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Status of the GCF pipeline – Addendum IV

Update on the REDD-plus Results-Based Payments

Summary

This addendum provides an update on the REDD-plus results-based payments launched in decision B.18/07. It provides information on the actions taken by the Secretariat, and the status of the portfolio and pipeline of the REDD-plus results-based payments.

I. Background

1. Through decision B.18/07, the Board allocated up to USD 500 million to the requests for proposal (RFPs) for the pilot programme for REDD-plus results-based payments (RBPs).
2. This document presents an updated status of the portfolio and the pipeline under the REDD-plus RBP pilot programme of GCF. The document also presents the progress made regarding the process undertaken for further analysis of alternatives for the continuation of the implementation of REDD-plus RBPs.

II. Update on the status of the portfolio

3. Since the analysis of the experience with, and the progress made towards achieving the objectives of, the pilot programme for REDD-plus RBPs that was presented to the Board at B.25¹, the Board has approved four additional funding proposals. As at November 2020 (after B.27), eight projects have been approved by the Board covering proposals from the following countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Indonesia and Paraguay (see table 1).
4. Of the Table 1, four projects (FP100, FP110, FP120 and FP121) have disbursed a total of USD 228.6 million in RBPs. The funded activity agreement for FP144 has been effective, while FP130, FP134 and FP142 have executed funded activity agreements. It is expected that, by the third quarter of 2021, all approved projects under the RBP pilot programme will be under implementation. Table 1 also shows the REDD-plus results for the countries that have been approved, the REDD-plus results offered to GCF, and the volumes GCF actually paid for.
5. By the end of the pilot programme at B.27, a total financial volume of USD 496.8 million in RBPs had been approved for the eight projects in the portfolio. Therefore, the USD 500 million approved for the pilot programme has been fully allocated.

¹ GCF/B.25/Inf.06/Add.01. Available at <<https://www.greenclimate.fund/document/gcf-b25-inf06-add01>>.

Table 1: Status of project portfolio of the REDD-plus results-based payments pilot programme (as at November 2020)

FP #	BM	AE	Country	Scale	Years covered	Expected REDD-plus results for the eligibility period according to the technical annex to the biennial update report (tCO ₂ eq)	REDD-plus results offered to the pilot programme in the funding proposal (tCO ₂ eq)	Volume of emission reductions the GCF paid for (tCO ₂ eq)	Funding amount (USD)	Status
FP100	B.22-2019	UNDP	Brazil	Subnational (Amazon biome)	2014–2015	1,254,663,127	43,913,209	18,819,946	96,452,228	Disbursed USD 96,452,228 on 28 April 2020
FP110	B.23-2019	UNDP	Ecuador	National	2014	4,831,679	4,831,679	3,623,759	18,571,766	Disbursed USD 18,571,766 on 28 September 2020
FP120	B.24-2019	FAO	Chile	Subnational (5 regions – Maule, Bio Bio, Los Lagos, Los Ríos, Araucanía)	2014–2016	18,409,425	18,409,425	12,411,229	63,607,552	Disbursed USD 63,607,552 on 21 September 2020
FP121	B.24-2019	UNEP	Paraguay	National	2015–2017	26,793,311	23,000,000	9,756,098	50,000,000	Disbursed USD 50,000,000 on 27 November 2020
FP130	B.26-2020	UNDP	Indonesia	Subnational	2014–2017	195,913,708	27,000,000	20,250,000	103,781,250	FAA executed 20 December 2020
FP134	B.26-2020	FAO	Colombia	Subnational (Amazon region)	2015–2016	31,474,936	8,574,690	6,952,451	28,208,123	FAA executed 18 December 2020
FP142	B.27-2020	FAO	Argentina	Subnational (4 regions – Parque Chaqueño, Selva Paranaense, Yungas and Espinal (Caldén and Ñandubay Districts))	2014–2016	165,172,705	18,731,707	18,731,707	82,000,000	FAA executed 13 November 2020
FP144	B.27-2020	UNDP	Costa Rica	National	2014–2015	14,794,749	14,079,777	10,559,833	54,119,143	FAA effective on 10 February 2021
Total								101,105,023	496,740,062	

6. Table 2 shows the results for the eight approved funding proposals against the performance measurement framework for REDD-plus RBPs.²

Table 2: Pilot programme outcomes for the approved funding proposals (as at November 2020)

