

WWF FCP DISCUSSION PAPER: HOW THE GREEN CLIMATE FUND (GCF) CAN OPERATIONALISE THE WARSAW FRAMEWORK FOR REDD+

2015

- **The GCF can move forward now to support REDD+ activities, based on use of general GCF project assessment process**
- **Assessment of proposals against the GCF Investment Framework can strengthen integrity of Warsaw Framework for REDD+**
- **The GCF can learn from existing initiatives on how to allocate funds and determine the payment per unit of emissions reductions**
- **While the Warsaw Framework for REDD+ sets the overall rules and guidance for achieving and supporting REDD+, the GCF retains responsibility for its financial decisions (including means to manage risk)**
- **In the short- to medium-term, use the GCF Investment Framework to finance phase 2 REDD+ activities**

Preparation of this discussion paper was led by the WWF Forest and Climate Programme (FCP). Its intention is to provide ideas and suggestions for consideration by interested organizations.

It does not represent a policy position of WWF.

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I. BACKGROUND

- 1. Financing for activities** that result in reducing emissions from deforestation, forest degradation, conservation of forest carbon stocks, sustainable management of forests and enhancement of forest carbon stocks (REDD+), has been identified as a priority area for Green Climate Fund (GCF) investment. In the terms of a recent GCF report,

“The Fund has an opportunity to help maintain the progress made by efforts to reduce emissions from deforestation and degradation, which has the potential to offer multiple benefits, sometimes at comparatively low costs. Most multilateral funding for forests has focused on readiness activities. The Fund has the potential to catalyze continued and more ambitious efforts to this end.”¹

- 2. This GCF opportunity comes at a propitious time** since the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) recently completed and approved detailed guidelines regarding how countries should advance and fund REDD+ activities. This is truly a unique development; nothing similar has been approved by the UNFCCC regarding other mitigation or adaptation activities. Hence this UNFCCC framework will facilitate and accelerate investments in forest and climate.

- 3. This report discusses options for the GCF** to consider in advancing REDD+ financing within the framework of the UNFCCC resolutions and focuses particularly on how to Operationalise results-based payments (RBP) for REDD+. The focus on RBP for REDD+ is appropriate given that RBP is a relatively new approach in climate and development finance and conditions for its use are specifically identified in the UNFCCC REDD+ framework. But it should be emphasized that:

- a) THE GCF could accommodate all types of REDD+ finance, not just RBP for quantified GHG emissions reductions or removals (see Box 1, below, for further explanation of RBP). Besides RBP, the REDD+ framework calls for other, more common forms of financing for REDD+, particularly to support activities in phase 1 (readiness) and phase 2 (initial deployment and pilot activities).
- b) In the short-term, relatively few countries are likely to achieve the pre-requisites for RBP for REDD+ at the national level, and therefore, in the interest of equity and fairness, the GCF may need to consider a portfolio of ex-ante and ex-post investment in REDD+, including RBP.
- c) Use of RBP for climate financing should not be limited to REDD+. For example, arguably the most successful RBP experiences thus far have been financing renewable energy through preferential rates for renewable power feed into existing electricity grids.

¹ Analysis of the Expected Role and Impact of the Green Climate Fund, GCF/B.09/06, page 61

BOX 1. WHAT ARE RESULTS-BASED PAYMENTS? A COMPARISON WITH TRADITIONAL DEVELOPMENT FINANCING

TRADITIONAL DEVELOPMENT FINANCING

Focuses on financing a series of activities (or inputs) necessary to achieve a result (or output).

E.g., financing the building of a wind farm, or activities to reduce deforestation, etc.

What does it pay for and how are the financing needs estimated? It usually pays for all or part of the input costs (investment costs) and may also pay part of the operation costs. Therefore, accurate information on activities and their cost is critical in traditional development financing.

When are payments due? Traditional development financing may disburse part of the payments up-front (ex-ante), to facilitate start up activities and the rest as needed during the construction or operation of the project

What financial instruments may be used? Many, including grants, concessional loans, commercial loans, warranties, insurance, equity, etc.

RESULT-BASED PAYMENT (OR RESULTS- BASED FINANCING)

Focuses on paying for (or financing) results. E.g., paying for the amount of additional renewable energy produced per year, or the amount of GHG emission reductions per year, etc.

What does it pay for and how are the payment needs estimated? It pays for all or part of the results (either as a lump sum or as a payment per unit multiplied by the number of units paid for). Therefore, accurate information on the point of departure (reference level or baseline) and the actual results achieved is critical.

Payment per unit of result (or as a lump sum) could be fixed by the financing agency, or could be negotiated case by case with the proponent based on the proponent's costs. Payments could also be found through a bidding or reverse auction process, or could use market prices for same or similar results as proxy reference etc.

When are payments due? Sometimes RBP is seen as an only ex-post payment scheme: payments would be due only when the results are achieved. In fact there are many RBP schemes that include ex-ante payments in this case together with a proviso to make final adjustments and payments based on the results achieved.

What financial instruments may be used? Thus far RBP is associated with cash payments (or grants) but any other form of financing could be negotiated among the parties.

II. HOW THE UNFCCC WARSAW AGREEMENTS FRAME RBP FOR REDD+

4. The UNFCCC COP adopted a set of decisions between 2007 (COP 13) and 2013 (COP 19) that provides the most developed framework for developing countries' voluntary mitigation actions involving the forest sector. These COP decisions and guidelines address, among other things:

- 1) Scope of REDD+ activities;
- 2) Implementation of REDD+ activities;
- 3) Provision of international support for all aspects of REDD+; and
- 4) Developing country actions and information necessary to access international funding, specifically results-based payments for REDD+.

5. The acronym "REDD+" is defined by the UNFCCC to include the following activities:

- 1) Reducing emissions from deforestation

- 2) Reducing emissions from forest degradation
- 3) Conservation of forest carbon stocks
- 4) Sustainable management of forests
- 5) Enhancement of forest carbon stocks

6. The Cancun Agreement (COP 16 ²) identified the following three phases in the implementation of REDD+ activities:

- 1) “The development of national strategies or action plans, policies and measures, and capacity-building”;
- 2) “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 activities”;
- 3) “Results-based actions that should be fully measured, reported and verified.” ³

7. UNFCCC COP decisions acknowledge the following considerations in the provision of financial support for developing countries’ REDD+ activities:

- 1) Phase 1 (readiness) and phase 2 (initial deployment and pilot activities) should be funded through traditional ex-ante financing approaches. Only phase 3 (results-based actions) is intended to be solely or mostly financed through ex-post RBPs. ⁴
- 2) As with all climate financing, the COP expects international financing for REDD+ to be new, additional, and predictable, and to come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources. ⁵
- 3) Regarding RBP for REDD+, the COP encouraged ⁶ all entities wishing to finance REDD+ activities, including the UNFCCC’s own financing mechanisms (GCF and the Global Environment Facility -GEF-) to:
 - a) Collectively channel adequate and predictable results-based finance in a fair and balanced manner;
 - b) Take into account different policy approaches while working to increase the number of countries in a position to obtain and receive payments for results-based actions. ⁷
 - c) Continue dedicating financial resources to alternative policy approaches.

