

Annex XI: Draft terms of reference for the pilot programme for REDD-plus results-based payments

I. Introduction

1. At its fourteenth meeting, the Board requested the Secretariat to develop a request for proposals (RFP) for REDD-plus results-based payments (RBPs), including guidance consistent with the Warsaw Framework for REDD-plus and other REDD-plus decisions under the United Nations Framework Convention on Climate Change (UNFCCC).¹
2. The objective of the RFP pilot programme for REDD-plus RBPs is to operationalize REDD-plus results-based payments and gather experience to further improve the procedural and technical elements of RBPs using GCF resources in the learning stage.
3. The pilot programme will run from the launch of the RFP in October 2017 until the last meeting of the Board in 2022. A minimum of 3 Concept Notes from 3 different countries need to be submitted to initiate the RFP evaluation process. The assessment of the concept notes will occur in the order in which they were received by the Secretariat.
4. The RFP will encompass two stages: in the first stage, Concept Notes are received by the GCF on a rolling basis after the launch of the RFP, allowing any interested countries to apply. In the second stage, countries that are notified of their eligibility (according to the scoring in section 1 below) are invited to submit a Funding Proposal to the GCF.
5. A country can submit more than one proposal provided that the total amount of GCF payable volume of ERs will not exceed more than 30% of the size of the total envelope (see section 3.4 for details).

II. Eligibility criteria

6. Proposals must meet the following criteria:
 - (a) By the time of submission of a Concept Note, the following information related to UNFCCC requirements, including the elements reflected in decision 1/CP.16 paragraph 71, should be in place and made publicly available (e.g. on the UNFCCC REDD-plus web platform):
 - (i) The National REDD-plus Strategy or Action Plan;
 - (ii) FREL/FRL that is applied to the results period for which payments are requested has been submitted to the UNFCCC and has undergone the Convention's Technical Assessment² of FREL/FRL;
 - (iii) National Forest Monitoring System (i.e. description provided in the BUR Annex);
 - (iv) A safeguards information system (SIS) to inform how the safeguards are addressed and respected, and a summary of information on how all the Cancun REDD-plus safeguards were addressed and respected during the period for which payment for results is being requested.³
 - (b) The REDD-plus results, for which payments are requested, have been included in the Technical Annex of the country's BUR submitted to the UNFCCC by the time of

¹ GCF decision B.14/03.

² The FREL/FRL must be technically assess per UNFCCC decision 13/CP.19.

³ UNFCCC decision 9/CP.19 paragraph 11 and decision 17/CP.21.

submission of the RBP Concept Note; in addition, the Technical Analysis⁴ should be completed and the report made available on the UNFCCC website by the time of submitting the complete RBP Funding Proposal.

- (c) The scale of the REDD-plus results-based payments proposal is national or, on an interim basis, subnational.⁵
- (d) Written consent for participation in the RFP must be provided by the REDD-plus national entity/focal point to the UNFCCC where a national entity/focal point has been nominated by a country at the time of submission of the RBP concept note.
- (e) A no objection letter (NOL) must be provided by National Designated Authority (NDA)/focal point at the time of submission of the RBP Funding Proposal⁶.

III. Modality and scope

3.1 Access modality

7. The submission of REDD-plus RBP Funding Proposals should be through existing AEs to the GCF, in coordination with the REDD-plus national entity/focal point to the UNFCCC, and following the procedures defined by their corresponding National Designated Authority (NDA). In accordance with the Board's initial no-objection procedure, approved by decision B.08/10, a no-objection letter from the NDA/focal point is required for all REDD-plus RBP Funding Proposals. In addition, written consent from the REDD-plus national entity/focal point to the UNFCCC secretariat, where nominated by the country, must be provided.

