit/counterparty risk and therefore would enable broader private sector participation.

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

The scale should be left open for submission appropriate to National circumstances as described above, hence minimal guidance should be needed. If it is restricted to only National Governments, there will be very few verified results to pay for over the coming years as most countries or jurisdictions are 2-5 years away from having a complete REDD+ strategy and systems and then another 2-5 years away from completing a monitoring cycle. The GCF must step up during this interim (pre-2021) period as

[1] Brazil, Cambodia, Chile, Colombia, DR Congo, Costa Rica, Côte d'Ivoire, Ecuador, Ethiopia, Ghana, Guyana, Honduras, Indonesia, Madagascar. Malaysia, Mexico, Nepal, Papua New Guinea, Paraguay, Peru, Sri Lanka, Uganda, United Republic of Tanzania, Viet Nam and Zambia have submitted their Forest Reference Emissions Level/Forest Reference Level (FREL/FRL) to the UNFCCC. Brazil, Colombia, Ecuador, Guyana, Indonesia, Malaysia, Mexico, Paraguay, and Peru's FREL/FRLs have already been reviewed by the UNFCCC's technical assessment experts.

[2] As of the end of 2015, there were over a dozen of approved VCS methodologies available in the Agriculture, Forestry, and other Land Use (AFOLU) sectors and there were 37 REDD+ projects in the VCS database that have generated close to 30 MT real, additional and permanent emission reductions and have the potential to generate up to 150 Mt emission reductions in the next 5 years provided continued funding will be available.

[3] http://www.climatelawandpolicy.com/files/CF_VCS_JNR_UNFCCC_Comp_Analysis_20141204_CLEAN.pdf

GREEN CLIMATE FUND

according to the UNEP GAP report the next 3-4 years are critical for determining the future emission pathway (more specifically global GHG emissions need to be peaked before 2020 and this is only possible through stopping deforestation)[4].

1.3: Other questions

Technical element 2: Forest reference emissions levels (FREL)/forest reference levels (FRL)

Issue: Warsaw Framework for REDD+ articulates modalities for the development and technical assessment of FRELs/FRLs, and for monitoring, reporting and verification (MRV) of emission reductions achieved through REDD+ activities. Under the current UNFCCC REDD+ decisions, Parties, when constructing their national (or subnational) forest reference emission level and/or forest reference level, may choose their own baseline. This flexibility results in various reference and accounting periods that vary by country. The GCF needs to consider ways to link these procedures with RBF while considering specific countries' circumstances.

Existing practices of other funds:

- FCPF Carbon Fund: Follows UNFCCC requirements of using historical averages and adjustment but it only allows limited adjustment for "high forest low deforestation" (HFLD) countries with justified changes in deforestation trends and puts in place further requirements on the historic averages by requiring that the historic period considered is about 10 years before the end date which should be the most recent date prior to two years before the start of the draft ER Program Document assessment.
- REM: Historical average rates
- Norway-Guyana bilateral agreement: Mean value of historic average rate and developing country average, with downward adjustment option
- Norway-Brazil bilateral agreement: Historical average rates, updated every 5 years

Guiding questions:

2.1: How should the GCF take into account the different approaches used for defining FREL/FRL and translated into verified REDD+ results?
There is no reason to apply more rigid or arbitrary criteria than the UNFCCC applies. If arbitrary criteria are added such as requiring the use of historical averages (which means excluding/limiting countries who are early on the forest transition curve) it could seriously limit the countries and regions that can apply to those who are already on a downward trajectory in terms of deforestation. Other mechanisms like the FCPF or the bilateral Norway agreements are using historical average which means that HFLD countries will not be able to access that funding and therefore GCF could play a very important role in filling the funding gaps in those countries.

The VCS's Jurisdictional and Nested REDD+ Requirements, show how tighter controls can be put on the high level UNFCCC rules that push submissions to be more accurate and evidence based, but not applying arbitrary limits.

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

The UNFCCC's rulebook should be the benchmark for jurisdictional and national reference levels. Countries and jurisdictions should have the ability to approve 'nested project' reference levels which are in line with their approaches as long as their reference levels meet the UNFCCC criteria.

2.3: How should the GCF take into account the results of the analysis of the REDD+ technical annex[5]? What process and review criteria, if any, in order to make funding decisions?

This analysis should be used to guide the approval process. A joint process whereby national and subnational REDD+ reference levels and MRV systems are approved under both UNFCCC and for GCF should be explored. The proliferation of different requirements that is already happening due to FCPF and bi-lateral donor requirements should be limited and steps taken to harmonise.

2.4: Should a description of how alignment of subnational FREL/REL to national-scale FREL/REL be required?

[4] add reference on UNEP Emission Gap report 2016

[5] Decision 14/CP.19

Yes, absolutely. Funding for national systems should require the country to demonstrate how subnational FREL are taken into account and provided incentives to continue the emission reductions. Subnational activities are always directed to the high deforestation risk areas therefore compared to a national average they will always loose out, therefore countries should be required to demonstrate how the high deforestation hotspots are incentivised and how early action is rewarded and maintained (to avoid reversal in the future). Countries should be allowed to allocate their national reference level according to transparent scientific and socioeconomic criteria across their national geography to ensure adequate funding opportunities exist for the protection of threatened forests. Similarly countries should be allowed to allocate their sub-national reference levels into regional landscapes to nested projects, community forest concessions, indigenous territories etc., to ensure RBP is available as an incentive at the ground where it is most needed to reduce emissions.

