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Green Climate Fund support for the early phases of REDD-plus

Summary

As per decision B.14/03, paragraph (b), this document provides information on GCF procedures and modalities to support efforts by national designated authorities and focal points to engage with the GCF in early phases of REDD-plus.

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I. Introduction

1.1. Mandate

1. At its fourteenth meeting, the Board, through decision B.14/03, paragraph (b), requested the Secretariat to develop further guidance to support efforts by national designated authorities (NDAs) or focal points (FPs) to engage with the GCF in early phases of REDD-plus using existing modalities, tools and programmes.
2. This document responds to the above-mentioned request, and provides guidance to support NDAs or FPs to engage with the GCF in the early phases of REDD-plus.

1.2. Linkages with other documents

3. This document has linkages with documents on the following:
 - (a) Progress on support for REDD-plus;¹
 - (b) Support for REDD-plus;²
 - (c) The GCF and the Paris Agreement;³
 - (d) Further development of some indicators in the performance measurement frameworks;⁴
 - (e) Strategy on accreditation;⁵
 - (i) Further development of the initial results management framework, including the initial logic framework for REDD-plus results-based payments;⁶ and
 - (ii) The guiding framework and procedures for accrediting national, regional and international implementing entities and intermediaries, including the GCF fiduciary principles and standards and environmental and social safeguards.⁷

1.3. Background

4. Under the United Nations Framework Convention on Climate Change (UNFCCC), Parties agreed to collectively aim to slow, halt and reverse forest cover and carbon loss, in accordance with national circumstances and in a consistent manner with the ultimate objective of the Convention. In that regard, from 2007 to 2015, Parties to the Convention adopted several decisions on this matter aiming to set the foundations for a global initiative to reduce emissions from deforestation and forest degradation, considering the role of conservation, sustainable forest management and enhancement of forest carbon stocks (known as REDD-plus).
5. The decisions adopted regarding REDD-plus require that these activities should be undertaken in phases, beginning with the development of national strategies or action plans, policies and measures, and capacity-building (phase 1), followed by the implementation of national policies and measures and national strategies or action plans that could involve further capacity-building, technology development and transfer and results-based demonstration

¹ GCF/B.15/Inf.07.

² GCF/B.14/03.

³ GCF/B.13/06.

⁴ GCF/B.13/26.

⁵ GCF/B.13/12.

⁶ GCF/B.08/07.

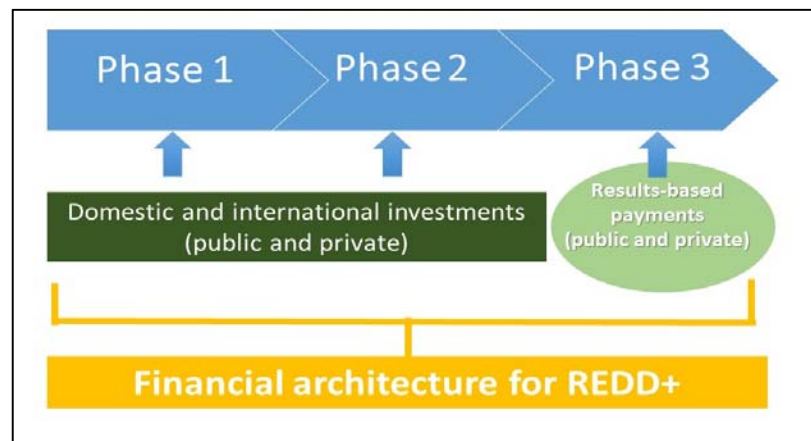
⁷ GCF/B.07/02.

activities (phase 2), and evolving into results-based actions that should be fully measured, reported and verified (phase 3).⁸

6. The implementation of the phases of REDD-plus at the scale intended will require significant mobilization of multiple sources of funding (public and private, domestic and international, multilateral and bilateral) from all available sources. However, current funds are inadequate to support action at the scale needed. Thus, investments will need to look beyond the ongoing REDD-plus initiatives, mainly funded by donor funds, toward innovative solutions to catalyse additional (public and private) funding. Despite the limited availability of funding, over 70 countries have engaged in implementation of early phases of REDD-plus as conceived by the UNFCCC.⁹

7. The GCF currently provides support to maintain and amplify efforts to implement the early phases of REDD-plus in recognition that REDD-plus offers a cross-cutting approach to contribute to global efforts to reduce emissions and contribute to low-emission and climate resilient development pathways in developing countries, while simultaneously generating local benefits, which in some cases could assist with adaptation to climate change.

Figure 1: REDD-plus phases and the financial architecture for REDD-plus



II. Green Climate Fund principles and objectives in the context of REDD-plus

8. The GCF has set an initial investment framework with the purpose of translating its overall objectives and principles into clear guidelines for investment decisions. The GCF support for REDD-plus is guided by these institution-level principles and therefore adheres to the investment framework criteria as follows:

- (a) **Paradigm shift:** defined as the degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment. In promoting paradigm shift in the context of REDD-plus, GCF investments aim to address the drivers of deforestation to deliver REDD-plus results, looking beyond the “forest sector,” considering forests as part of a wider landscape. Rather than a discrete intervention with delineated boundaries, REDD-plus investments will require a change in approach related to the role of forests and wider land use to meet development needs and achieve environmental

⁸ UNFCCC decision 1/CP.16, paragraph 73.