3.2 Financial valuation of results

8. A fixed value of USD 5 per tonne of carbon dioxide (CO₂) equivalent of reduced emissions or enhanced removals, fully measured, reported and verified, consistent with UNFCCC methodological guidance and GCF requirements, will apply for the pilot programme. The final amount to be paid by the GCF per country will be determined based on a combination of factors including the scorecard results and available finance for the pilot programme and is subject to Board approval.

3.3 Eligibility period for results

9. Under the pilot programme, the GCF will accept for consideration the results from a country's BUR REDD-plus annex that have been technically assessed through the UNFCCC process starting 31 December 2013 (time of adoption of the Warsaw Framework for REDD-plus) until 31 December 2018.

3.4 Size of funding and allocation of payments

10. The REDD-plus pilot programme will be limited to a maximum amount of USD 500 million.

⁴ The results measured against the reference levels, must pass through a technical analysis process per UNFCCC decision 14/CP19.

⁵ See section 3.7.

⁶ GCF decision B.08/10.

11. Considering a valuation of USD 5/tCO₂eq, the GCF would be able to pay for up to 100 million tCO₂eq emission reductions (ERs). The maximum amount of payments per country would be set at 30% of the total payable volume (30 MtCO₂eq) during the entire length of the pilot.

12. Proposals will be approved on a rolling basis. Once a country submits results for any year, they will be expected to present a significant⁷, indicative volume of results^[1] for each subsequent year for the remainder of the eligibility period. Results achieved and the estimate of results that are offered to the GCF for each year of the entire eligibility period will be used for portfolio planning, without binding implications, and respecting the 30% country cap on total volume of results. This estimation of results to be offered to the GCF will be used to determine an indicative country-specific allocation of funding, subject to available resources.

13. The payments will be provided following the steps below:

- **Step 1:** AEs propose a volume of achieved ERs to be considered for the pilot programme
- **Step 2:** The volume of ERs offered is translated into GCF volume of ERs applying the equation below, based on the scores of sections a) and b) of the Stage II Scorecard elements (see Annex III). The resulting GCF volume of ERs will not exceed 30% of the maximum payable volume of ERs per country in the entire period of eligible results:⁸

$$\text{Volume of ERs offered (X) } \frac{\text{Total score achieved}}{\text{Maximum score}} = \text{GCF volume of ERs}$$

Total score achieved = score achieved by the full proposal in section 2 of the scorecard in annex XII
Maximum score = 48 in accordance with the section 2 of the scorecard in annex XII

- **Step 3:** The resulting volume will be translated into payments by multiplying the GCF volume of ERs and the fixed value of USD 5 per tonne of carbon dioxide equivalent (CO₂).
- **Step 4:** For proposals scoring a 2 on Section 3b, an additional 2.5% of the resulting value from Step 3 will be included in the final payment.

3.5 Use of proceeds

14. Countries receiving REDD-plus RBP through the AEs must reinvest the proceeds in activities in line with their current or next Nationally Determined Contributions (NDCs) as established under the UNFCCC Paris Agreement, their REDD-plus strategies, or low-carbon development plans. These activities must also be consistent with the objectives of the GCF. Countries must provide a description of the anticipated use of proceeds, including the main activities to be conducted, the agencies or relevant stakeholders involved, the timeframe for implementation, and the assessment process for GCF safeguards, consistent with GCF policies. Compliance with GCF policies will be required as well as simplified reporting on the proposed activities.

3.6 Ownership and legal title

⁷ For example, annual indicative volume of results should be proportional to the overall level of results achieved in the relevant years.

⁸ A country could submit more than one proposal provided that the total amount of GCF volume of ERs will not exceed more than 30% of the overall payable volume of ERs.

15. Ownership of the emissions reductions paid for by the GCF will not be transferred to the GCF. Payments should be recorded in the UNFCCC web portal and recipient countries' national counterpart, and corresponding results will no longer be eligible for RBPs under the GCF or in any other arrangement. Countries can consider, at their own discretion, to use the emission reductions towards achievement of their NDCs. The proposals should indicate the measures to be taken to ensure that such emissions reductions will not be transferred and/or used for any other purposes (e.g. offsetting). Host countries⁹ will be expected to covenant that no other party has a competing claim to the results proposed to the GCF for payment, in accordance with national policy, legal or regulatory framework¹⁰ and provide information in the funding proposal about how such results will be treated or used".