Country	Has the country received payments for results-based actions from other sources	Results paid for by GCF in accordance with performance measurement framework (all figures in tCO ₂ eq)				
		Reduced emissions from deforestation	Reduced emissions from forest degradation	Reduced emissions and increased removals through the conservation of forest carbon stocks	Reduced emissions and increased removals through the sustainable management of forests	Increased removals through the enhancement of forest carbon stocks
Brazil	Yes	18,819,946	-	-	-	-
Ecuador	Yes	3,623,759	-	-	-	-
Chile	Yes	300,373	-9,163,559	3,073,784	18,200,631	
Paraguay	No	14,145,000				
Indonesia ^a	Yes	26,853,350	-6,603,350			
Colombia	Yes	5,504,024				
Argentina	No	18,731,707				
Costa Rica ^b	Yes	8,234,135				2,325,698

^a This estimate was calculated based on the ratios in the biennial update report (BUR) and allocation to the volume that GCF pays for. This reflects that the BUR shows that, in the GCF results period, the emissions from degradation increased and that this was compensated through emission reductions from deforestation. The BUR also considers emissions from peat emissions, but these are not considered here.

^b This estimate was calculated based on the ratios in the BUR and allocation to the volume that GCF will pay for.

7. Several lessons learned can be reported on the implementation of the pilot programme and the actions taken. The ex post nature of the funding necessitated changes to the templates as well as differences in accredited entity (AE) fees. The role of AEs was also reduced in comparison to regular proposals, although they did have a role to play in overseeing the use of proceeds. Ensuring the environmental integrity of results was an issue that was integral to RBPs. There was a need for deeper analysis into carbon ownership and entitlements to receive payments, given that legislation varied from country to country.

8. Overall, all projects under the pilot programme are on track according to their status and have not been significantly affected by COVID-19 restrictions. While the results and impacts are yet to be seen, all projects have proposed to use the GCF proceeds in support of governmental-led strategies linked to the nationally determined contribution commitments and ambitions. Different and context-specific benefit-sharing schemes have been considered for the use of GCF proceeds; where local communities and indigenous peoples play key roles as forest stewards.

III. Update on the status of the portfolio

9. In addition to the approved funding proposals, the following countries have submitted concept notes (CNs) to the Secretariat: Lao People's Democratic Republic, Peru, Papua New Guinea, and Viet Nam (see table 3). The projected volumes of emission reductions presented to GCF are yet to be assessed.

² Annex XI to document GCF/B.08/45.

Table 3: Status of project pipeline of the REDD-plus RBPs beyond the coverage of the pilot programme (as at November 2020)

Country	Stage	Years covered	Accredited entity
Peru	CN assessed	-	-
Lao People's Democratic Republic	CN assessed	2015–2018	JICA
Papua New Guinea	CN assessed	2014–2015	FAO
Viet Nam	CN assessed	2014–2015	JICA

10. In addition, at B.24, the Board approved FP121 UNEP Paraguay with a GCF amount of USD 50 million, even though the eligible amount was USD 72.5 million, because of the accreditation limit of the AE (United Nations Environment Programme [UNEP]). UNEP has informed the Secretariat that it is now ready to come back to submit a proposal to claim the remaining 4.4 MtCO₂eq, amounting to USD 22.5 million in RBPs, not covered in FP121 at the earliest possible opportunity.

11. As at December 2020, the United Nations Framework Convention on Climate Change (UNFCCC) had received 18 REDD-plus results submissions from 14 countries. Together, the results reported add to 8.94 billion tCO₂eq of emission reductions obtained between 2006 and 2018. The large majority of these emission reductions are from one country: Brazil (77.1 per cent).³

12. The regional balance in the GCF portfolio can be compared with the submissions of forest reference emission levels and REDD-plus results to the UNFCCC. Although the REDD-plus RBP GCF portfolio is dominated by funding proposals from the Latin American and Caribbean region, this may also be related to how quickly countries are able to move through the UNFCCC process that is required under the terms of reference of the pilot programme (see table 4). Many countries may have submitted forest reference levels to the UNFCCC with the aim of increasing their capacities through the assessment process.

13. During the pilot programme, GCF strengthened efforts to increase the number of countries in a position to obtain and receive payments for results-based actions. This included the development of the REDD-plus simplified approval process to support countries in reaching compliance with the Warsaw Framework under the UNFCCC.