⁹ More than 70 countries participate in current REDD-plus initiatives such as the Forest Carbon Partnership Facility, UN-REDD, REDD Early Movers, CAFI, Amazon Fund and bilateral agreements.

sustainability. Interventions should encourage a shift to low-emission, sustainable development pathways while forest cover and forest carbon loss is slowed, halted and reversed. This requires coordination between different sectors, and doing so at the national or sub-national scale. This redefinition of the relationship between economic growth and social and environmental health is related to the GCF's objective of a 'paradigm shift.' Overall, REDD-plus is more than a mechanism for providing economic incentives to reduce deforestation and forest degradation; it has the potential to induce transformational change that overcomes business-as-usual practices;¹⁰

Government actors play a vital role in paradigm shifting investments by establishing and enforcing the necessary enabling environment to facilitate changes. Equally important however, is the involvement of local communities, indigenous peoples, civil society organizations, and the private sector. Only through coordination of all these actors and economic sectors at scale will countries be able to leverage enough resources, and drive changes through their interventions.¹¹ Generally, this means that programs should be strategically designed and implemented in keeping with national contexts and priorities. For REDD-plus, they should identify REDD-plus investments through strategic programming approaches. GCF REDD-plus investments, hence, should dovetail with the country's Nationally Determined Contribution (NDC), and low-emission and climate-friendly development pathway. The UNFCCC requirements for REDD-plus already delineate steps to ensure this through the requirement to produce REDD-plus strategies or action plans;¹²

- (b) **Impact potential:** Refers to the potential of the programme/project to contribute to the achievement of GCF objectives and result areas (discussed further below). REDD-plus investments with GCF support should deliver results in alignment to the fund-level impact area of reduced emissions from land use, deforestation, forest degradation, and sustainable forest management and conservation and enhancement of forest carbon stocks¹³. Countries applying for GCF REDD-plus investment should aim to monitor and measure the mitigation impact of activities through a national forest monitoring system (NFMS) at the national level, including reporting on how displacement of emissions are being addressed. In those countries where an NFMS has yet to be developed, or is in the process of design and implementation, mitigation impacts can still be demonstrated using robust methodologies and the most recent data available in the country or region on an interim basis. REDD-plus investments that also provide adaptation benefits and/or increased resilience will likewise need to be reported and measured with the use of appropriate methodologies if included in the proposal to the GCF;
- (c) **Sustainable development potential:** The GCF aims to redefine the relationship between economic growth and environmental and social well-being. Thus, GCF investments must serve broader benefits toward sustainable development. As actions to improve sustainable land management, such as those being incentivized through REDD-plus activities, can have wider social and economic benefits, the GCF encourages developing countries to engage in them. Furthermore, the GCF recognizes that these activities often produce additional non-carbon benefits, and highlights the importance of safeguarding, and where possible improving them, with emphasis on gender issues, indigenous people's rights, and environmental integrity. These additional non-carbon benefits will also need to be reported and measured with the use of appropriate methodologies;

¹⁰ Korhonen-kurki, K. et al 2014. Enabling factors for establishing REDD-plus in a context of weak governance. Climate policy Vol. 14, No. 2, 167–186, <http://dx.doi.org/10.1080/14693062.2014.852022>

¹¹ Brickel, E. A paradigm shift in thinking on REDD-plus. 2012

¹² UNFCCC Decision 1/CP.16

¹³ Decision GCF/B.07/04. Initial Results Management Framework of the Fund

- (d) **Needs of the recipient:** the vulnerability and financing needs of beneficiary countries and populations are always considered when assessing funding proposals. When designing and implementing REDD-plus using support from the GCF, it is important to analyse the degree of climate vulnerability and the socio-economic conditions of the populations to be involved in the project/programme. REDD-plus will, in most cases, involve rural communities, indigenous people and forest-dependent groups, whose needs and vulnerability should be considered in the process of designing and implementing GCF investments. The GCF makes it a priority to enhance countries' capacities to safeguard the rights of local and indigenous communities, and seeks strict adherence to its environmental and social safeguards (ESS) standards and the UNFCCC guidance for REDD+ (when pursuing results-based payments) in its review of funding proposals;
- (e) **Country ownership:** the GCF aims to achieve its goals with a country-driven approach. In that sense, any proposed REDD-plus investments to be considered for GCF support should be anchored in the national REDD-plus strategies and/or action plans and aligned with the NDCs as well as other relevant climate change policies and planning instruments of a country that include land-based interventions, such as nationally appropriate mitigation actions (NAMAs) or national adaptation plans (NAPs). Alignment with a national strategy/action plan can be demonstrated in terms of both the types of activities, and the scale, monitoring, and accounting of land use and emission reductions. In this regard, programmes at subnational or national scales are encouraged as actions at this scale can more clearly demonstrate the country's overall progress in achieving its REDD-plus goals. However, if they are well integrated in national strategies, activities with local communities or activities that drive private investment at smaller scales may also be attractive. Throughout the planning process and implementation of REDD-plus activities with support from the GCF, relevant stakeholders and civil society groups should be consulted, with particular attention to the rights of indigenous peoples and gender issues; and
- (f) **Efficiency and effectiveness:** GCF investments in REDD-plus should demonstrate economic and financial soundness. The diversity of actors and circumstances around REDD-plus investments make it necessary to conduct a detailed analysis, identifying the appropriate financial structure (funding amount, financial instrument, tenor, and term) for each activity. The GCF encourages countries to develop investment plans or financial strategies at the scale foreseen in the national REDD-plus strategies/action plans, to provide insight into their financial needs for achieving REDD-plus results (which can be scaled down to match individual investments in the future, as necessary). Such investment plans or financial strategies should include an analysis of barriers and/or bottlenecks that prevent domestic or private finance from being mobilized; an analysis of alternative sources of finance including innovative financing options; an analysis of current finance flows (domestic and private) in the forestry and land use sector; and identification of means to leverage public and private sector investments, as well as assure the long-term financial sustainability of the investments.

When identifying interventions, countries are encouraged to provide explanations of how the best available technologies and/or practices, including those of indigenous peoples and local communities, are considered and applied.