3.7 Scale of the proposal

16. Per UNFCCC guidance for REDD-plus, the proposals must represent tonnes of emissions reductions or enhanced removals at a national or, on an interim basis subnational level. Any subnational program proposal should be of significant scale, one political or ecosystem level down from national scale and defined by each country, demonstrating that an aggregation of such subnational scales can constitute the national level (e.g. states, provinces, biomes, etc.). Subnational level proposal should also demonstrate ambition to scale up to national level, and should demonstrate a contribution to national ambition for emissions reductions, for example, the NDC and/or the implementation of the national REDD-plus strategy.

3.8 Forest reference emission levels / forest reference levels (FREL/FRL) and results

17. The FREL/FRL and REDD-plus results reported on the UNFCCC REDD-plus web platform will be considered using the relevant criteria defined in the scorecard (see Annex III), building on the UNFCCC Technical Assessment of the FREL/FRL and Technical Analysis of the BUR Technical Annex.

3.9 Compliance with relevant GCF policies and procedures

18. **For the activities undertaken in the past.** The funding proposal will be accompanied with due diligence report(s) describing the extent to which the activities undertaken in the past leading to the results for which the RBP is requested have been implemented in a manner consistent with the following GCF policies: Environmental and Social Safeguard standards (ESS Standards), Gender Policy and Interim Policy on Prohibited Practices. The due diligence reports will be assessed against the scorecard provided in Annex III¹¹.

(a) **Interim Policy on Prohibited Practices:** The relevant accredited entity should deliver an appropriate due diligence report submitted alongside the funding proposal, to demonstrate that no prohibited practices occurred during the implementation of the activities that lead to the REDD-plus results. The AE should give a representation in the related FAA to this effect;

⁹ Either through the NDA or national REDD-plus entity or focal point. See also UNFCCC decision 10/CP.19, paragraph 2.

¹⁰ In the instance in which there are no such national policy, legal or regulatory framework, a letter from the relevant overarching governmental authority, e.g. Presidency or Chancellery, may be provided.

¹¹ The application of the prospective Indigenous Peoples Policy for activities undertaken in the past will be considered through the Cancun Safeguards and the GCF ESS.

- (b) **Gender policy:** The AE should provide an assessment describing the extent to which the measures undertaken complied with the GCF gender policy. The GCF has the right in the relevant FAA to undertake investigations in relation to complaints and grievances raised by affected stakeholders and exercise appropriate remedies during the implementation period;
- (c) Environmental and social safeguards:¹²
- (i) **Due diligence:** the AE, in collaboration with the Host Country(ies), will prepare an environmental and social assessment (ESA) report describing the extent to which the measures undertaken to identify, assess, and manage environmental and social risks and impacts, in the context of the REDD-plus proposal, were consistent with the requirements of the applicable GCF ESS standards. The Secretariat, in its second-level due diligence, will take such assessment into account as part of its overall consideration of the funding proposal against the scorecard. This, along with the country's own assessment of how the Cancun safeguards were addressed and respected during the REDD-plus activities, will provide the basis for recommending the proposal to the Board for approval.
 - (ii) **Stakeholder engagement:** Description of stakeholder engagement will form part of the information provided by the countries through the UNFCCC summary of information as well as the ESA prepared by the AEs. The assessment by the AE described in section (i) shall include a description of how the stakeholders were identified, informed, and consulted and how they have participated in the activities. The description by the AE shall also include summaries of consultations highlighting the concerns and issues that were put forward by the stakeholders and how these were responded to.
 - (iii) **Grievance redress:** The ESA will include a description of the grievance redress mechanisms, or analogous system whether established as part of the REDD-plus activities or as integral to the system of the country. The ESA will also specify how the mechanisms were accessed, the complaints that were received, and how these were resolved.
19. **For the use of RBP proceeds.** The funding proposal will provide, in respect of the activities proposed to be financed by the REDD-plus RBP:
- (a) **Gender Policy:** The AE shall describe in the funding proposal how it will undertake activity-level gender assessment and action plan once the details of the activities become known.
 - (b) **Indigenous Peoples' Policy:** With respect to the prospective Indigenous Peoples policy, the AE, as part of its due diligence report and funding proposal, shall describe how the activities will meet the requirements of the policy and guided by the prevailing relevant national laws and/or obligations of the countries directly applicable to the activities under relevant international treaties and agreements.
 - (c) **Interim Policy on Prohibited Practices:** The AE shall provide information that assures that the activities with the use of proceeds will follow the interim policy on prohibited practices, such as: undisclosed prohibited practices, including money laundering and the financing of terrorism; improper subsequent use of GCF proceeds in the prohibited practices; and double payment or financing for the same results achieved, etc.