Table 4: Comparison of regional balance in the GCF portfolio with the submissions of forest reference emission levels and REDD-plus results to the UNFCCC

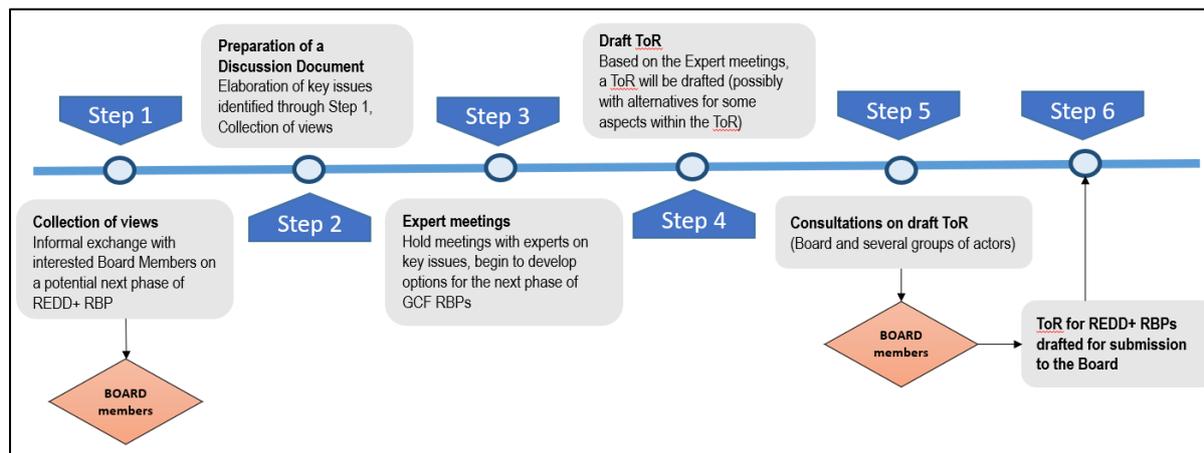
Region	Forest reference emission level		REDD-plus technical annex to the biennial update report		Funding proposals approved by GCF	
	Number of countries that submitted to the UNFCCC	% of total	Number of countries that submitted to the UNFCCC	% of total	Number of funding proposals approved	% of total
Latin American and Caribbean	18	33%	8	57%	7	88%
Asia and the Pacific	16	30%	5	36%	1	13%
Africa	20	37%	1	7%	0	0%
Total	54	100%	14	100%	8	100%

³ Updated January 2021 from FAO. Available at <<http://www.fao.org/3/ca6031en/ca6031en.pdf>>.

Further analysis of alternatives for the continuation of the implementation of REDD-plus result-based payments

14. As requested by the Board at B.25, the Secretariat is currently undertaking further analysis of alternatives for the continuation of the implementation of REDD-plus RBPs. The process that the Secretariat is undertaking, with the support of a team of experts, follows the steps laid out in figure 1.

Figure 1: Road map for further analysis of alternatives



15. A set of interviews with Board members took place in November and December of 2020 (Step 1). During this set of interviews, the Secretariat and the team of experts noted that several key themes had emerged that could impact the development of possible ways forward for the next phase of REDD-plus RBPs under GCF.

16. Some of the key themes identified in the collection of views include:

- (a) Equity in access to REDD-plus RBPs;
- (b) Market and non-market opportunities for developing countries and the role of GCF in the broader financial landscape of REDD-plus;
- (c) Linkages between REDD-plus results-based finance under GCF and countries' nationally determined contributions, particularly for results post-2020 and ambition; and
- (d) Non-carbon elements related to REDD-plus results-based finance.

17. Following the expert meetings (Step 3), the Secretariat and team of experts will develop a draft terms of reference (Step 4) for the next phase of REDD-plus RBPs under GCF for further consultations with Board members (Step 5).

18. These key themes and issues are currently being systematized and will be presented as part of the Discussion Document (Step 2) at B.29. As part of the Updated Strategic Plan, it is noted that GCF will undertake an overall review of RFPs and determine funding allocations for RFPs by the end of 2021. This will include learning from challenges and the successful deployment of RFPs during the initial resource mobilization period, as well as considering new prospective concepts for RFPs with a focus on fostering innovation and scale, in particular for adaptation, and technology incubation. It is hoped that this ongoing analysis and consultation will feed into this process and lead to consideration by the Board of the next phase of REDD-plus RBPs by B.30.