III. Green Climate Fund modalities to access finance

3.1. Readiness and Preparatory Support Programme

9. The Readiness and Preparatory Support Programme (the readiness programme) provides resources for strengthening the institutional capacities of established NDAs, FPs or direct access entities (DAEs) to efficiently and effectively engage with the GCF. Resources are available in the form of financial and technical support, by the means of templates and technical guidance and up to USD 1 million per country per year (not exclusive for REDD-plus, but for all activities identified by the NDA). Readiness Funding can be accessed for a variety of readiness activities, as appropriate.

10. As an example of some REDD+ activities that could be supported through the readiness programme¹⁴ are presented as follows:

- (a) **Establishing and strengthening NDAs or FPs:** Under this category, the NDA/FP may strengthen its national coordination and consultation mechanisms. All key relevant actors in climate change including the REDD-plus national entity/focal point to the UNFCCC are expected to be involved in this process to ensure the country effective engagement with the GCF.
- (b) **Strategic framework, including the preparation of country programmes:** This category includes developing a country programme, which may extend to a national REDD-plus strategy/action plan (e.g. analysis of policies and measures, stakeholder consultations, analysis of drivers of deforestation, financial analysis and assessment to identify financial gaps, barriers and needs, and so on). It also includes the development of tools, methods and templates to scale up successful models through programmatic approaches.
- (c) **Support for accreditation and accredited direct access entities:** The NDA/FP may use the GCF readiness resources to support national or regional entities specialised in REDD+ activities that are candidates for accreditation for direct access, to understand the GCF accreditation process and build their capacity in fiduciary standards and environmental and social safeguards or the Cancun safeguards.
- (d) **Information sharing, experience exchange and learning:** The Readiness Programme may support information and knowledge sharing, including conducting regional workshops with NDAs/FPs, existing and potential AEs, REDD+ national entity/focal points, civil society and other stakeholders to raise awareness of the modalities of the Fund and opportunities to engage in REDD+ implementation.
- (e) **Formulation of national adaptation plans and/or planning processes:** Where land-based activities are identified for addressing adaptation priorities, countries may explore possible complementarity between their adaptation plans with REDD-plus activities.

11. As this list is not exhaustive and is subject to further revision, NDA/FP could also consider how resources made available from the readiness could support them strengthening institutional capacity to undertake some of REDD-plus phase 1 activities. It is important to remark that the activities mentioned above are only indicative examples. Countries are encouraged to formulate their activities based on their specific needs following corresponding Board decisions related to the readiness programme.

¹⁴ Indicative list of activities to be included in the readiness programme, as adopted by the Board, is presented in Annex VII to Decision B.13/32 (Document GCF/B.13/32/Rev.01)

3.2. Project preparation facility

12. The Project Preparation Facility (PPF) supports project and programme preparation requests from all accredited entities (AEs), especially direct access entities, and particularly for projects in the micro-to-small size category, for a maximum amount of USD 1.5 million per project/programme. Support for PPF requests is usually provided in the form of grants and repayable grants, but equity may be considered for private sector projects.

13. The PPF supports the following activities: (a) pre-feasibility and feasibility studies and project design; (b) environmental, social and gender studies; (c) risk and compliance assessments; (d) identification of project- and programme-level indicators in line with the GCF's results management framework (RMF); (e) pre-contract services; (f) advisory services to financially structure a proposed activity; and (g) other project preparation activities with sufficient justification. For REDD-plus, NDAs/FPs may work with AEs to consider how their national REDD-plus strategy/action plans and investment plans can be converted into concrete funding proposals.

3.3. Funding proposal approval cycle

14. The GCF provides finance for projects/programmes that propose to contribute to its objectives, perform against its investment framework, and comply with its policies. The Board will receive funding proposals on a regular basis for its consideration at Board meetings as per the initial proposal approval process.¹⁵

15. GCF REDD-plus investments will need to respond to the fund-level impact area of reduced emissions from land use, deforestation, forest degradation, and sustainable forest management and conservation and enhancement of forest carbon stocks. In some cases, REDD-plus proposals may include one or more fund-level impact areas, including for adaptation, such as increased resilience and enhanced livelihoods of the most vulnerable people, communities, and regions; increased resilience of health and well-being, and food and water security and improved resilience of ecosystems and ecosystem services.

16. GCF funding is channelled through AEs whose maximum project size,¹⁶ fiduciary functions,¹⁷ and environmental and social risks¹⁸ are defined by their accreditation type. Depending on the fiduciary function that each AE is accredited for, they should identify the appropriate financial instrument for implementing the proposed project/programme. Countries, through their NDAs, may consider selecting AEs that have the necessary fiduciary capacity to carry out the needed activities, and AEs may consider partnering with other AEs to increase their scope and target more ambitious and impactful interventions.

3.4. Request for proposals

17. Requests for proposals (RFPs) are issued by the GCF to fill current gaps in climate financing. In issuing an RFP, the GCF may accept proposals from entities it has not yet accredited. These RFPs are designed on an ad-hoc basis and can be tailored to REDD-plus implementation in later stages (phases 2 and 3).

¹⁵ GCF/B.07/03 Initial proposal approval process

¹⁶ Project size category refer to the following four types: Micro proposals can have a total size of up to and including US\$ 10 million; small proposals can have a total size of above US\$ 10 million and up to and including US\$ 50 million; medium proposals can have a total size of above US\$ 50 million and up to and including US\$ 250 million; and large proposals can have a total size of above US\$ 250 million (Decision 08/02).

¹⁷ Project management, grant award and/or funding allocation, and on-lending and/or blending (Decision 08/02).

¹⁸ Risk categories include Category A / Intermediation 1 (high), Category B / Intermediation 2 (medium), and Category C / Intermediation 3 (low). More details are presented in Annex I of document GCF/B.07/11.