¹² Consistent with the IFC performance standards 6, "Biodiversity conservation and sustainable management of living natural resources", GCF funding should not be used to support the expansion of industrial scale logging or any other industrial scale extractive activity into areas that were primary/intact tropical forests.

- (d) **Monitoring and Accountability Framework:** A simplified reporting regime be established in place of that set out in the MAF for the use of RBPs which should include information on the activities undertaken with GCF funding and reporting compliance with the above mentioned GCF policies. The reporting period would be consistent with the period of execution of the proceeds as presented in the description on how proceeds will be used.
- (e) Environmental and social safeguards:¹³
- (i) **Due diligence:** The AE should provide an environmental and social management framework (ESMF) that will describe how environmental and social risks and impacts will be identified, assessed and managed in a manner consistent with the GCF's ESS standards, including the determination of the relevant environmental and social risk category of the proposed activities.
 - (ii) **Risk category:** Based on the information provided in the Funding Proposal and the ESMF, the proposal will be categorized and disclosure period will be determined.
 - (iii) **Stakeholder engagement:** Information on consultations undertaken with affected and potentially affected communities during design and due diligence the activities to be supported by the RBP proceeds; and the stakeholder engagement plan describing the actions to ensure effective consultation and participation for period of implementation of the use of proceeds.
 - (iv) **Grievance redress:** Information on relevant grievance redress mechanism to be applied for the future activities.

IV. Proposal approval process for the REDD-plus results-based payment pilot programme

20. The RFP will encompass two stages: in the first stage, concept notes may be submitted to the GCF up to on a rolling basis through all the period of the RFP and before the last disbursement at the last Board meeting in 2022, allowing all interested countries that fulfilled the UNFCCC requirements¹⁴ to request REDD-plus results-based payments. In a second stage, eligible countries (per scoring of the Concept Note) are invited to submit a results-based payment (RBP) Funding Proposal to the GCF. The Board will consider RBP Funding Proposals based on the Secretariats' assessment and the recommendations from the Independent Technical Advisory Panel (ITAP).

21. The proposal approval process will follow the sequence provided in figure 2 below:

¹³ Consistent with the IFC performance standards 6, "Biodiversity conservation and sustainable management of living natural resources", GCF funding should not be used to support the expansion of industrial scale logging or any other industrial scale extractive activity into areas that were primary/intact tropical forests.

¹⁴ Countries should have all of the elements referred to in UNFCCC decision 1/CP.16, paragraph 71, in place, in accordance with UNFCCC decision 9/CP.19, paragraph 3.