8. The COP called for REDD+ countries to establish: ⁸

- 1) A national strategy or action plan;
- 2) A national forest reference emission level (REL) and/or forest reference level (RL) or, if appropriate, as an interim measure, subnational forest reference emission levels and/or forest reference levels, in accordance with national circumstances; ⁹
- 3) A robust and transparent national forest monitoring system for the monitoring and reporting of REDD+ activities with, if appropriate, subnational monitoring and reporting as an interim measure; and
- 4) A system for providing information on how REDD+ safeguards are being addressed and respected throughout the implementation of REDD+ activities, while respecting sovereignty. ¹⁰

² FCCC/CP/2010/7/Add.1

³ FCCC/CP/2010/7/Add.1, par. 73

⁴ UNFCCC COP Decision 9/CP.19, paragraph 3.

⁵ Decision 2/CP.17.

⁶ Decision 2/CP.17.

⁷ In doing so, such entities, including the GCF, are encouraged by decision 9/CP.19 to apply methodological guidance consistent with decisions 4/CP.15, 1/CP.16, 2/CP.17, 12/CP.17, and 11/CP.19 to 15/CP.19 to improve the effectiveness and coordination of results-based finance.

⁸ Decision 1/CP.16.

⁹ Guidance on systems for providing information on how safeguards are addressed and respected and modalities relating to forest reference emission levels and forest reference levels as referred to in decision 1/CP.16.

¹⁰ See appendix I to decision 1/CP.16.

- 9. In order to receive results-based finance**, developing countries undertaking results-based REDD+ activities should ensure that such results are fully measured, reported, and verified,¹¹ and should provide the most recent summary of information on how all of the safeguards¹² have been addressed and respected.¹³
- 10. The COP invited interested Parties** to designate a national entity or focal point to serve as a liaison with the GCF Secretariat and the relevant bodies under the Convention to coordinate support for the full implementation of REDD+ activities. These activities include different policy approaches, such as joint mitigation and adaptation. Designated national entities or focal points may nominate entities to receive RBPs, consistent with any specific operational modalities of the financing entities providing them with support.¹⁴
- 11. In 2013, the COP established the information hub** on the UNFCCC website to enhance the transparency of the information on results-based actions and corresponding RBPs.¹⁵ The hub will contain information reported through the appropriate channels under the Convention related to the elements required to access RBPs. These elements must be present before a Party can post its results. The hub will also contain the results for each relevant period and a link to the corresponding technical report. Additionally, information on each result, including the quantity of results for which payments were received and the entity paying for results, will be included on the hub.
- 12. Posting results on the information hub** does not create any rights or obligations for any Party or entity, i.e., any results recorded pursuant to current decisions do not amount to REDD+ credits or offsets. Information on results in the hub should be linked to the same results reflected on any other relevant future system that may be developed under the Convention, should such a system be agreed upon and include REDD+.

III. THE EXPERIENCE OF OTHER REDD+ FUNDS

- 13. During the last several years**, both bilateral and multilateral institutions have been actively financing REDD+ activities in developing countries. However, the majority of these funds have supported phase 1 readiness activities with up-front grants (e.g., United Nations Collaborative Programmes on Reducing Deforestation and Forest Degradation -UN-REDD- and the Forest Carbon Partnership Facility -FCPF- Readiness Fund) and phase 2 demonstration activities with up-front grants and loans (e.g., Forest Investment Programme -FIP-). Based on experience to-date, the GCF can anticipate that there will continue to be extensive needs for supplemental phase 1 and phase 2 finance before most countries will be ready to access RBPs.
- 14. Significant funding has also been committed to phase 3 results-based activities** (e.g., under FCPF Carbon Fund and Norway's International Climate and Forest Initiative -NICFI-), but most of these funds have not yet been disbursed; therefore experience extending all the way to REDD+ RBPs is limited (Table 1). This can be attributed to several interacting factors, including the time it has taken for forest countries to advance through stages of readiness, and the very recent completion of the Warsaw Framework. Nonetheless, there is noteworthy experience from Norway's bilateral agreements with Guyana and Brazil that have already implemented RBPs. Similarly, the FCPF Carbon Fund, while not yet delivering RBPs, has developed detailed and transparent modalities in its Methodological Framework to Operationalise RBPs. Interest in accessing FCPF RBPs is clear, with about ten subnational- to national-scaled REDD+ programmes currently under development in the Carbon Fund pipeline and at least nine additional countries that have formally expressed interest.
- 15. A possible distinguishing feature** of REDD+ proposal submissions for RBPs to the GCF versus pre-existing funds will be that results have already been achieved (i.e., activities that achieved these results will have already been implemented) and compliance with UNFCCC guidance will be at least partially documented through the UNFCCC information hub. Norway's bilateral agreement

¹¹ See Decision 1/CP.16. This should be completed in accordance with the provisions that the COP adopted on the technical assessment of RELs/RLs (Decision 13/CP.19) and MRV (i.e. that the results in tCO₂eq that have undergone technical analysis referred to in Decision 14/CP.19).

¹² See appendix I to decision 1/CP.16.

¹³ As the COP agreed through decision 9/CP.19.

¹⁴ Decision 10/CP.19.

¹⁵ Decision 9/CP.19.

with Guyana may be most similar to this scenario, with the majority of its payments being delivered upon demonstration of results under a bilaterally-agreed carbon accounting approach; however, negotiation of this agreement significantly preceded completion of the Warsaw Framework for REDD+ (WFR). While there are many features of the FCPF Carbon Fund (as well as the NICFI agreements) which could be compatible with the GCF and the WFR, there are also a number of modalities in the Methodological Framework agreed by the Carbon Fund Participants Committee that were not agreed by Parties to the UNFCCC with respect to the WFR.

16. In the case of the Carbon Fund's Methodological Framework created an advance programmematic roadmap for activities to be undertaken that are expected to deliver emission reductions in the next 5-10 years. In addition to several steps under the FCPF Readiness Fund, a forest country submits a full programme design in the form of an Emission Reduction Programme Document (ERPD) with accompanying safeguards and benefit sharing plans. These are effectively negotiated between the forest country and the World Bank (as Trustee of the Fund), culminating in a commercial contract – all before a programme begins or verified reductions are achieved. Though the majority of payments are expected to occur ex-post upon reporting and verification of emission reductions, this “roadmap” provides a mechanism for monitoring compliance with the Methodological Framework through implementation. Contract negotiation also provides the opportunity to determine a price per tonne and the possibility of advance payments (payments ad-referendum for future results) that may be used to support some programme activities. It is very unlikely that the GCF would be able to simply adopt the FCPF CF's RBP.

17. Below are some experiences from existing REDD+ funds that we feel are particularly relevant to the GCF as it develops its own modalities for RBPs.