IV. Green Climate Fund support for REDD-plus phases

18. The implementation of REDD-plus phases is not necessarily sequential as various activities can be implemented in parallel. For instance, REDD-plus implementation can be started without a comprehensive national strategy, which may be developed in due course based on lessons learned. On the other hand, capacity-building and demonstration activities can be part of both phase 1 and phase 2. Each country will determine its own course of action but the above-mentioned phases provide a useful framework for assessing financing needs for REDD-plus, and are in keeping with UNFCCC decisions.¹⁹

19. The descriptions below delineate possible activities that can be financed in the context of the GCF modalities for financing REDD-plus. It is not an exhaustive list, and countries are encouraged to formulate their activities in accordance to their national circumstances and capacities.

4.1. GCF support for phase 1

20. Phase 1 of REDD-plus includes the development of national strategies or action plans, policies and measures, and other capacity building activities. As requested by decisions taken by the Conference of Parties (COP) to the UNFCCC,²⁰ countries implementing REDD-plus with the expectation of adequate and predictable financial and technical support should develop a: (a) national REDD-plus strategy or action plan; (b) national forest reference emission level; (c) robust and transparent national forest monitoring system; and (d) safeguards information system. The GCF currently offers modalities, windows, and programmes to assist countries with these activities through the Readiness Programme taking into account the cap of USD 1 million per year per country for all eligible activities which may include REDD-plus activities. A brief description of GCF support for developing these elements is provided below:

- (a) **Development of a national REDD-plus strategy or action plan and investment plans:** Through the Readiness and Preparatory Support Programme, the GCF can support preparation of the REDD-plus strategy or action plan, with specific assistance analysing the drivers of deforestation and forest degradation, land tenure and forest governance issues (including analysis of policies and measures), safeguards and gender considerations, and more. The plan should be ambitious in scale, aligned with the country's climate change strategies (e.g. NAMAs, NAPs, national climate change strategies, etc.), and ensure the full and effective participation of relevant stakeholders, including indigenous peoples and local communities. In addition to helping to assure that the above requirements are met, the GCF can also support preparation of an investment plan to address identified implementation issues. This financial plan should specify the financial needs, gaps, barriers and ways to leverage (private, public, and other sources of finance), seeking long term financial sustainability of the investments. Such analysis will feed into the development of the country programme for the GCF, which identifies strategic priorities for engagement with the GCF;
- (b) **Design a national forest reference emission level:** GCF readiness funding could also be available to support countries to design a forest reference emissions level (FREL) or included as part of a funding proposal;
- (c) **Design and establish the national forest monitoring system:** Readiness support can also assist countries to establish a national forest management system by, for example, building technical capacity to monitor, report, and verify emissions reductions from forest and land-use activities. It is also possible to access finance for the implementation of

¹⁹ Simula, M. 2010. Analysis of REDD-plus financing gaps and overlaps. REDD-plus Partnership.

²⁰ UNFCCC decision 1/CP.16 paragraph 71

national forest monitoring systems as part of a funding proposal through the regular project cycle, provided these efforts are coupled with related emissions reduction actions. These investments will need to include ways to secure long term financial sustainability and appropriate capacities to maintain the system beyond the timeframe of the project/programme financed; and

- (d) **Design and develop a system for implementing the Cancun REDD-plus Safeguards:** in accordance with rules established by the UNFCCC, countries must respect and address the UNFCCC decisions on safeguards. GCF readiness support can assist countries to adhere to these rules. Here too, funding for addressing the Cancun REDD-plus Safeguards could alternatively be included in the project cycle as part of a funding proposal.

21. The development and implementation of the above activities will require significant investments in capacity building and consultations. These capacity-building and consultation needs could be included as part of the activities financed with GCF readiness support, and could be maintained as part of a funding proposal. The long-term financial sustainability after the GCF finance has been fully executed for maintaining these activities needs to be identified and secured (further described in section V).

4.2. GCF support for Phase 2

22. Phase 2 includes the implementation of national policies and measures and national strategies or action plans, which might involve additional capacity building, technology development and transfer and results-based demonstration activities. The implementation of these activities is likely to derive from different sources of funding as in most cases, no single source will be able to cover all financial needs.

23. REDD-plus investments in phase 2 could be financed through various sources, including domestic government agency budgets and/or private investments, and international climate finance. As described above in the context of phase 1, the GCF can support preparing REDD-plus strategies and plans as well as analysing the funding sources and needs from countries in the process of implementing REDD-plus programmes. Based on these analyses, the appropriate interventions, instruments, and sources of finance would be identified and included in a funding proposal to the GCF. Further readiness support funding may also be allocated if required on a case-by-case basis. Investments will need to apply to fund-level impact areas of reduced emissions from land use, deforestation, forest degradation, and sustainable forest management and conservation and enhancement of forest carbon stocks, and be assessed against the corresponding indicators or the GCF results management framework (RMF).²¹

24. REDD-plus investments may include public and/or private investments across many different sectors at multiple scales. Therefore, proposed investments in the forest and land use sector should take into account the characteristics of different actors and their roles, activities, and financial instruments, which may vary according to the different land-use activities being proposed for reducing emissions and achieving sustainable development. Key actors may include governments (national, subnational, local); local communities (indigenous communities, rural communities, forest-dependent groups, etc.); private sector (producers, providers, financial institutions, service providers, etc.); civil society organizations, and other relevant stakeholders.