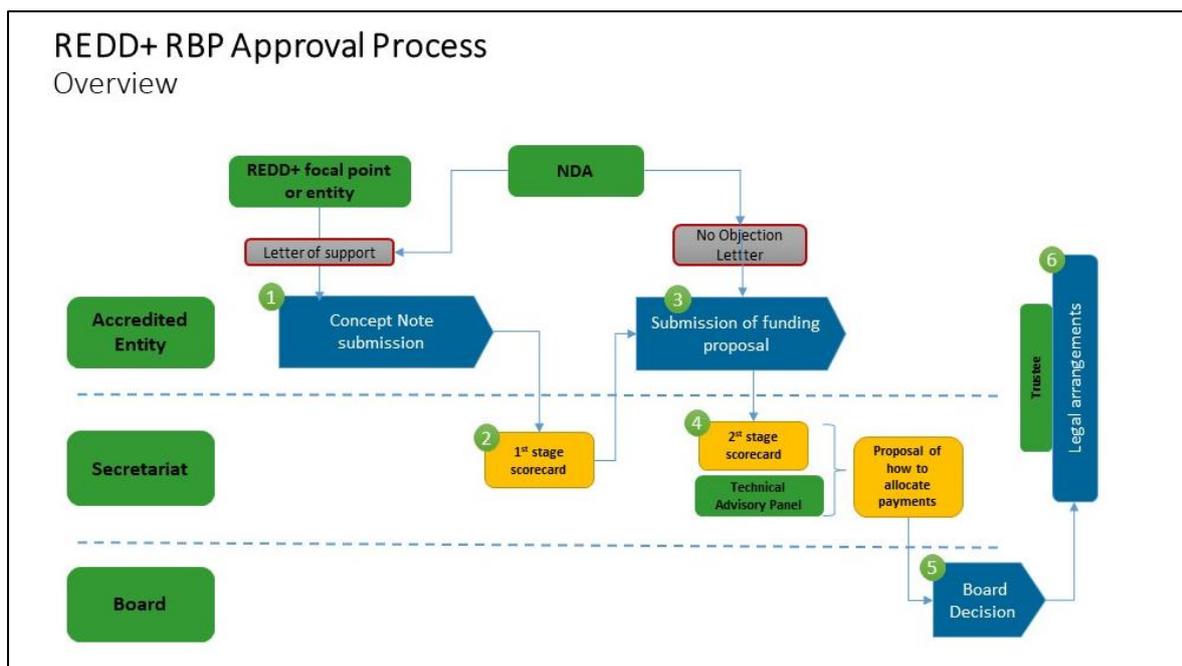


Figure 2: REDD-plus RBP proposal approval process

4.1 Stage 1: Submission of results-based payment Concept Notes:

22. The Concept Note should be submitted by the AE. It will be subject to the eligibility criteria as defined in section 1 of the scorecard contained in Annex III, and should follow the template developed by the GCF Secretariat for RBP Concept Notes. It should include:

- (a) References to relevant information in the UNFCCC REDD-plus web platform and other public documentation as required in the UNFCCC decisions, including:
 - (i) The FREL/FRL that is applied to the eligible results period for which payments are being requested, submitted to the UNFCCC, and confirmation that the Technical Assessment of a FREL/FRL has been finalized and the report is available on the UNFCCC REDD-plus web platform;
 - (ii) Evidence that the BUR Technical Annex containing the REDD-plus results for which payments are being requested, has been submitted to the UNFCCC and either evidence of the completed Technical Analysis or an indication of when the Technical Analysis will be completed;
 - (iii) Evidence that the System of Information on Safeguards (SIS) is in place;
 - (iv) Reference to the most recent summary of how safeguards covering the time period within which the results for which payment is being requested were achieved, were addressed and respected (referred to in Appendix I of 1/CP.16) during the results period on the UNFCCC REDD-plus web platform;
 - (v) Reference to the National REDD-plus Strategy or Action Plan;
 - (vi) Evidence that the National Forest Monitoring System (NFMS) is in place, with, if appropriate, a subnational monitoring and reporting system (as an interim measure, in accordance with national circumstances), and link to where it is described (e.g. REDD-plus BUR annex);

