



**GREEN
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Progress report on support for REDD-plus

Summary

At its fourteenth meeting, the Board adopted decision B.14/03 on support for REDD+. In accordance with paragraph (c) of that decision, this document reports on the progress made in developing a request for proposals for REDD+ results-based payments and further guidance to support efforts by national designated authorities and focal points to engage with the GCF in early phases of REDD+.

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I. Introduction

1. At its fourteenth meeting, the Board, through decision B.14/03, paragraph (b), requested the Secretariat to develop for consideration by the Board at its sixteenth meeting:
 - (a) A request for proposals (RFP) for REDD+ results-based payments (RBPs), including guidance consistent with the Warsaw Framework for REDD+ and other REDD+ decisions under the United Nations Framework Convention on Climate Change (UNFCCC), taking into account topics included in sections 4.1 and 4.2 of document GCF/B.14/03 and decision B.08/08; and
 - (b) Further guidance to support efforts by national designated authorities and focal points to engage with the GCF in early phases of REDD+ using existing GCF modalities, tools and programmes;
2. The Board further requested the Secretariat to implement, with the advice of the Co-Chairs, a process for stakeholder and expert input to support its work under this decision and provide a progress report to the Board at its fifteenth meeting.
3. This document provides a progress report in response to the above-mentioned request.

II. Lessons learned from the GCF dialogue on REDD+ RBP

4. On 12 November 2016, the GCF Secretariat, in coordination with the UNFCCC secretariat, organized the side event titled “Green Climate Fund dialogue on REDD+ results-based payments: sharing experiences and lessons learned”. This event was held in the ‘Blue Zone’ during the twenty-second session of the Conference of the Parties (COP) to the UNFCCC (COP 22) in Marrakech, Morocco, and was attended by around 200 participants, including delegates from developing and developed country Parties to the Convention, REDD+ financing organizations, research institutions, civil society organizations (CSOs), indigenous peoples, and other stakeholders involved in the REDD+ agenda. The event was organized as a panel discussion consisting of five panellists – two from REDD+ countries (Brazil and the Democratic Republic of the Congo), two from REDD+ financing initiatives and one from the GCF Secretariat – followed by a ‘question and answer’ session. The aim of the event was to share experiences and lessons learned from donors and REDD+ country practitioners on their emerging good practices, lessons and experiences regarding REDD+ RBP design considerations. The discussions were focused around the following guiding questions and elements:
 - (a) How are the scope and scale determined, what lessons have been learned, and how can the right balance be struck?;
 - (b) What are the governance and institutional requirements to ensure successful delivery and use of RBPs?;
 - (c) How was the price of carbon determined and how were payments defined?;
 - (d) For REDD+ countries, key achievements and major challenges of their respective REDD+ RBP programmes;
 - (e) Which criteria were used to select applicants for the REDD+ RBP programmes?;
 - (f) How was carbon accounting addressed (e.g. criteria used to define and set the forest reference emission level (FREL)/forest reference level (FRL) and period, and start dates, etc.)?
5. Based on these guiding questions, the delegate of the Democratic Republic of the Congo highlighted the need for ex-ante financing to achieve emission reductions, as well as the importance of anchoring REDD+ in development policies and architecture, including financing plans for REDD+ implementation. The delegate of Brazil emphasized the importance of the

operationalization of the Warsaw Framework for REDD+ and the role of national agencies as a key element for robust country ownership and clear governance structures, and shared Brazil's experience in building its REDD+ elements to access results-based finance (RBF). Emerging approaches and early lessons learned were also shared by the representatives of the German REDD Early Movers (REM) programme and the Norwegian International Climate and Forests Initiative (NICFI). The representative of REM presented the key criteria for selecting applicants for the RBP programme, including demonstration of a track record in forest conservation policies and measures as an indicator of political will, implementation of a national monitoring system and benefit-sharing mechanism, and other necessary elements for RBP. The representative of NICFI shared the initiative's bilateral experience in relation to FRELs and pricing mechanisms and reiterated Norway's commitment to supporting forest financing.