- 1) **TECHNICAL ASSESSMENT:** Assessment of proponents' compliance with UNFCCC guidance for REDD+, the GCF's RMF and performance measurement framework (PMF) may require the development of technical assessment capacity at the GCF Secretariat or at its implementing agencies. The experience of both bilateral and multilateral funds suggests that assessing REDD+ proposals requires fairly extensive technical capacity. For example, many/most donors to other funds do not have the capacity to provide detailed technical review; however, they do want to make informed decisions and therefore rely on secretariats and technical panels to provide clear guidance. The GCF should consider both Secretariat-level capacity and the common challenges in assembling balanced rosters of experts given the extensive scope of its mandate.
- 2) **TRANSPARENCY:** In many respects, the integrity of an international climate regime rests on transparency; it is widely referenced in UNFCCC guidance and expected by Civil Society and indigenous peoples among other stakeholders as a defining principle of the REDD+ approach. Several funds, including the FCPF Readiness and Carbon Funds and the FIP have extensive Web platforms on which to post country and programme-specific documents, decision-points, meeting agendas, etc. Like the GCF, most also have dedicated seats for Civil Society and indigenous peoples observers. Shortfalls on transparency (e.g., rare closed sessions of Carbon Fund Participants) have in some cases raised suspicion and undermined trust, so any constraints on transparency should be carefully balanced against these risks. Moreover, participation and consultation platforms for REDD+ activities are highly variable from country to country and even within countries, with implications for countries' ability to promote full and effective participation.
- 3) **TRANSFERABILITY OF EMISSION REDUCTIONS:** RBPs for REDD+ may or may not imply transfer of a legal right. In the case of NICFI bilateral RBP agreements, payments are made for the demonstration of verified emission reductions, but no right is transferred to the payer. In contrast, emission reduction payment agreements (ERPAs) under the FCPF Carbon Fund provide for the actual transfer of the emission reductions to the payers through the World Bank as Trustee. The Carbon Fund provides for further differentiation with separate tranches for purchasing emission reductions that are, or are not, permitted to be used in a future compliance context, e.g., given the possibility of one or more future market mechanisms consistent with UNFCCC guidance.
- 4) **LAND, RESOURCE AND CARBON RIGHTS:** The issue of transferability also relates back to the land and resource rights underpinning the generated results and whether the payee has the underlying right to sell the result. This is significant for several reasons, including the REDD+ safeguards promoting the knowledge and rights of indigenous peoples and local communities and full and effective participation, etc. NICFI bilateral agreements attempt to address this in a general way by also supporting activities and measures that advance land and resource rights. In the context of an explicitly transferred right, the Carbon Fund addresses this more explicitly by requiring demonstration of this legal right as a prerequisite to transfer by the programme proponent (typically the forest country national government).

- 5) **PERMANENCE:** Regardless of transferability, payment for a result typically requires temporal delineation. For example, upon a RBP transaction, must the emission reduction be maintained for 10, 20 or 50 years, or for as long as the payments are flowing? The Carbon Fund approached the issue of permanence with some ambiguity, but primarily in the context of the longevity of the Fund itself and therefore its finite ability to act on knowledge of any reversals. The GCF will likely need to develop some guidance with respect to permanence, reversal risk and mitigation measures in the case of reversals.
- 6) **SAFEGUARDS AND THE COMMON APPROACH:** Financial institutions delivering REDD+ finance have faced competing needs for use of multiple delivery partners (i.e., to facilitate broad disbursement of funds) and for harmonized modalities and standards that do not overburden forest countries with high transaction costs. For example, some countries may be simultaneously receiving finance from multiple bilateral and multilateral sources, most of which have distinct reporting and safeguards requirements. With a growing list of accredited agencies, this is likely to be a paramount consideration for the GCF. The FCPF Readiness Fund partially addressed this issue using the Common Approach, a methodology by which multiple delivery partners can demonstrate “substantial equivalence” to the World Bank’s existing safeguards policies.
- 7) **RISKS OF DOUBLE-COUNTING OR DOUBLE-PAYING:** Some countries will request REDD+ RBPs after having received payments for phase 1 or phase 2 activities. Some donor countries are expressing concerns about the risks of “double-counting” or “double-paying.” GCF should address these concerns by clearly defining what it is paying for in various REDD+-related finance streams.

18. Table 1 overleaf summarizes information for REDD+ funds that deliver, or plan to deliver RBP, their objectives, how they select proposals, their payment modalities, and the safeguards they apply.

PROCESS LESSONS FROM THE FCPF CARBON FUND

As one of the first multilateral funds established explicitly to pilot REDD+ results-based payments at a global scale while seeking to ensure consistency with UNFCCC guidance, the FCPF Carbon Fund provides several lessons relevant to the GCF, some of which are highlighted here. The Carbon Fund’s approach is laid out in its *Methodological Framework*;¹⁶ an approximately 40-page document that provides relatively detailed guidance on carbon accounting, programme design, safeguards, benefit sharing and transactional requirements. The Methodological Framework took approximately two years to develop through working groups; technical issue papers;¹⁷ consultations with experts, forest countries, and civil society and indigenous peoples; and ultimately negotiation by the Carbon Fund participants. The REDD+ countries use this guidance to shape the design of subnational or larger emissions reduction programmes, culminating in an Emissions Reduction Programme Document (ERPD) that forms the basis of a Carbon Fund assessment. After assessment, commercial terms are negotiated between buyer (World Bank, as Trustee of Fund) and seller (REDD country proponent) and if agreed, are finalized in an Emission Reduction Programme Agreement (ERPA) contract that effectively launches the programme.

In our view, most Carbon Fund programmes will likely constitute phase 2 REDD+ programmes. These programmes are being designed to deliver emission reductions and RBPs; however, they can be implemented before a country has met all of the conditions in the WFR (e.g., official posting of reference level or safeguards information system to UNFCCC information hub). For this reason, it was necessary for the Carbon Fund to delineate specific requirements for ERPD submissions. In addition, the ERPA contract is negotiated in advance of the activities that generate the results and may include some advance payment (i.e., payments for emission reductions before they are verified).

¹⁶ FCPF Carbon Fund Methodological Framework can be found at <https://www.forestcarbonpartnership.org/sites/fcp/files/2014/MArch/March/FCPF%20Carbon%20Fund%20Methodological%20Framework%20Final%20Dec%2020%202013.pdf>.

¹⁷ Approximately ten issue papers were developed on issues such as reference levels, reversals, displacement, safeguards, benefit sharing, etc. To our knowledge, these papers were not published but may be available from the FCPF Facility Management Team, and could be valuable to the GCF Secretariat.