- (b) An indication of the scale of the REDD-plus results-based payments proposal, which must be national or, on an interim basis, subnational¹⁵. In the case of a subnational scale proposal, information that demonstrates the ambition to scale up to national level and when the country expects to do so.
 - (c) Information on payments that have been (or are expected to be) received from other sources for results recognized by the country from the same national or subnational area during the period for which a country is proposing to receive payments from the GCF; and sufficient assurance that results that have been paid for by other sources have been excluded from the total volume offered to the GCF.
 - (d) Written consent for participation in the RFP provided by the REDD-plus national entity/focal point to the UNFCCC where a national entity/focal point has been nominated by a country.
 - (e) A no objection letter (NOL) provided by National Designated Authority (NDA) at the time of submission of the RBP Funding Proposal.
23. The Concept Note may include additional information that supports the above required documentation or on other criteria mentioned in the scorecard.
24. The Concept Notes will be assessed by the Secretariat against the eligibility criteria as set out in section 1 of the scorecard contained in Annex III.
25. Concept Notes fulfilling the criteria will be invited to submit a complete RBP Funding Proposal. A Concept Note may be resubmitted considering the results of the scorecard allowing improvements after the first submission.

4.2 Stage 2: Developing a GCF REDD-plus results-based payment funding proposal:

26. A complete RBP Funding Proposal should be submitted by the selected AE. The complete Funding Proposal should be submitted consistent with the template developed specifically for REDD-plus RBP Funding Proposals. In addition to the references to the documents requested in the Concept Note, the proposal will require the following additional information:
- If not already submitted in the Concept Note, reference to the BUR Technical Annex containing the REDD-plus results for which payments are being requested, and the report of the completed Technical Analysis¹⁶ as made available on the UNFCCC website;
 - Achieved results offered to the pilot programme as well as indication of expected results to be achieved and offered to the GCF in the following years of the eligibility period;
 - A description of the alignment of the proposals with the GCF Investment Framework during the full period over which results were generated;
 - The ESA describing how the activities leading to the relevant results align with the applicable and relevant requirements of the GCF environmental and social standards. The ESA should indicate how environmental and social risks have been managed, and how the activities complied with the national requirements during the full period of reported results;

¹⁵ See section 3.7.

¹⁶ The results measured against the reference levels, must pass through a technical analysis process per UNFCCC decision14/CP19.

- Any additional information on safeguards considered by the country to provide sufficient information to demonstrate that each Cancun safeguard has been addressed and respected in the full period during which results were generated;
 - Evidence that demonstrates that the information on safeguards has been made transparently available to domestic and other stakeholders;
 - A description of the measures to be undertaken for assurance that such emission reductions, for which payments are being requested, will not be transferred, offered for payments, and/or used for other purposes (e.g. offsetting);
 - Information, to the extent possible, on how different financing (public and private, bilateral and multilateral) contributed to the achievement of the reported results;
 - If applicable, a description of different FREL/FRLs used for other purposes;
 - A description, with any available evidence, of non-carbon benefits associated with the implementation of REDD-plus activities during the eligibility period (optional);
 - Countries are invited to provide information on the nature, scale and importance of non-carbon benefits for the long-term sustainability of REDD-plus activities (optional)¹⁷;
 - A description of how the proceeds will be used consistent with the country's NDC and national REDD-plus strategy, and/or low-GHG development strategy including a timeline of implementation of public and private institutions involved as well as relevant stakeholders consistent with the objectives of the GCF and corresponding ESS requirements. It may also include a benefit sharing plan;
 - Please describe how the plan for the use of proceeds will facilitate management of financial, technical and operational, social and environmental, and other risks
 - If the scale of the FREL/FRL and results are subnational, a description of how the subnational scale is defined, how it contributes to national ambition for emissions reductions (e.g. toward the achievement of the NDC or the implementation of the REDD-plus strategy), a demonstration that an aggregation of such subnational units can constitute the national level, and information on when, and how, the country intends to scale its efforts up to the national level.
27. Subsequent submissions of funding proposals may be simplified, for example, if much of the relevant information remains the same. However, if basic eligibility elements, for example, if the FREL/FRL has changed, a new concept note would need to be submitted for approval by Secretariat.
28. Support from the project preparation facility (PPF) can be requested for the preparation of the RBP Funding Proposal in line with decision B.13/21.