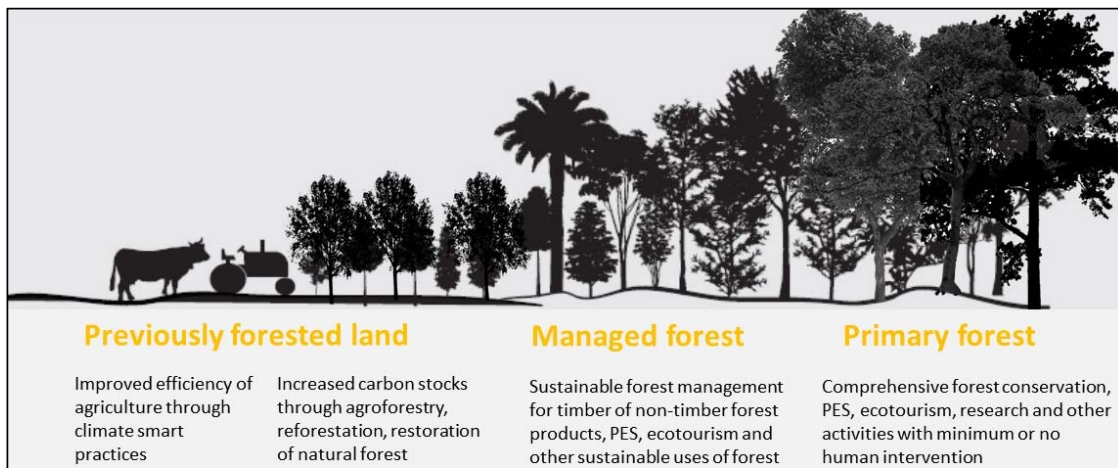
25. Depending on their roles and capacities, these actors will be involved in different types of investments at different points in time and space. Nevertheless, they should be closely coordinated. This complex interaction among actors with diverse interests (such as food security, poverty alleviation, human welfare, industrialization, conservation, etc.) around a piece of land is likely to pose a challenge to the implementation of REDD-plus investments. Equally, pursuing

²¹ Decision GCF/B.07/04. Initial Results Management Framework of the Fund

emissions reduction from deforestation and forest degradation without considering the competing interests and needs that drive land use activities around forest areas will result in impracticable solutions in the long term.

26. In order to manage the complexity of these interactions and the diversity of interests and needs concerning different land uses around forest areas, the concept of the “landscape approach”²² has emerged as a way to identify interventions that could address all involved stakeholders. In a broad sense, the landscape approach relates to coordinating agriculture, restoration of degraded lands, sustainable forest management, and conservation in an integrated manner. This approach applies to virtually all eligible REDD-plus activities,²³ and will require effort from governments and involvement from a range of stakeholders, including communities and private sector actors involved in the landscape, in order to be socially, environmentally and financially sustainable.

Figure 2: example of possible interventions at the landscape level²⁴



27. Phase 2 investment through the GCF funding proposal approval cycle should consider identifying the appropriate interventions at different scales based on the circumstances of the areas where the investments are anticipated. As shown in the example in figure 2 above, these interventions could be identified according to major land uses: previously forested lands, managed forests, and primary forests, and described below:

- (a) Previously forested lands: to reduce pressure on forests and prevent increasing deforestation, possible alternatives could include increasing productivity of agricultural lands through more efficient and proven technologies to maximize the use of the land through climate-smart and more sustainable agriculture, enhancing carbon stocks through reforestation and agroforestry and implementing restoration of natural forests where possible;
- (b) Managed forests: for these forests, which are threatened by deforestation due to their proximity to the agricultural frontier, there is a need to increase the perceived value for their maintenance. This may come in the form of sustainable forest management for timber or non-timber forest products, payment for ecosystem services, and ecotourism, where viable; and

²² One definition of landscape approach is as follows” *Farms, forests, water bodies and settlements are not isolated elements but part of a wider landscape in which all land uses are integrated. A landscape approach entails viewing and managing multiple land uses in an integrated manner, considering both the natural environment and the human systems that depend on it*” <http://www.landscapes.org/glf-2013/about/>

²³ UNFCCC decision 1/CP.16 paragraph 70

²⁴ Image adapted from the FIP investment plan for Peru 2013. Climate Investment Funds.

- (c) Primary forests: recognizing land tenure rights, strengthening law enforcement measures, creating large-scale protected areas through proper consultation mechanisms (among other activities of minimum or no human intervention), will contribute to maintaining the livelihoods and cultural values of forest-dependent people living in and around these areas and to the long-term conservation of these forests and the ecosystem services provided by them.
28. The activities described above for illustrative purposes, would require two major types of interventions: interventions to generate the enabling conditions (usually a government's responsibility), and private sector interventions.
29. The interventions related to generating enabling conditions, would rely mostly on government actors at different levels. These interventions in the land use sector typically include public sector investments such as:
- (a) land tenure reform and land use planning;
 - (b) strengthening law enforcement and regulatory framework;
 - (c) policy, legal and institutional reforms in the forestry and related sectors;
 - (d) development of national forest inventories; and
 - (e) strengthening institutional and local capacities of relevant stakeholders in the forestry and land use sectors.
30. Such investments are typically financed through domestic budgets, although some countries would require additional support to be able to establish enabling conditions in the forestry and land use sector. In these cases, the GCF could provide support to implement these activities through concessional loans, or eventually grant instruments as part of a funding proposal. This would require substantial justification and analysis of the barriers and bottlenecks preventing domestic or other sources from financing these activities, and an analysis to identify ways to secure the financial sustainability of such investments.
31. As mentioned in section II above, proposed investments for GCF support should respond to the Fund-level impact areas of "reduced emissions from land use, deforestation, and forest degradation through sustainable forest management and conservation and enhancement of forest carbon stocks," by, amongst other things, addressing drivers of deforestation such as agricultural expansion. Funding proposals will need to articulate a clear theory of change that demonstrates the linkages between the impact areas and the proposed investments. Ideally, they should delineate how progress toward achieving enabling conditions could catalyse private investments from different actors that could support the financial sustainability of such investments.
32. The GCF encourages innovation in public sector investments in order to maximize effectiveness, efficiency and return on GCF investments in social, climate, and financial terms. Examples of innovative finance include ongoing forgiveness of loans, where loans could be made with predetermined conditions related to monitored achievement of forest and land use climate change outcomes. Similarly, loans combined with output-based grants might also be explored. Output-based grant schemes pay grants only on delivery of the desired outputs, which could be linked to reduction of emissions from deforestation, or increased forest cover through reforestation/afforestation, restoration of forest, or forest conservation interventions.
33. The overall picture of REDD+ finance makes it clear that public sources of funding will not be sufficient to trigger the necessary transformational change at the landscape level. The efforts from governments cannot achieve their targets for emissions reductions or low-emissions