TABLE 1. OVERVIEW OF NOTABLE FUNDS CHANNELING RESULTS-BASED FINANCE

FUND	OBJECTIVE(S)	SELECTION CRITERIA	PAYMENT MODALITIES	SAFEGUARDS
Carbon Fund FCPF, World Bank	Pilot performance-based payment system for emission reductions from REDD activities with view to ensuring equitable benefit sharing and promoting future large-scale positive incentives for REDD; test ways to sustain or enhance livelihoods of local communities and to conserve biodiversity; learning.	Readiness progress, political commitment, consistency with CF's Methodological Framework (ambition, carbon accounting safeguards, sustainable design), scale, technical soundness, non-carbon benefits, diversity and learning value.	Payments primarily ex-post per tonne CO _{2e} upon delivery of verified emission reductions against historical average reference level or capped adjustment (for high-forest-low deforestation countries). Price negotiated between buyer and seller (none yet negotiated).	Meet World Bank safeguards and promote and support UNFCCC safeguards. Safeguards plans, including monitoring arrangements, should link to national readiness, SESA and ESMF and are publically disclosed. Implementation reports included in annex to emission reduction monitoring reports.
Initiative for Sustainable Forest Landscapes (ISFL) BioCarbon Fund, World Bank	Promote reduced greenhouse gas emissions from the land sector, from deforestation and degradation in developing countries, and from sustainable agriculture, as well as smarter land-use planning, policies and practices. The initiative will deploy results-based finance to incentivize changes at the landscape level with emphasis on role of private sector.	Country engagement and capacity in REDD+, abatement potential particularly with regard to major agricultural drivers of forest loss, strength of enabling environment, private sector engagement, potential co-benefits.	Combination of ex-ante finance for technical assistance and enabling environment and ex-post payments for verified emission reductions (including agriculture and energy) against baseline to be determined. No ex-post payments negotiated yet.	Meet World Bank safeguards (limited information is publicly available on ISFL modalities).
Norway International Climate and Forest Initiative (NICFI)	Ensure inclusion of emissions from deforestation and forest degradation in UNFCCC climate regime, take early action to achieve cost-effective and verifiable emission reductions, promote conservation of natural forests to maintain carbon storage.	Country-specific; potential to advance NICFI objectives.	Periodic ex-post payments made for verified emission reductions per country-specific formula. Used "interim" carbon price of \$5/tonne with Brazil, Guyana and Indonesia.	Country-specific (limited information publicly available), but aims to align with UNFCCC safeguards.
REDD+ Early Movers (REM) German Ministry for Economic Cooperation and Development, KfW Banking Group and GIZ	Reward forest mitigation achievements of early movers; provide interim "bridge" financing to UNFCCC financing mechanism; promote benefits for small-scale farmers and indigenous peoples through clear benefit sharing.	Country-specific. Priorities include establishment of forest reference level, subnational to national targets for reducing forest loss, existing monitoring system, measures to address permanence, significant "own" contribution, quantifiable benefit sharing, gender, transparency, consultation processes based on FPIC.	Combination of ex-ante incentive payments using proxies (e.g., hectares of protected areas) and ex-post payments for verified emission reductions.	Guided by German development principles, UNFCCC and FCPF guidance, and International Labour Organization Convention 169 on Indigenous and Tribal Peoples.

There are several other contextual distinctions between the Carbon Fund and the GCF, including:

- The Carbon Fund is governed by a Participants Committee composed exclusively of donors (countries, organizations and private sector contributors). A limited number of REDD+ countries participate in governance meetings (including those where Methodological Framework was designed) as Observers, but do not have decision making authority or voting privileges.
- The Methodological Framework was completed in December 2013, just after the UNFCCC WFR was agreed. The FCPF Charter cites consistency with UNFCCC guidance as an operating principle.
- The Carbon Fund's Charter currently anticipates sunset of the Fund in 2020. However, Carbon Fund Participants (CFPs) have recently voted to extend the Fund's life to 2025, pending approval of World Bank as Trustee, but it is generally expected that it will eventually sunset as the GCF becomes operational.
- At least some CFPs had/have particular interest in the Fund as a test of a quasi-market-based mechanism that could generate compliance-grade REDD+ credits. Given different objectives among contributors, two tranches were established, only one of which allows for transacted emission reductions to be eligible for use in a potential future compliance context. The majority of emission reductions to be transacted will be cancelled or retired.

KEY AREAS OF CONTENTION FOR FCPF

REFERENCE LEVELS: In the development of the Methodological Framework there was extensive debate about how the Carbon Fund should approach REDD+ reference levels, centering around two issues.

First, UNFCCC guidance suggests that REDD+ reference levels can be adjusted for national circumstances but provides limited details on what would constitute justifiable adjustments. CFPs considered whether reference levels for Carbon Fund programmes should represent a simple average of emissions over a historical reference period or alternatively, whether they could also represent a projected trend of emissions extrapolated from this reference period. Some argued that use of a trend would be a more accurate and realistic portrayal of "business-as-usual" emissions, but others argued that emissions data are so limited and stochastic that modeling trends would be unreliable and potentially not conservative. It was ultimately decided to require use of historical averages as the default approach.

Second, CFPs debated at length about how to balance the Carbon Fund's interest in achieving absolute emission reductions relative to historical levels of deforestation and degradation with the interest to provide incentives to a diverse range of forest countries. Specifically, high forest low deforestation countries (so-called "HFLDs") might not be able to achieve absolute reductions against historically low emission levels though future threats may be significant, and therefore would not be eligible for adequate incentive payments. Alternatively, if unconstrained adjustments were allowed across the Carbon Fund portfolio, the Fund may not be able to achieve a net benefit of emission reductions. CFPs eventually resolved to provide a loophole for HFLD countries where a capped adjustment would be allowed when adequately justified by changing conditions in a country. This was coupled with a portfolio level goal to achieve net emission reductions that, in effect, will limit the number of HFLD programmes in the portfolio.

SAFEGUARDS: There were also substantial discussions of how Carbon Fund programmes would demonstrate compliance with the UNFCCC Cancun safeguards. World Bank argued that compliance with World Bank safeguard policies would implicitly "promote and support" the Cancun safeguards. In contrast, some civil society and indigenous peoples constituencies argued that World Bank safeguards do not fully encompass the scope of the Cancun safeguards, particularly with regard to the potential conversion of natural forests and reference to the UN Declaration of the Rights of indigenous peoples.

PRICING: Pricing was not directly addressed in the Methodological Framework; however, in guiding principles document referred to above, agreed principles included fairness, flexibility and simplicity; combination of fixed and floating components to price where feasible; and informed negotiation between buyer and seller. As the collective buyer, CFPs have since indicated a "willingness to pay" of up to USD \$5/tonne CO_{2e}; however, no ERPA negotiations have yet begun and some REDD countries have indicated that a higher price will be essential.

NON-CARBON BENEFITS: Here the question was whether non-carbon benefits (NCBs) would be explicitly required in Carbon Fund programmes, whether they would inform price, and whether and how they would be monitored. Some constituencies argued that generation of NCBs including biodiversity and local livelihoods was a fundamental component of REDD+ programmes that must be a required deliverable incentivized by pricing premiums, etc., while others argued NCBs are too difficult to standardize and quantify in a manner that could inform monitoring or price. The Fund eventually decided to imbed NCBs in selection criteria to the Carbon Fund portfolio, but to not have hard requirements in the Methodological Framework. “Priority non-carbon benefits” were defined separately as a tool to encourage monitoring of select NCBs as feasible.