4.3 Assessment of the results-based payments Funding Proposals and distribution of payments

29. The results already achieved in the proposals submitted will be considered by the Secretariat based on the scorecard included in Annex III. The indicative results to be achieved in the following years of the eligibility period will be considered for estimating potential payments and availability of funding for receiving proposals.
30. Depending on the number of funding proposals received, the Secretariat may take two to four weeks to respond and provide feedback to the AEs. The Secretariat may request

¹⁷ Noting UNFCCC decision 18/CP.21.

additional information, clarification, and revision of the submission, based on its second-level due diligence.

31. After the second-level due diligence and completion of the review against the relevant sections of scorecard included in Annex III related to GCF policies and procedures done by the Secretariat, the independent Technical Advisory Panel (TAP) will assess the funding proposal using the scorecard provided in Annex III. The independent TAP should ensure relevant expertise for the review of the proposal, through the use of LULUCF experts selected from the UNFCCC roster of experts and with experience in REDD-plus assessment and analysis.¹⁸

32. The Secretariat will provide to the Board of a proposed results-based payments based on the results of the application of the scorecard by the Secretariat and independent TAP and the approach set out in section 3.4 above.

4.4 Board consideration

33. The Secretariat will submit a recommendation based on its review and the assessment report by ITAP to the Board for consideration and potential approval of qualified Funding Proposals. The Secretariat will also submit a proposed distribution of payments among qualified Funding Proposals based on the results of the application of the scorecard, the criteria set out in section 3.4 above.

4.5 Legal arrangements and disbursement:

34. The GCF will transfer funds through the accredited entity to the recipient defined in the funding proposal in a single disbursement after approval by the Board. The fees will be negotiated between the GCF and the accredited entity based on the delegated authority to the Executive Director of the GCF to decide a fee structure for RBPs. Further details on the legal arrangements will be developed for the purpose of the REDD-plus RBP and reflected in the funded activity agreement (FAA).

35. The Fund will have the rights to conduct ad hoc checks, evaluations and/or investigations in respect of the past activities that led to the REDD-plus results for which the RBPs have been made based on the information, due diligence reports and technical reports provided in the Funding Proposal.

36. The Fund will have rights under the FAA to seek refund of all or part of the RBP or to exercise other remedies in circumstances where past activities were conducted in a manner inconsistent with the requirements of the pilot programme.

V. Monitoring and progress control

37. AEs will be required to provide reporting¹⁹ on the use of proceeds in compliance with GCF interim ESS standards, Gender Policy, Indigenous People's Policy and Interim Policy on Prohibited Practices in a form of a yearly report.

¹⁸ GCF decision B.10/09: "The panel will, with the help of the Secretariat, draw on technical expertise, particularly including that from, but not limited to, the UNFCCC roster of experts and thematic bodies, as appropriate".

¹⁹ A simplified reporting regime will be established in place of that set out in the MAF for the use of RBPs which should include information on the activities undertaken with GCF funding and reporting compliance with the above mentioned GCF policies. The reporting period would be consistent with the period of execution of the proceeds as presented in the description on how proceeds will be used.

VI. Lessons learned

38. The current RFP shall not prejudice future GCF REDD-plus RBPs. The secretariat will conduct an analysis of the experience with, and the progress made towards achieving the objectives of the pilot programme for REDD-plus RBP for consideration by the Board no later than its last meeting in 2019.