development without alignment with private sector actions, primarily in the major emitting sectors.²⁵

34. The GCF's role in relation to the private sector focuses on addressing barriers and reducing risks to private sector investment in adaptation and mitigation activities. These barriers and risks may include market failures, insufficient capacity, lack of awareness of how to mobilize private capital, and/or lack of expertise at scale in accordance with national plans and priorities.²⁶

35. The following principles need to be followed for structuring funding for any project/programme through the Private Sector Facility (PSF) of the GCF, which aims to address the above-mentioned barriers:

- (a) additionality, meaning GCF funding should not finance anything that can otherwise be financed by the market on commercial terms;
- (b) ability to "crowd-in" private investment;
- (c) potential for commercial sustainability; and
- (d) minimizing the concessionality within instruments

36. Overall, there are no restrictions on private sector activities in relation to REDD-plus financing through the GCF. Acknowledging the wide diversity of actors in forestry and land use sectors, the GCF could provide a variety of financial instruments to support private sector actors directly or through financial intermediaries. In this case, finance is expected to crowd in investments that would otherwise not be feasible for the private sector actors.

37. The GCF can assist private sector actors involved in the value-chains of agricultural and forest commodities that generate large sources of emissions from deforestation and forest degradation to shift to deforestation-free supply chains. This support may include increasing capacities at the producer level through technical assistance with grant and non-grant instruments, as well as participating directly or indirectly in the investments through equity or guarantees for reducing certain risks. For example, The GCF can promote climate smart agriculture, agroforestry and reforestation by closing the finance gap that renders business-as-usual to be more profitable than improved practices (in the short term), and at the same time it can promote actions that reduce pressure on forests. This assistance requires the creation of an incentive structure for farmers to choose to implement climate smart practices and to reduce the perceived risks for investment in productivity while establishing mechanisms to prevent the expansion of agricultural activities into forested lands. Some examples of GCF support for these activities may come in the form of, but are not limited to:

- (a) Providing funding and instruments to generate credit lines with improved loan conditions for sustainable agricultural practices conditional to maintaining natural forests and/or increasing forest areas;
- (b) Financing technical assistance to small-scale farmers to improve capacities and generate opportunities to engage in deforestation-free supply chains; and
- (c) Providing guarantees to reduce market risks, and other risks inherent to the forestry and land use sectors, including climate variability.

38. Private sector actors also include those involved in the generation and trading of emissions reductions from REDD-plus activities at the project level. To facilitate private sector investment in REDD-plus, the GCF is open to exploring integration of project-level activities

²⁵ Graham, P; Silva-Chavez, G. 2016. The implications of the Paris Climate Agreement for Private sector roles in REDD+.

²⁶GCF decision B.04/08

towards achieving larger scales of results at the national or subnational level, in alignment with national strategies, UNFCCC requirements, and GCF policies.

39. The above description of the private sector role in REDD-plus is a brief presentation of the opportunities and synergies that could be triggered through GCF investments. A more elaborate and detailed analysis of the engagement of the private sector in the forest and land use activities is foreseen to be developed as requested by the COP.

4.3. GCF support for Phase 3

40. In accordance with its Governing Instrument, the GCF will provide financing in the form of grants and concessional lending, and through other modalities, instruments, or facilities as may be approved by the Board. The Governing Instrument also specifies that the GCF may employ results-based financing approaches, including, in particular for incentivizing mitigation actions, and payment for verified results, where appropriate.²⁷ Further development in operationalizing GCF results-based payments for phase 3 of REDD-plus is being conducted separately.²⁸

V. Support for capacity building and stakeholder engagement

41. Capacity building and stakeholder engagement will be required across all REDD+ phases, at different levels of intensity and points in time, and targeting different groups of people. These activities will need to be maintained across all the phases of REDD+, and the GCF will provide support for them through its various modalities.

42. UNFCCC Decision 1/CP.16 (paragraph 73) states that capacity building is part of the early stages of REDD-plus (as countries develop national strategies or action plans), as well as the implementation stage as it also concerns execution of policies and measures. The GCF can support capacity building, including technology development and transfer, throughout the phases of REDD+. It will focus on investments that build local and long-lasting capacities and that contribute to the core criteria of the GCF, e.g. capacities that lead to impact, paradigm shift, country ownership, and that meet the needs of the country.

43. Decision 1/CP.16 also includes several safeguards that “should be promoted and supported”. These safeguards refer to “respect for the knowledge and rights of indigenous peoples and members of local communities” and “the full and effective participation of relevant stakeholders, in particular, indigenous peoples and local communities” in REDD+. The GCF can support the development of stakeholder engagement processes, including assistance with stakeholder consultations, and responding to countries’ needs for engaging stakeholders throughout the development and implementation of national REDD-plus strategies. For example, consultations and stakeholder engagement activities may be supported by the GCF: at the time of elaboration of the REDD-plus strategy or action plan (through the readiness programme); during the preparation of a funding proposal (through the PPF), particularly to ensure that key stakeholders are involved in the implementation of future GCF investments; or in preparing a REDD-plus RBP proposal, for example engaging stakeholders in developing a benefit-sharing plan for results-based payments and during the implementation of REDD-plus investments (through funding proposals).