Collectively, debates on these topics in the development of the Methodological Framework provided some insight to the limitations of UNFCCC guidance (i.e., in terms of specificity and what is left open to interpretation), the fundamental significance of some of these issues, and sensitivities around any efforts to further interpret or elaborate on UNFCCC guidance. Clearly, the GCF will need to understand and be responsive to sensitivities around providing guidance or requirements viewed as beyond the scope of UNFCCC guidance; on the other hand, the ability of the GCF to attract funds may also pivot on its ability to demonstrate that its programmes are delivering robust and measurable results with conservation and climate integrity.

IV. GCF PRINCIPLES AND PROCEDURES RELEVANT TO REDD+ FINANCING

19. In order to operationalise the financing of REDD+ as determined and guided by the UNFCCC, we first need to understand how the GCF is currently designed to work; what rules and procedures are already in place. The GCF has already developed its investment framework (IF), its resource management framework (RMF) and its proposal approval process. Many of the rules and procedures therein are relevant to develop a REDD+ portfolio in general and for RBP for REDD+ activities in particular. Tables 2, 3, and 4 list such GCF documents and highlight their main content. The tables prioritize final Board decisions, but also list some GCF technical documents that offer useful and relevant discussions.

Among the many criteria the GCF has already tabled, the two more significant for operationalizing RBP for REDD+ are:

- Decision B.08/08 on an “Initial Logic Model and Performance Measurement Framework for REDD+ Result Based Payments” This resolution endorsed the WFR, as per UNFCCC CP19 agreements including (a) recognizing as GCF-fundable all the activities included in the WFR definition of REDD+, (b) adopting tonnes of CO₂e as the measurement of REDD+ achievements, and (c) using as main reference the information that REDD+ countries would post in the UNFCCC REDD+ information hub.
- Decision B.07/06 adopted the GCF Initial Investment framework. This IF begins with the six guiding criteria for the GCF operation (impact potential, paradigm shift, sustainable development potential, needs of the recipient, country ownership and efficiency and effectiveness) and then proceeds to table specific criteria and indicators to assess mitigation and adaptation proposals against these six overriding GCF goals. The IF indicators were developed to evaluate any type of mitigation and adaptation project and not necessarily RBP projects. Nevertheless most of the mitigation indicators can be used to evaluate REDD+ RBP proposals too because the IF indicators are impact oriented, not process oriented (e.g. a proposal for REDD+ RBP based on achieved results is in much better position than a paper proposal of planned results, to answer the question: how much mitigation your project will achieve).

20. Some of the GCF documents that are worth highlighting include: The IF itself that is located in Annex XIV of GCF/B.07/11. The six Investment Criteria, along with the Indicative Assessment Factors, can be found in Annex III of GCF/B.09.23. Mitigation and adaptation performance management frameworks (PMFs) are in Annex VIII of GCF/B.08/45. In GCF/B.05/05, the reader will find a number of important discussions which may prove useful in RBP considerations. For example, resource allocation systems (RAS) that are performance-based (i.e. that allocate resources to entities on the basis of their performance prior to making approval decisions on proposed activities) and results-based (i.e. which takes the performance-based model a step further

by including more variables that are measures of actual outcomes) are defined and contrasted with one another. GCF/B.05/05 identifies important opportunities for results-based financing structures in the context of REDD+. In addition, it includes comparisons of RAS options and a good deal of information about how other funds handle resource allocation.

21. The proposal approval process is addressed in several key documents, and is laid out in Annex VII of GCF/B.07/11.

TABLE 2. GCF REFERENCE DOCUMENTS REGARDING THE INVESTMENT FRAMEWORK

PUBLICATION	DOCUMENT TITLE (GCF CODE)	RELEVANCE FOR REDD+ FINANCING
30-Sep-13	Business Model Framework: Allocation (B.05/05)	This is the first GCF discussion on how its resources will be distributed by theme, activity and countries. In its decisions it gives priority to (a) potential for paradigm shift and (b) supporting less developed countries. Specific reference is made to REDD+ in paragraph 24. The document also reviews allocation models of other funds.
17-Apr-14	Decisions of the Board – Sixth Meeting of the Board, 19-21 February 2014 (B.06/18)	Decision B.06/06 deals with the policies and procedures for the allocation of Fund resources.
19-Jun-14	Decisions of the Board – Seventh Meeting of the Board, 18-21 May 2014 (B.07/11)	Annex XIV contains the Investment Framework (IF).
3-Dec-14	Decisions of the Board – Eighth Meeting of the Board, 14-17 October 2014 (B.08/45)	Decision B.08/08 presents the results management framework (RMF) of the Fund. Decision B.08/11 revised the programmes of work on readiness and preparatory support, while B.08/12 covers the use of financial instruments. Annex VIII contains the mitigation and adaptation performance measurement frameworks (PMFs).
16-Apr-15	Decisions of the Board – Ninth Meeting of the Board, 24 - 26 March 2015 (B.09/23)	In the context of developing the investment framework, Decision B.09/05 includes sub-criteria and methodology. Annex III present activity-specific sub-criteria and indicative assessment factors of the IF.
12-Jun-15	Further Development of the Initial Proposal Approval Process (B.10/Inf.08)	Elements of the proposal approval process can be found in paragraph 6.
18-Jun-15	Recommendations from the Private Sector Advisory Group to the Board of the Green Climate Fund (B.10/16)	Paragraph 9 includes the Private Sector Advisory Group's (PSAG's) recommendation on approaches to mobilizing funding at scale.
19-Jun-15	Progress Report on the Readiness and Preparatory Support Programmes (B.10/Inf.06)	Annex I provides a summary of key features of the readiness programmes.
21-Jun-15	Additional Modalities that Further Enhance Direct Access: Terms of Reference for a Pilot phase (B.10/05)	This document includes the Fund's approach to the terms of reference for the pilot phase to enhance direct access, the indicative content of proposals, and the financial volume of the pilot phase.
22-Jun-15	Level of Concessional Terms for the Public Sector (B.10/06)	Paragraph 45 includes principles relating to the deployment of the Fund's concessionality.
25-Jun-15	Consideration of Accreditation Proposals (B.10/03)	Figure 2 illustrates the accreditation process.