6. The event provided an opportunity to hear views of various stakeholders on designing the GCF RBP scheme. The following key messages were among those highlighted by participants:

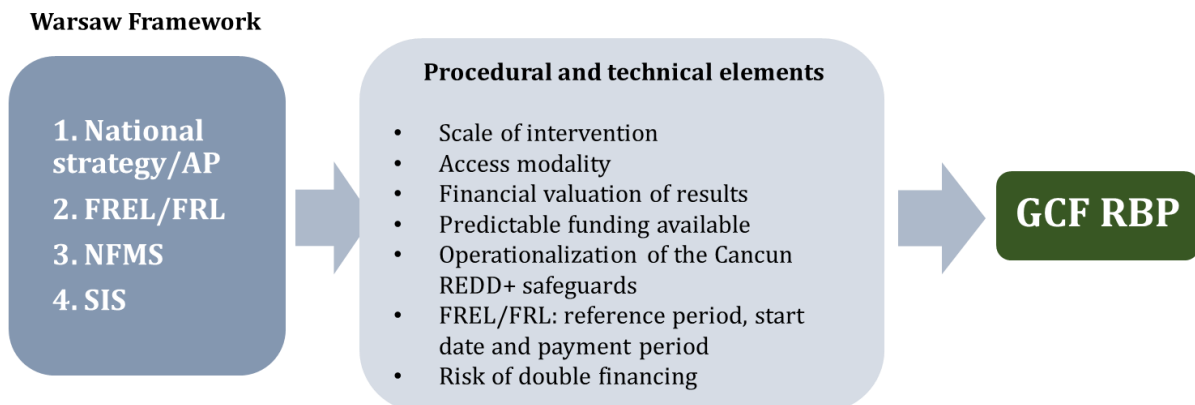
- (a) Individual REDD+ projects in isolation will need to be integrated at the sub national and national level and forest and land use investments should be aligned with national policies in order to produce actual results required to achieve more ambitious goals. However the discussion noted that in many countries individual projects have served as a starting point for further developing subnational to national approaches. While investments are important, national policies and measures for REDD+ are necessary to create the appropriate enabling environments for implementation;
- (b) The GCF should complement other sources of REDD+ finance in the context of broad national strategies or approaches;
- (c) Flexibility in the approach to REDD+ is fundamental, as it allows for testing of some elements at an initial stage. These elements may include using certain approaches to analyze the FRELs/FRLs or being flexible by fixing or tailoring the price of carbon, and other approaches;
- (d) The need for carbon pricing to be sufficiently motivating was raised, acknowledging it is an incentive and that the cost of addressing deforestation is actually much higher than the currently adopted price. Approaches considering a sliding scale for the price of Carbon pegged to the maturity of emission reductions were also suggested, noting that the nature of RBPs is rewarding for results already achieved; and
- (e) Many participants also highlighted the importance of dialogues with relevant stakeholders, considering the multi-sectoral dimensions of REDD+.

III. Elements being analysed in relation to the request for proposals for REDD+ results-based payments

7. Based on the issues raised during the dialogue at COP 22, an analysis undertaken on the existing guidance provided by the UNFCCC on REDD+, and in accordance with document "Support for REDD+" presented to the Board at B.14¹, some elements have been identified for further analysis, specifically in relation to technical, methodological and procedural aspects inherent to the GCF. A summary of the operationalization of the Warsaw Framework for REDD+ in the GCF context is presented in Figure 1. In order to ensure consistency with the objectives of the GCF and fulfil its investment-related considerations (addressed through the GCF investment framework), the following elements would need to be addressed. This process would need to take into consideration lessons learned from other RBP programmes and stakeholder concerns. Some elements for consideration include:

¹ GCF/B.14/03

Figure 1. Operationalization of Warsaw Framework for REDD+ in the GCF context



Abbreviations: AP = action plan, FREL = forest reference emission level, FRL = forest reference level, NFMS = national forest monitoring system, SIS = safeguards information system, RBP = Results-based payment

8. **Scale of intervention:** The implementation of REDD+ in forest countries has taken place at different scales and at different stages of implementation. As discussed during the “GCF dialogue on REDD+” at COP 22, in most cases, REDD+ countries started to implement subnational interventions while the integration to national scale is yet being defined. In some countries, projects driven by the voluntary carbon markets pioneered the implementation of REDD+ and the integration of these projects to subnational or national scales is now being analyzed. As the UNFCCC guidance took 5 years to complete (2008-2013), several countries started at subnational or jurisdictional levels, with some interventions in the form of projects. With the completion of the Warsaw Framework for REDD+, integration towards a national scale has become the locus of most efforts. Indeed, in accordance with UNFCCC provisions, the scale of implementation of REDD+ RBP for the Request for Proposals should be national with some flexibility for subnational implementation as an ‘interim measure’ with a national forest monitoring system in place. This ‘interim measure’ of subnational implementation will need to consider the timeframe and approach for countries to progress to national level implementation, as well as cases where countries are considering nesting individual projects from private or private-public sector initiatives to subnational or national scales.

