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## 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](mailto:fundingproposal@gcfund.org) by **20<sup>th</sup> 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?

1.1 – 1.3. The request for proposals should address both scales, subnational and national, therefore guidelines should be included. REDD+ needs high-level political ownership and inter-sectoral transformational impact to be successful. Projects below the subnational jurisdictional level (e.g. municipalities, private projects, individual protected areas) are highly unlikely to deliver on the before mentioned aspects and should therefore be discouraged by the GCF to present proposals.

When addressing the subnational level, it has to be assured that there is consistency between this level of implementation and the approach to REDD+ at the national and international level. To tackle drivers of deforestation and share benefits, there are strong institutional linkages and coordination mechanisms among the national and subnational level needed. On carbon accounting, subnational initiatives have to fit and be coherent with the national carbon accounting systems (Reference Scenarios, MRV Systems and Carbon Registry). This is necessary to avoid e.g. double counting and as well as double payments.

We recommend the Board to base its request for proposals on the guidelines and experiences of existing REDD+ RBF Initiatives. To that purpose the criteria and indicators of the FCPF Carbon Fund Methodological Framework on scale might be a good starting point. Further, subnational initiatives have to present NOL from the NDA.

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

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

Existing practices of other funds:

- FCPF Carbon Fund: Follows UNFCCC requirements of using historical averages and adjustment but it only allows limited adjustment for “high forest low deforestation” (HFLD) countries with justified changes in deforestation trends and puts in place further requirements on the historic averages by requiring that the historic period considered is about 10 years



before the end date which should be the most recent date prior to two years before the start of the draft ER Program Document assessment.

- REM: Historical average rates
- Norway-Guyana bilateral agreement: Mean value of historic average rate and developing country average, with downward adjustment option
- Norway-Brazil bilateral agreement: Historical average rates, updated every 5 years

Guiding questions:

- 2.1: How should the GCF take into account the different approaches used for defining FREL/FRL and translated into verified REDD+ results?
- 2.2: Is there a need for additional GCF-specific criteria for FREL/FRL and MRV? If so, what type criteria should that be?
- 2.3: How should the GCF take into account the results of the analysis of the REDD+ technical annex<sup>1</sup>? 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?

2.1. – 2.5. Credibility of REDD+ RBF of REDD+ regarding its environmental integrity is a necessity for permanently channeling funds from different sources and having in place long-term viable and sustainable financial mechanism for results based finance. Environmental integrity can only be ensured via an operational technical framework that defines a certain standard and a transparent, independent verification process. The broad variety of FRELS presented to the UNFCCC (in terms of methodologies applied, activities included, reference periods applied etc.) demonstrates how wide the framework is. However, a real risk can be identified as FRELS do not follow conservative standards. Furthermore, the UNFCCC process provides very limited room and leverage for critical review and significant adjustments by REDD+ countries, as it can only make recommendations, but does not verify FREL and certify the credibility of ERs. Thus, additional guidance is needed to ensure that incentives flow to those who manage to significantly reduce deforestation across the globe and does not reward those that have presented the “smartest” reference levels. Establishing a more level playing field and a transparent and coherent approach to measuring and verifying results as a basis for payments is also consistent with relevant COP Decisions.

A robust approach to measuring and verifying performance is paramount. It also needs to be sufficiently attractive for REDD+ countries in order to bolster low-deforestation /degradation policies and measures and provide real incentives. Thus, the Request for Proposals should be focused on project proposals where the reference level is based on the “historical average”. Exceptions to such an approach would need a very solid technical justification (e.g. High Forest Low Deforestation countries). A focus on historical average has proven to be a feasible approach which ensures transparency and overall credibility, and is conservative enough to guarantee environmental integrity which can be rewarded. Experience from past climate finance approaches also stress the importance of having approaches that can be easily communicated to policy makers and the general public.

A quality control and review process is necessary in our view, complementary to the UNFCCC technical assessment given the limited leverage of that process. There is need to ensure an independent, credible and high-quality verification process, aligned with UNFCCC COP Decisions and taking into account international standards and practice for results-based payments. This review process can take into account the UNFCCC technical assessment, but would need to explicitly validate the consistency of the methodology used to estimate emissions reductions in relation to the methodology established by the partner country in the development of its forest reference emission level by giving an assessment of monitoring methodology against relevant criteria. This verification process would be primarily used in order to substantiate results-based payment. It could furthermore identify steps to improve the MRV process that could be further incentivized through results-based finance

The most comprehensive and operational guidance for RBF is the Methodological Framework of the Carbon Fund, which has been developed through a broad discussion involving donors, REDD+ countries and civil society. The Methodological Framework can serve as a sound starting point for the GCF as it covers a variety of methodological issues in relation to FRELS and subsequent technical questions and has been already applied in various ER Program country proposals. Lessons learnt will be emerging as the first results based payments are operationalized. The Norway – Guyana and REM Colombia agreements have also generated real life lessons from REDD verification processes prior to RBF disbursements and can therefore serve as

<sup>1</sup> Decision 14/CP.19



references as well.