²⁷ Governing instrument paragraph 55

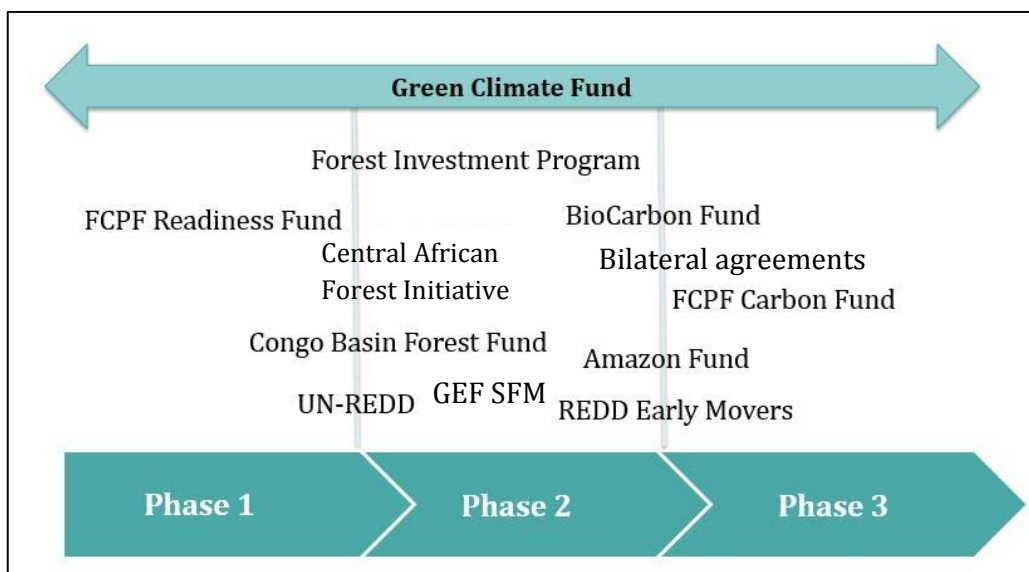
²⁸ Board document GCF/B.17/13 Pilot Programme for Results-based Payments

VI. Complementarity and coherence with other funds

44. There are a wide range of bilateral and multilateral financing initiatives for supporting early phases of REDD+. Twenty-one donor countries collectively pledged almost USD 5 billion through bilateral agreements between 2006 and 2014,²⁹ and more than USD 4 billion of this support for REDD+ has been pledged and (partially) disbursed through multilateral funds or programmes since 2008. These funds/programmes include the Amazon Fund, the Central African Forest Initiative (CAFI), the Congo Basin Forest Fund (CBFF), the Forest Carbon Partnership Facility (FCPF)'s Readiness Fund and Carbon Fund, the Forest Investment Program (FIP), the Global Environment Facility (GEF)'s Sustainable Forest Management (SFM) REDD+ Strategy, the BioCarbon Fund's Initiative for Sustainable Forest Landscapes (ISFL), the REDD Early Movers (REM) initiative, the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD) Programme and several other bilateral agreements such as Norway-Guyana, Norway-Peru, Norway-Indonesia, Norway-Liberia, Norway-Vietnam, Norway-Tanzania, Norway-Ethiopia, Colombia-Norway-Germany-United Kingdom.

45. In addition, support for REDD+ is also provided by multilateral development banks and philanthropic organizations without necessarily being labelled as REDD-plus but pursuing the same outcomes. Similarly, several emerging countries are increasingly prioritizing REDD-plus within their national budgets. Therefore, GCF will seek complementary and coherence for REDD-plus finance with other funds and initiatives but also with domestic public finance and leveraging private finance.

Figure 3. Some of the existing initiatives providing REDD+ finance³⁰



46. These initiatives have different objectives and indicators for measuring impacts, but there are substantial overlaps in their areas of financing. The major implication of distributing REDD-plus finance through these scattered initiatives is that developing countries with limited capacity need to follow and comply with different rules and procedures to access funds.³¹ To minimize the

²⁹ Norman, M., and Nakhooda, S., 2015. The State of REDD+ Finance., CGD Climate and Forest Paper Series #5.

³⁰ The initiatives presented in this figure and table 1 below are not exhaustive, and there are other REDD+ financiers including bilateral initiatives and private financiers.

³¹ Wiseman, V., 2014. *The Direction of REDD+ Financing: Merging Ahead?* Available at: <http://sdg.iisd.org/commentary/policy-briefs/the-direction-of-redd-financing-merging-ahead/>

burden associated with this, including duplication of work, and to increase efficiency of resources, the GCF will work to ensure complementarity and coherence with these initiatives to support forest countries' activities to achieve their REDD-plus objectives. Table 1 below describes the type of support offered by some of the regional and international REDD-plus financing initiatives:

Table 1. Support for early phases of REDD-plus by some of the regional/international financing initiatives