TABLE 3. GCF REFERENCE DOCUMENTS REGARDING THE PROPOSAL APPROVAL PROCESS

PUBLICATION	DOCUMENT TITLE (GCF CODE)	RELEVANCE FOR REDD+ FINANCING
19-Jun-14	Decisions of the Board – Seventh Meeting of the Board, 18-21 May 2014 (B.07/11)	Annex VII contains the Proposal Approval Process.
3-Dec-14	Decisions of the Board – Eighth Meeting of the Board, 14-17 October 2014 (B.08/45)	Decision B.08/11 revised the programmes of work on readiness and preparatory support.
16-Apr-15	Decisions of the Board – Ninth Meeting of the Board, 24 - 26 March 2015 (B.09/23)	In the context of developing the investment framework, Decision B.09/05 includes sub-criteria and methodology.
8-Jun-15	Applying Scale in the Assessment of Funding Proposals (B.10/04)	The Board considered approaches to defining the size of a project and for selecting a subset of proposals.
12-Jun-15	Further Development of the Initial Proposal Approval Process (B.10/Inf.08)	This document includes information about selection process methodologies, the Operations Manual and Appraisal Toolkit, and early endorsement, among other topics.
16-Jun-15	Country Ownership (B.10/Inf.07)	Paragraphs 16 and 17 deal with a country's role in accreditation and proposal development.
21-Jun-15	Additional Modalities that Further Enhance Direct Access: Terms of Reference for a Pilot phase (B.10/05)	Figure 3 displays the implementation of the pilot. This document also deals with indicative proposal content and financial volume of the pilot phase.
22-Jun-15	Level of Concessional Terms for the Public Sector (B.10/06)	Paragraph 54 lays out principles relating to the deployment of the Fund's concessionality.
25-Jun-15	Report on Activities of the Secretariat (B.10/Inf.03)	Crosscutting activities are found in paragraph 85.

TABLE 4. GCF REFERENCE DOCUMENTS REGARDING THE RESULTS MANAGEMENT FRAMEWORK

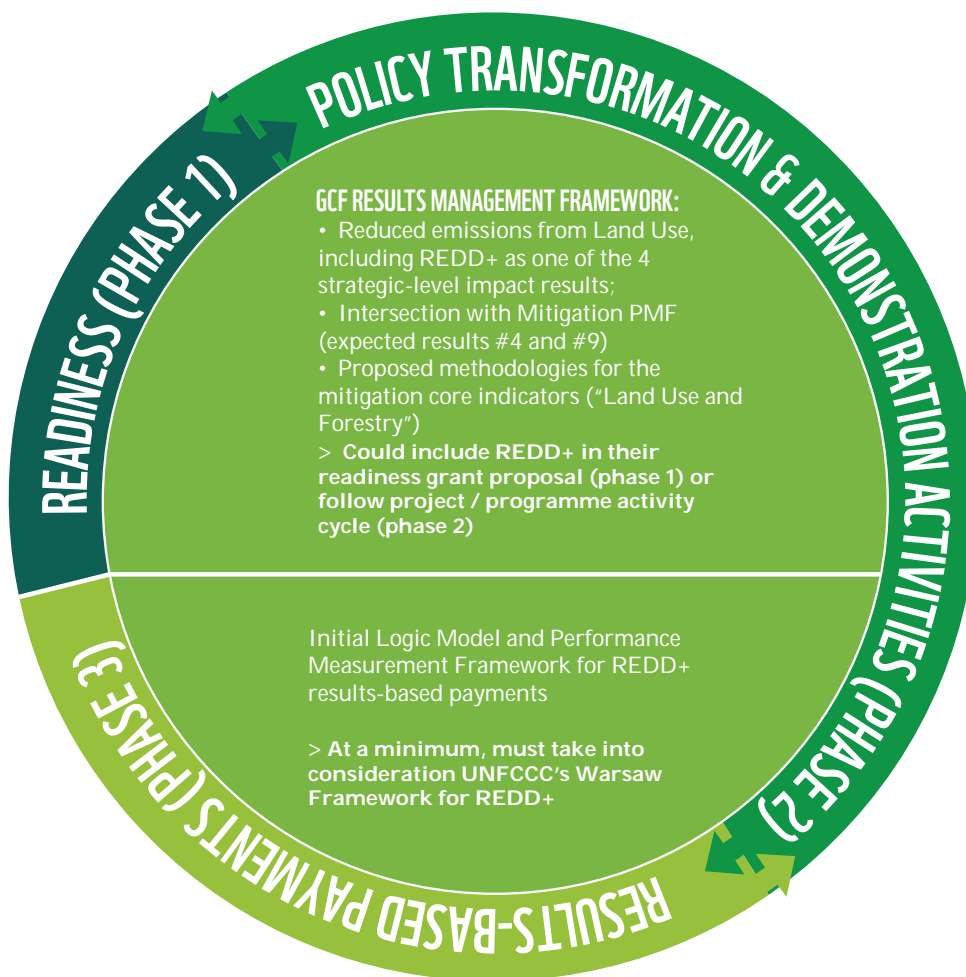
PUBLICATION	DOCUMENT TITLE (GCF CODE)	RELEVANCE FOR REDD+ FINANCING
10-Jun-13	Business Model Framework: Objectives, Results and Performance Indicators (B.04/03)	This early document provides insights into the Board's considerations of a results-based framework; the pros and cons of focusing on REDD+ phases 2 & 3 in mitigation; and how REDD+ result areas can be transformed into options for action. Table 2 illustrates result areas indicators for focusing on phases 2 & 3. Annex II provides the co-benefits and costs of focusing on phases 2 & 3
19-Sep-13	Business Model Framework: Results Management Framework (B.05/03)	Table 3 contains the performance indicators for mitigation result areas focused on REDD+ phases 2 & 3. Considerations for results-based allocations are also included here.
8-Nov-13	Decisions of the Board – Fifth Meeting of the Board, 8-10 October 2013 (B.05/23)	Annex I provides Result Areas, and Annex II lays out performance indicators of those areas.
7-May-14	Initial Results Management Framework (B.07/04)	Results-based allocation as component of the RMF is included in this document. Annex II deals with REDD+ as component of the mitigation logic model. Annex IV discusses REDD+ as component of the mitigation PMF.
19-Jun-14	Decisions of the Board – Seventh Meeting of the Board, 18-21 May 2014 (B.07/11)	Annexes IX and X contain the mitigation and adaptation logic models.
6-Oct-14	Further Development of the Initial Results Management Framework (B.08/07)	Table 1 presents REDD+ as component of the mitigation PMF.
17-Oct-14	Initial Logic Model and Performance Measurement Framework for REDD+ Results-based Payments (B.08/08/Rev.1)	The logic model for REDD+ RBP is found in Annex II and is discussed elsewhere. Annex III presents the PMF for REDD+ RBP.
3-Dec-14	Decisions of the Board – Eighth Meeting of the Board, 14-17 October 2014 (B.08/45)	Table 1 displays the mitigation PMF, while Annex VIII provides both the mitigation and adaptation PMFs. The Logic Model for REDD+ RBP is located in Annex X, and the PMF for REDD+ RBP is located in Annex XI.
16-Apr-15	Decisions of the Board – Ninth Meeting of the Board, 24 - 26 March 2015 (B.09/23)	Sub-criteria and methodology for the IF are found in Decision B.09/05.
21-Jun-15	Additional Modalities that Further Enhance Direct Access: Terms of Reference for a Pilot phase (B.10/05)	This document includes discussions of the approach to the terms of reference for the pilot phase to enhance direct access; the indicative content of proposals; monitoring, evaluation and timeline; and financial volume of the pilot phase.
25-Jun-15	Initial Risk Management Framework: Methodology to Determine and Define the Fund's Risk Appetite (B.10/07)	The proposed risk appetite methodology, the inventory of risks faced by the Fund, strategic risk, and the risk dashboard and methodology are all discussed here. Annex II presents the proposed risk dashboard and related categories and subcategories of risk.
25-Jun-15	Report on Activities of the Secretariat (B.10/Inf.03)	This document includes a discussion of engagement with UNFCCC thematic bodies and other Climate Relevant Funds.