The development of subnational and national FRELs can be sequential, but methodological coherence has to be ensured over time. Hence, countries need to provide a description of how the two levels will be aligned and in what time frame. This is also critical in the context of leakage and potential double counting of ERs.

Overall, the decision to deliver RBF and the volume of that finance to a particular REDD+ country cannot be the result of a political negotiation process, but has to be based on a robust technical basis that can best be assessed in a thorough review/verification process ensuring that a conservative approach is followed and the goal of reducing deforestation across the globe is reached. Otherwise the credibility of REDD+ risks being compromised.

### Technical element 3: Operationalization of the 'Cancun safeguards'

**Issue:** The Warsaw Framework for REDD+ and earlier COP decisions contain seven safeguards<sup>2</sup> that are required to be addressed and respected in all phases of REDD+. The GCF needs to consider how these relate to the existing GCF policies, procedures and reporting requirements, in particular how they can be reconciled with the interim safeguards of the GCF (IFC Performance Standards). The GCF also needs to decide if additional guidance is required on REDD+ RBP-specific considerations in order to operationalize RBP. Such guidance could be warranted, for example, to address the risks of reversals of Emission Reductions achieved, or information may be required to ensure GCF's ESS, fiduciary standards, and gender policy are upheld in activities that produced ERs being rewarded.

Existing practices of other funds:

- FCPF Carbon Fund: World Bank safeguard policies and processes (Strategic Assessment and Management Framework); Benefit Sharing Plan
- REM: Cancun REDD+ Safeguards; KfW safeguards; BMZ human rights guidelines
- Norway-Guyana bilateral agreement: World Bank, IDB and UNEP safeguards
- Norway-Brazil bilateral agreement: Safeguards of the Brazilian Development Bank

Guiding questions:

3.1: How should the GCF assess the implementation of the Cancun Safeguards in addition to the IFC performance standards (interim GCF ESS)?

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

3.3: Other questions?

3.1. – 3.3. The further challenge for the delivery of RBF REDD+ finance is that it needs to reconcile the "Cancun REDD+ Safeguards" that ensure that the rewarded ERs were not generated with negative social and environmental impacts on the one hand and that the disbursed finance is implemented in a way that respects these Safeguards and standard investment safeguards, such as the IFC's Policy and Performance Standards on Environmental and Social Sustainability, and IFC's Access to Information Policy, procedures. Overall, the IFC and WB standards and practices are in principle consistent with the Cancun safeguards for REDD+. The challenge is the scale of REDD+ at the national and subnational level that differs from the local level implementation of private (and public) investment projects and the silence of the Cancun Safeguards on some of the IFC Standards (e.g. Labor provisions).

In accordance with relevant UNFCCC decisions (Decision 1/CP.16, Decision 12/CP.17, Decision 12/CP.19), the GCF should request REDD countries to provide a summary of information on how safeguards are addressed and respected. A safeguards framework/template should be developed to guide countries in their reporting. However, the UNFCCC process has provided hardly any guidance and includes no provision of quality control of the summary and its implementation, which poses a problem for REDD+ finance instruments and its due diligence. Therefore, there is need to introduce a quality control regarding how countries are addressing and respecting safeguards in the process of generating ERs. Concretely, additional guidance is necessary to steer reporting and make reports more comparable and meaningful. A uniform framework/template should be

<sup>2</sup> Appendix I to UNFCCC decision 1/CP.16.



developed for RBP under the GCF while consistent with UNFCCC guidance. The framework/template, providing a broad and operational structure, should facilitate reporting and ensure quality, while avoiding overburdening REDD countries.

In addition there is need to ensure that REDD+ finance is implemented in a way that follows the “do no harm” principles of development (and climate) finance. By focusing on the key risks identified in the REDD+ Safeguards and the Safeguards due diligence based on the IFC principles, both approaches can be reconciled and generate the additional requirements/risk managements approaches, if the risk level makes it necessary. The safeguards review process also needs to take into consideration the degree of participation and consultation of stakeholders as well as the instruments that exist to respond to grievances and the identification of conflicts/risks.

#### Any additional issues/comments

The GCF Secretariat has invited 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. KfW welcomes the opportunity to share its views on technical issues. KfW has signed an Accreditation Master Agreement (AMA). As the REDD+ results based finance departs from standard input-based finance, we propose that the Board provides a mandate to the Secretariat to analyse how the GCFs relevant provisions would need to be adjusted in order to deliver RBF on scale. This includes the analysis of the required adjustments and potentially necessary additional provisions to the Accreditation Master Agreements (AMA), in coordination with the interested Accredited Entities. The AMA in its current form would not make REDD+ results based finance possible as the disbursement and implementation logic is different from input-based standard projects and credit lines.