9. **Access modality:** As mentioned in document GCF/B.14/03, the COP noted that national entities or focal points of developing country Parties may nominate their entities to obtain and receive RBPs, although GCF resources are currently accessed through accredited entities. During the “Green Climate Fund dialogue on REDD+” at COP 22, it was also mentioned that for both REM and NICFI it was a challenge to identify a national agency with the fiduciary capacity to receive REDD+ RBP. In the context of the GCF, none of the countries that could potentially access REDD+ RBP, at this juncture, through the RFP currently have a direct access entity accredited to the GCF. Therefore, the Board may need to consider providing guidance on the access modality for REDD+ payments through accredited entities in close coordination with national entities or focal points. Board consideration could include the definition of implementation arrangements between accredited entities and national entities or focal points as well as possible interim periods for accredited entities supporting national entities to be accredited by the GCF in order to receive RBP, and other considerations.

10. **Financial valuation of results:** The financial value to be paid per tonne of carbon dioxide equivalent (t CO₂ eq) of emission reductions or enhancements of carbon stocks is one of the basic elements used to define the sums to be paid for RBP. It can be determined in various ways, including based on price comparisons and abatement costs, or by defining fixed prices, etc. Existing REDD+ financing organizations are currently using an amount of USD 5 per t CO₂ eq of

emissions.² In the light of the variety of approaches used by countries to report on their REDD+ results following the Warsaw Framework for REDD+, the Board may consider analysing various possibilities, including following similar approaches to those used by existing REDD+ organizations such as a fixed price, or a price adjusted to reflect the findings of the UNFCCC technical assessment team (i.e. level of uncertainties, details of methodologies used, etc.), and other approaches to set the price per tonne of carbon dioxide equivalent (t CO₂ eq).

11. **Predictable funding available:** The existing REDD+ initiatives financing RBPs have offered countries funding for accessing RBPs through different modalities and for varying amounts. The REM programme provides USD 56.5 million; the Forest Carbon Partnership Facility (FCPF) Carbon Fund has allocated USD 465 million and NICFI has announced at least USD 2.7 billion (allocated and pledged) in bilateral agreements with selected countries for REDD+ RBPs, with an annual allocation of up to USD 350 million.³ It will be relevant for the Board to consider the participation of the GCF in the current REDD+ financing landscape for RBP, taking into account the existing financing available, the limited number of countries being able to access the funds mentioned above, the potential additional demand for RBP during the period of the RFP, coordination with existing sources of RBP financing, disbursement procedures, and other considerations.

12. Considering the previous experiences mentioned above, the GCF RFP for REDD+ could be issued with an initial funding amount set by the Board. The funding amount could be set taking into account the potential demand by countries based on their progress in achieving the requirements of the Warsaw Framework for REDD+ and other criteria. The RFP could include a possible allocation of funding per country for a defined number of countries, while allowing countries with higher volumes of results eligible for payments to access additional resources if the initial allocation is not fully absorbed.

13. **Operationalization of the Cancun safeguards:** In December 2010, the COP, at its sixteenth session held in Cancun, Mexico, agreed on a set of seven safeguards to support REDD+ implementation (REDD+ safeguards). In accordance with the methodological guidance provided by the COP, countries are required to provide the most recent summary of information showing how the REDD+ safeguards have been addressed and respected and demonstrating that they have a safeguards information system in place to be eligible for access to RBP.

14. The GCF uses interim environmental and social safeguards (ESS) which correspond to the performance standards of the International Finance Corporation. Accredited entities need to demonstrate how key environmental and social risks are being addressed and managed, and countries are required to comply with REDD+ safeguards in accordance with decisions of the COP, although these decisions do not include provisions for the assessment of the summaries of information presented by countries. The Board may need to consider: (i) procedures for receiving and assessing the summaries of information provided by countries to determine that the REDD+ safeguards have been addressed and respected; (ii) how to include the GCF ESS in the overall safeguards assessment; and (iii) how to reconcile the Cancun REDD+ safeguards and GCF ESS.

15. **Reference levels (FRELs or FRLs):** The Warsaw Framework for REDD+ defines procedures for setting FRELs/FRLs and, abiding by this principle, each country chooses its own reference level methodology in its submission to the UNFCCC. The Board will need to take into account procedures on translating the diverse approaches used by countries to ensure equitable and fair allocation of resources. Some of the experiences discussed during the GCF REDD+ dialogue at COP 22 made reference to considerations for defining the starting date for the payment period and the reference period used to develop the FREL/FRL. As an example of applying this in practice, REM pays for results from up to two years prior to the signing of an

² Namely, the Forest Carbon Partnership Facility Carbon Fund (which pays up to USD 5/t CO₂ eq), REM, and Norway's bilateral agreements with Brazil and Guyana.