2.5: Other questions?

Technical element 3: Operationalization of the 'Cancun safeguards'

Issue: The Warsaw Framework for REDD+ and earlier COP decisions contain seven safeguards[6] 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)?
We would recommend that the GCF ensures that any projects brought to it satisfy both the IFC performance standards and the Cancun Safeguards. The GCF should aim for any REDD+ projects or programs receiving RBP to be aligned with UNFCCC guidance such that they are open to other funding. This would certainly include that they are in line with the Cancun Safeguards. Alternatively, verification under other internationally supported programs (e.g. the FCPF) could automatically qualify projects for GCF RBPs.

3.2: Should the GCF develop additional guidance for the reporting on how the Cancun Safeguards are being respected?
A number of papers have been published which provide guidelines for how to implement the Cancun Safeguards, which the GCF could draw upon. Providing additional guidance might then not be necessary, in particular if the GCF decides to explicitly use the Cancun Safeguards in addition to the IFC performance standards (see above).

3.3: Other questions?

Any additional issues/comments

The GCF has a real opportunity to learn from the experiences of other RBP systems in order to achieve transformational change. From CMIA's experience of being a private sector observer at the Forest Carbon Partnership Facility (FCPF), we would like to highlight the following additional issues/comments.

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

1. Private sector engagement in ER program design: The questions outlined in the consultation are very similar to the key focus areas of the FCPF: MRV and safeguards. These elements are certainly critical for a RBP system. However, they are focussed on the process elements of the mechanism and miss the bigger picture on how we can actually achieve emissions reductions from deforestation and degradation on the ground. One critical element of this that has traditionally been overlooked by the FCPF (as highlighted by the FCPF second evaluation report) is private sector engagement in ER program design and financing. The private sector needs to be fully committed to the National REDD+ plans. For example the transition to sustainable land use practices is key for the long-term sustainability of these efforts. The active involvement of agricultural, mining and forestry ministries in ER program design is key for the active participation of the private sector. The GCF should encourage innovative incentive systems for the domestic and international private sector (such as de-risking facilities) and the development of public-private partnerships.

2. Transition pathway for project-level REDD+: With the signing of the Paris Agreement and the imminent signing of the first ER Program Agreement by the FCPF, there is new momentum for national and jurisdictional level REDD+ RBP. Whilst jurisdictional level and national level REDD+ is key for reducing leakage and for holistic management of landscapes, most REDD+ transactions to date and most private sector involvement has been at the project level. REDD+ projects have been pioneers in establishing the viability of REDD+ in attracting non-overseas development assistance funds for forest protection, in developing and testing methodological approaches, and building awareness of and comfort with the concepts of REDD+ with communities. There is a need to recognise and transition project level efforts and to work with project developers to incorporate their lessons learned, leverage their investments and encourage new investor engagement by demonstrating that their early investments will not be lost in the transition to jurisdictional programs. The Democratic Republic of Congo's Maï Ndombe progam provides an interesting precedent here as it has pioneered the allocation of a jurisdictional reference level to the landscape and the nesting of projects within the jurisdictional program. We would like to see the GCF actively encouraging the transition and nesting of REDD+ projects as part of its RBP framework.

3. **Leveraging private sector investment**: The transition needed to halve emissions from the forest sector is estimated to cost US$17-33bn per year. Most of this finance will have to come from the private sector. The GCF can play a catalytic role in leveraging private finance, in a way that has not yet been achieved at scale by the FCPF or equivalent public finance mechanisms for RBP. The private sector can take on performance and delivery risks but typically can't bear market risks. The GCF should endeavor to offer a long-term offtake on emission reductions achieved as a result of its investments and in such way that the private sector doesn't have to shoulder the political risk. Indeed, the differentiating success factor between the CDM and JI mechanisms was that CDM credits were issued by a credit worthy independent entity (UNFCCC) while in the JI, the private sector was subject to the political risk of emerging countries. In the case of REDD+ the political risk is even higher as forest countries are often the poorest, most unstable countries. The GCF should consider establishing a mechanism that can channel the financing directly to the private sector, provided that private sector REDD+ investments are aligned with GCF broader policies and UNFCCC guidance. Such a mechanism would also help the operationalization of Article 6.4 of the Paris Agreement which aims to create a centralized market mechanism with tradable mitigation units. REDD+ should be part of this mechanism and the GCF could play an important role testing out the modalities of this through its RBP mechanism and/or private sector window.

4. **Increasing demand for REDD+ credits:** Finally, private sector investment will only flow to scale up REDD+ efforts if there is sufficient demand for REDD+ carbon credits in the market. If the GCF wishes to create a paradigm shift in forest emissions reductions, it should look to enhance this RBP program by providing concessional finance for transformational demand-side programs, such as REDD+ bonds, carbon market risk underwriting etc.