V. OPTIONS FOR THE GCF TO OPERATIONALISE RBP FOR REDD+

22. Currently, over 40 countries around the world are engaged in efforts to incorporate REDD+ as a policy option to tackle deforestation and forest degradation, the resulting climate impact, and to support green development strategies. However, the national circumstances of countries moving ahead with REDD+ are highly variable, which is reflected in their varying degrees of progress through the phases of the process (e.g. readiness, implementation of policies and measures and demonstration activities, and RBPs).

23. Given the current situation, the GCF will be receiving requests to support readiness and implementation activities, as well as requests for RBPs. The GCF has three different ways to deliver support to reduce emissions from deforestation and forest degradation (Figure 1): i) allocating support through readiness grants (assuming the proponent country includes REDD+ as part of their proposal); ii) allocation of support through the project/programme activity cycle under the expected results 4 and 9 of GCF's PMF; and iii) allocation of payments for results in line with GCF's REDD+ logic model and PMF.

Figure 1: Phases of REDD+ and Financing Opportunities through the GCF



24. The GCF has already developed guidance and modalities for the allocation of readiness grants and for the project/programme activity cycle. However, to Operationalise a system of RBPs for REDD+, further guidance and modalities are needed to bridge UNFCCC’s REDD+ adopted decisions with the relevant elements of the GCF operations manual. In this section, we describe a set of options for the GCF to consider in the assessment of proposals from countries to obtain RBPs.

APPROVAL CRITERIA FOR REDD+ RESULTS-BASED PAYMENT (RBP) PROPOSALS

25. We have identified three options for the GCF to consider in assessing REDD+ RBP proposals, depending on the requirements established by the GCF to ensure that such proposals contribute to its objectives.

1) Option 1: WFR and UNFCCC information hub provide sole basis for assessment

Regardless of which option the GCF decides to choose, the GCF Secretariat will have to start by screening each proposal for compliance with the WFR requirements to access RBP by determining whether required information has been posted on the UNFCCC information hub. This is the minimum requirement considering existing COP decisions. This option assumes that emission reductions from REDD+ activities verified under the WFR promote the objectives of the GCF, and therefore, no additional GCF-specific criteria need to be taken into account in the assessment of proposals.

Information to be submitted by countries: Information published on the UNFCCC REDD+ information hub

Assessment process GCF Secretariat checks that the country data has been posted on the information hub, and the country has updated it following the process of reviews and comment as specified in the WFR

TABLE 5: PROS AND CONS OF OPTION 1

PROS	CONS
<p>The WFR is the result of five years of intense international negotiations and provides as much guidance as the parties were able to agree to. Nothing similar has been approved by the UNFCCC regarding other mitigation or adaptation activities.</p> <p>It can be argued that, even with its limitations, the WFR approach to results-based payments offers a level of certainty that is higher than anything the traditional up-front funding for mitigation or adaptation provides. In the latter case the funder is asked to front load payments to achieve goals that may never be achieved. In the WFR results-based payment approach, funds are disbursed against already achieved results. The amount or quality of results may be subject to discussion (see “Cons”) but there is a reasonable degree of certainty that some results were achieved.</p>	<p>While the WFR is sufficient in terms of guidance for countries to determine the result of REDD+ attributes, paragraph 4 of decision 9/CP.19 and paragraph 15 of decision 14/CP.19 indicate that the negotiators of the WFR were unable to agree that the WFR MRV rules were sufficient for use in a carbon market. Furthermore, the WFR does not provide guidance on determining the value of payment for results.</p> <p>Some NGOs are concerned that the WFR does not allow third parties to scrutinize and challenge countries’ compliance with social and environmental safeguards.</p>

2) Option 2: WFR, UNFCCC information hub and current GCF IF provide basis for assessment

Under this option, the assessment of REDD+ RBP proposals includes both a check for compliance with WFR requirements to access RBPs (as in Option 1) and a substantive evaluation of the activities that generated the results, according to investment-related considerations (addressed through the GCF’s IF). The rationale behind this option is that all GCF funds, provided ex-ante or ex-post, must promote the Fund’s objectives, and that full compliance with this condition is not guaranteed per se by the generation of emission reductions from REDD+. For instance, such reductions could be the result of

activities not fulfilling the GCF IF. At the same time, as in Option 1, it assumes that verification under the WFR is sufficient to ensure the “technical and safeguards” credibility of the emission reductions.

On top of complying with the WFR, RBP payment proposals would be assessed by the GCF Secretariat and the Independent Technical Advisory Panel (ITAP), with the support of the Accredited Entity, for compliance with the initial activity-specific sub-criteria and indicative assessment factors used by the GCF to evaluate ex-ante funding proposals as a way to ensure that the Fund’s resources are indeed being used to promote its objectives.¹⁸

- Information to be submitted by countries:**
1. Information published on the UNFCCC REDD+ information hub
 2. Information on the activities that generated the results (following established GCF templates for ex-ante funding proposals)

- Assessment process**
1. GCF Secretariat checks that the country data has been posted on the information hub, and the country has updated it following the process of reviews and comment as specified in the WFR
 2. GCF Secretariat and ITAP assess the information on the activities that produced the results following the same procedure as for GCF ex-ante funding proposals

TABLE 6: PROS AND CONS OF OPTION 2

PROS	CONS
<p>The main merit of this option is that it would avoid developing a new set of IF elements (e.g. criteria and factors) specific to REDD+ results by using the existing ones where they may be relevant and by adapting them as necessary. Table 8 identifies how this could be done using a combination of information required under the WFR and additional information provided by the proponent.</p> <p>By requiring additional information corresponding to the existing GCF investment criteria, the assessment may serve to address the concerns of some Parties regarding the level of detail required under the WFR. The assessment may serve as a means to differentiate REDD+ RBP proposals based on indicators other than presence of information on the information hub and tCO_{2e} emissions avoided or stored.</p> <p>The assessment of the activities producing the results may also partially address concerns regarding issues such as the risk of non-permanence and social safeguards without reinterpreting the WFR requirements or imposing new ones.</p> <p>Some of the information required from proponents is already covered by the WFR requirements, so it is not expected that country proponents would bear much additional burden to provide the additional information.</p> <p>This option is based on existing GCF procedures, so it could be applied immediately. It does not imply a change to the assessments carried out by the GCF Secretariat and the ITAP and thus would not require additional expertise.</p>	<p>The activity-specific sub-criteria and indicative assessment factors were designed to evaluate expected results and impacts based on proposed activities and therefore may be seen as redundant once the results have actually been achieved.</p> <p>It may not fully satisfy those who would wish to see a more thorough review of reference level and verification of results and safeguards.</p>

¹⁸ Found in document GCF/B.09/23 Page 24 http://www.gcfund.org/fileadmin/00_customer/documents/Operations/IF_subcriteria_assessment_factors.pdf

3) Option 3: GCF develops additional elements of its Investment Framework to Operationalise REDD+ results-based payments

This option recognizes the limited applicability of the existing activity-based criteria and factors in the GCF IF to assess REDD+ RBP funding proposals and therefore proposes the development of specific elements for them (which would need to be considered in addition to the WFR requirements). Consequently, this option requires the GCF to determine how providing RBP, in contrast to regular project or programmes funding, contributes to its objectives (i.e. a specific logic model and the associated results and performance management frameworks) and to elaborate results-specific criteria and assessment factors. Examples of such criteria and assessment factors are provided in Table 8. As can be noted in Table 8, the establishment of these specific requirements might mean that some of the aspects covered under the WFR (e.g., the review of reference emission levels and the verification of results as well as some safeguards such as leakage, reversals and social and environmental safeguards) would need to be assessed by the ITAP and the accredited entity in order to ensure that results contribute to the achievement of the GCF’s objectives.