³ Up to NOK 3 billion. The amount is converted into United States dollars at the United Nations operational rate of exchange as at 1 December 2016 (USD/NOK = 8.56).

agreement, in recognition of the previous efforts that REDD+ countries have made in order to achieve those results.

16. **Risk of double financing:** In order to reduce the risk of double financing and ensure transparency with regard to the flows of funding for REDD+ RBP from the RFP, the Board will need to consider requesting full disclosure of the funding sources in the recipient countries, taking into account the information provided by countries in the UNFCCC REDD+ Information Hub. Similarly, the Board may need to analyse the ex-ante finance provided to countries for achieving REDD+ for subsequent requests for RBPs. In accordance with decision B.14/03, the GCF will continue to provide financing via the regular project cycle for early phases of REDD+ implementation and support in developing national strategies and investment plans. Through this engagement, the different sources of funding and the relationship between ex ante finance and ex post RBP could be transparently analysed.

17. These elements, and any others that may emerge during the process of developing an RFP for REDD+ RBP, will need to be addressed by the Board through technical and internal consultations, and will need to be incorporated into the RBP design.

18. It is relevant to note that broader technical questions around how results-based payments can be managed by the Fund are subject to further consideration and will be pursued in parallel.

IV. Progress on developing further guidance to engage with the GCF in early phases of REDD+

19. As requested by the Board, further guidance to support efforts by NDAs and focal points to engage with the GCF in early phases of REDD+ (hereafter “further guidance”) is under development along with the RfP for RBP. The main focus of the further guidance is to have in place an integrated and harmonized approach for all phases of REDD+, in a way that REDD+ investments in three phases achieve countries’ national REDD+ strategies or action plans, and there is smooth transition from phases 1 and 2 to 3 within the GCF pipeline and RBP scheme. Developing a further guidance would require several work streams, mainly:

- (a) Analysis on the current REDD+ pipeline and portfolio within the regular GCF project/programme cycle to learn lessons and identify gaps;
- (b) Harmonization with: (i) the existing GCF policies and procedures, (ii) RfP for RBP to be developed, (iii) alternative policy approaches to be developed, and (iv) relevant UNFCCC decisions on REDD+;
- (c) Identification of innovative financing modalities and instruments, taking into account recommendations from the Private Sector Advisory Group on the mobilization of private sector finance; and
- (d) Ensuring complementarity and coherence with already ongoing programmes within the Fund, as well as with other REDD+ financing initiatives

20. The process of developing further guidance will involve internal work within the Secretariat, as well as a process for relevant stakeholder and expert inputs with the advice of the co-chairs. As the further guidance is a more comprehensive toolkit encompassing all phases of REDD+, it will be jointly developed with the RfP for RBP and other REDD+ related documents for Board consideration.

V. Process for receiving stakeholder and expert inputs

21. The process of designing an RFP will involve a request for stakeholder and expert inputs, as defined in decision B.14/03. In this regard, the following approaches for the collection of inputs are foreseen:

- (a) **Inputs from Board members:** Guidance will be sought by requesting written inputs on the procedural and technical elements described in section III above, and other procedural elements, until mid-January 2017. The call for inputs will be submitted in coordination with the co-chairs;
- (b) **Inputs from REDD+ technical experts:** The Secretariat will discuss technical elements with experts informally and review any expert inputs provided, for this purpose, an expert meeting will be scheduled to be held in early 2017. The exact modalities, the number of participants of the meeting and specific dates will be determined in coordination with the co-chairs at B.15 in mid-December 2016. The meeting would provide an opportunity for technical experts to exchange views and guidance on the technical elements identified in section III above, and other procedural elements.
- (c) **Inputs from other relevant stakeholders, including indigenous peoples and CSOs:** Inputs have been received and will continue to be sought and reflected in the RFP. Procedures for collecting inputs from these relevant stakeholders are being coordinated with the Co-Chairs.

VI. Next steps for REDD+ RBP operationalization and development of further guidance

22. In coordination with the Co-Chairs, the Secretariat will continue the process of developing the RfP for RBP and further guidance for earlier phases of REDD+. More specifically, the Secretariat will:

- (a) launch a call for inputs from Board members;
 - (b) organize the experts workshop;
 - (c) finalize procedures for collecting inputs from other relevant stakeholders; and
 - (d) continue drafting the request for proposals for REDD+ RBP and further guidance for earlier phases of REDD+. This draft will incorporate the inputs received from the call from inputs and will serve as the basis for the discussions during the workshop.
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