	Areas of support for early phases of REDD-plus
Amazon Fund	<ul style="list-style-type: none"> • Management of public forests and protected areas • Control, monitoring and environmental inspection • Sustainable forest management • Economic activities developed from the sustainable use of vegetation • Ecological and economic zoning, territorial planning and land regularization • Conservation and sustainable use of biodiversity • Recovery of deforested areas
CAFI	<ul style="list-style-type: none"> • Developing and implementing National Investment Frameworks endorsed at the highest level by national institutions with cross sectoral mandates • Promoting inclusive participation of all stakeholders • Providing funding based on the achievement of policy and programmatic milestones that are specified in letters of intent
CBFF	<ul style="list-style-type: none"> • Forest management and sustainable practices • Livelihoods and economic development • Monitoring, assessment and verification • Benefits from carbon markets and payment for ecosystem services • Capacity building for REDD+; for monitoring, assessment and verification; and in sustainable forest management
FCPF Readiness Fund & UNREDD	<ul style="list-style-type: none"> • Readiness organization and consultations • Preparing the national REDD-plus strategy • Developing a FREL/FRL • Designing a system for national forest monitoring and information on safeguards • Scheduling and budgeting • Designing a program monitoring and evaluation framework
FIP	<ul style="list-style-type: none"> • Capacity building/institutional strengthening and governance reform • Forest monitoring/MRV • Support for landscape approaches • Sustainable forest management
GEF SFM	<ul style="list-style-type: none"> • Maintain forest resources: Reduce pressures on high conservation value forests by addressing the drivers of deforestation • Enhanced forest management: Maintain flows of forest ecosystem services and improve resilience to climate change through SFM. • Restored forest ecosystems: Reverse the loss of ecosystem services within degraded forest landscapes • Increased regional and global cooperation: Enhance regional and global coordination on efforts to maintain forest resources, enhance forest management, and restore forest ecosystems through the transfer of international experience and know-how
ISFL	<ul style="list-style-type: none"> • Making improvements to countries' enabling environments for sustainable land use • Piloting of activities and key partnerships, including engagement with the private sector • Developing systems for monitoring, reporting, and verifying reductions in GHG emissions to prepare jurisdictions for payments

47. Several existing tools created by other initiatives could be instrumental in identifying opportunities for collaboration (e.g. the readiness assessment framework created by FCPF and

UN-REDD), or areas where resources from different initiatives can be allocated (e.g. UN-REDD's country needs assessments).

48. On the country side, there is wide variation in estimates of financing needed per country for implementing the early phases of REDD-plus. According to an analysis by the UNFCCC Standing Committee on Finance, the average cost of undertaking REDD+ readiness activities for 21 countries varied from USD 4 to 27 million per country, as voluntarily reported to the FCPF and UN-REDD.³² In order to ensure efficiency and consistency in the implementation of the REDD-plus activities, as well as transparency of financing, it is crucial that needs are clearly assessed according to common criteria. In order for this to happen, funding institutions need to complement and communicate with other funds, since no single financing initiative can fully meet countries' needs.

49. In addition to the initiatives described above While support for early phases for REDD-plus has been provided already through these initiatives for many REDD-plus countries, there are still financing gaps that the GCF can fill. These gaps include support for developing countries that did not have access, or only had partial access, to other initiatives. In such cases, the GCF could provide initial support in the absence of other initiatives, or complimentary support where previous and/or ongoing efforts exist. The GCF is also eager to stimulate private sector support for REDD-plus. Thus, it intends to work in collaboration with other climate funds as well as directly with countries and/or private sector entities to achieve complementarity and coherence and avoid duplication of efforts

50. Procedurally, countries requesting GCF funding will also need to play a role in maximizing synergies among existing financial initiatives by contributing additional information. When a country prepares a proposal to the GCF to receive support for early phases of REDD-plus, it will be requested to provide complete and transparent information about planned and/or ongoing activities that are supported by other initiatives. Countries will also be encouraged to build on and scale up existing REDD-plus activities in order to achieve larger impacts to meet the GCF's commitment to promote paradigm shift. In addition, information about domestic allocation of resources supporting REDD-plus will be requested, because it is essential to achieving complementarity and maximize efficiency of resources.

51. The GCF will make its contribution to the REDD-plus finance landscape by working to ensure complementarity and coherence with other REDD-plus financing initiatives. It will support countries to make progress toward achieving their REDD-plus goals by increasing the scale of REDD+ actions and finance, and helping countries advance through phases 1 and 2 (and eventually into phase 3). Furthermore, as part of the GCF's Operational Framework on Complementarity and Coherence,³³ the GCF intends to identify thematic synergies on REDD-plus between project/programme portfolios across climate funds as part of its work. This could occur both as part of programming efforts at the country level, and as part of designing efforts for programmes specifically aiming to scale up successful experiences from funding and implementing proposals. These efforts, taken together will allow the GCF to meet its goals of enhancing complementarity at the activity level and promoting coherence at the national programming level.

52. The GCF acknowledges that each country's needs and circumstances can vary greatly and as such, the information provided above may not be applicable for some countries preparing to carry out REDD-plus activities. The GCF is willing to work with each country to meet its needs and to fill the funding gap so that REDD-plus can deliver its promises for climate change mitigation and adaptation, as well as non-carbon benefits.

³² SCF/2015/10/11 Working paper on coherence and coordination: issues related to finance for forests, taking into account different policy approaches.

³³ GCF decision B.13/12

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.17/16 titled “GCF support for early phases of REDD-plus”,

- (a) *Takes note* of the document provided to support efforts by national designated authorities and focal points to engage with the GCF in early phases of REDD-plus using existing modalities, tools and programmes.
 - (b) *Encourages* national designated authorities and focal points to access readiness support directly, or to collaborate with readiness delivery partners and accredited entities to submit readiness requests, for early phases of REDD-plus, using the existing modalities for accessing readiness and preparatory support.
 - (c) *Further encourages* national designated authorities and focal points to collaborate with accredited entities to submit concept notes, project preparation facility requests and funding proposals that will facilitate support for early phases of REDD-plus.
 - (d) *Requests* the Secretariat to prepare appropriate communication material in order to facilitate access to the information presented in the document “GCF support for early phases of REDD-plus” and update the information provided in light of future Board decisions when needed.
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