Information to be submitted by countries:

1. Information published on the UNFCCC REDD+ information hub
2. Information corresponding to each of the results-specific criteria and sub-criteria to be established (following a new GCF template for RBP funding proposals)

Assessment process

1. GCF Secretariat checks that the country data has been posted on the information hub, and the country has updated it following the process of reviews and comment as specified in the WFR
2. GCF Secretariat and ITAP assess the information on the results submitted following the results-specific criteria and assessment factors following a procedure to be defined by the GCF

TABLE 7: PROS AND CONS OF OPTION 2

PROS	CONS
<p>This option would better clarify how RBP for REDD+ promote the GCF’s objectives and establishes results-specific subcriteria and assessment factors.</p> <p>If additional technical and safeguards assessments of the results are carried out, it will increase the credibility and long-term benefits (including wider social and environmental benefits) of the results for which RBPs are made.</p> <p>It provides greater certainty to the GCF Board than the other options that the purpose and objectives of the GCF are met (i.e., that the emission reductions for which payments are given are real and long-term, and that social and environmental safeguards are being respected). Existing standards (in whole or part).</p>	<p>This option requires the development of results-specific elements of the IF and operations manual by the GCF.</p> <p>If additional technical assessments are included:</p> <ul style="list-style-type: none"> • The development or adoption of a standard and process to verify the results and safeguards by the GCF could take time and be politically controversial, as it would go beyond what was agreed by Parties under the UNFCCC; • The GCF ITAP would need additional capacities and/or to hire outside expertise in order to verify results, and the pool of necessary expertise is often constraining; • It could be argued that the technical assessments would impose technical (instead of investment-related) requirements that go beyond those agreed by Parties for RBPs under the WFR; • It could also be argued that establishing such additional requirements would not support the phased and step-wise approach adopted by UNFCCC Parties and thus benefit only the most technically advanced of them, and may be seen as contradicting paragraph 7 of decision 9/CP.19;¹⁹ • Establishing approaches to deal with issues such as the risk of non-permanence or to demonstrate compliance with social and environmental safeguards has proved to be politically complicated and, in the case of the former, may require the establishment of registry infrastructure if buffers are to be used. This would imply additional infrastructure and capacities to be created in the GCF or outsourced; • Establishing additional requirements to deal with reversals and displacement of emissions would imply a differentiation in the treatment of the REDD+ safeguards, and could be seen as prejudging the modalities for verification referred to in decision 14/CP19.²⁰

¹⁹ “7. -The Conference of the Parties- Requests the Green Climate Fund, when providing results-based finance, to apply the methodological guidance consistent with decisions 4/CP.15, 1/CP.16, 2/CP.17, 12/CP.17 and 11/CP.19 to 15/CP.19, as well as this decision, in order to improve the effectiveness and coordination of results-based finance;”

²⁰ According to which “-The Conference of the Parties- Also agrees that results-based actions that may be eligible to appropriate market based approaches that could be developed by the Conference of the Parties, as per decision 2/CP.17, paragraph 66, may be subject to any further specific modalities for verification consistent with any relevant decision of the Conference of the Parties.”

TABLE 8. OPTION 2: GCF IF IN RELATION TO WFR

CRITERION	DEFINITION	COVERAGE AREA	ACTIVITY-SPECIFIC SUB-CRITERIA	WFR AND GCF IF ²¹
Impact potential	Potential of the programme/project to contribute to the achievement of the Fund's objectives and result areas	Mitigation impact	Contribution to the shift to low-emission sustainable development pathways	WFR could deliver: tonnes of carbon dioxide equivalent (tCO ₂ eq) reduced or avoided; Expected improvements in land and forest
Paradigm shift potential	Degree to which the proposed activity can catalyze impact beyond a one-off project or programme investment	Potential for scaling up and replication, and its overall contribution to global low-carbon development pathways being consistent with a temperature increase of less than 2 degrees Celsius (mitigation only)	Innovation level of contributions to global low-carbon development pathways, consistent with a temperature increase of less than 2 degrees Celsius; Potential for expanding the scale and impact of the proposed programme or project (scalability); Potential for exporting key structural elements of the proposed programme or project elsewhere within the same sector as well as to other sectors, regions or countries (replicability)	WFR could deliver all four IF assessment factors
		Potential for knowledge and learning	Contribution to the creation or strengthening of knowledge, collective learning processes, or institutions	WFR could deliver the IF assessment factor
		Contribution to the creation of an enabling environment	Sustainability of outcomes and results beyond completion of the intervention; Market development and transformation	WFR could deliver all four IF assessment factors
		Contribution to the regulatory framework and policies	Potential for strengthened regulatory frameworks and policies to drive investment in low-emission technologies and activities, promote development of additional low-emission policies, and/or improve climate-responsive planning and development	WFR could deliver all three IF assessment factors
Sustainable development potential	Wider benefits and priorities	Environmental co-benefits	Expected positive environmental impacts, including in other result areas of the Fund, and/or in line with the priorities set at the national, local or sectoral level, as appropriate	WFR could deliver the IF assessment factor
		Social co-benefits	Expected positive social and health impacts, including in other result areas of the Fund, and/or in line with the priorities set at the national, local or sectoral levels, as appropriate	WFR could deliver the IF assessment factor
		Economic co-benefits	Expected positive economic impacts, including in other result areas of the Fund, and/or in line with the priorities set at the national, local or sectoral level, as appropriate	WFR could deliver the IF assessment factor
		Gender-sensitive development impact	Potential for reduced gender inequalities in climate change impacts and/or equal participation by gender groups in contributing to expected outcomes	WFR could deliver the IF assessment factor
Needs of the recipient	Vulnerability and financing needs of the beneficiary country and population	Economic and social development level of the country and the affected population	Level of social and economic development of the country and target population	Additional information may be required, beyond what is posted on information hub

²¹ This column identifies the IF indicators that can be expected to be addressed by the WFR and others that may require additional information from the proponent.

		Absence of alternative sources of financing	Opportunities for the Fund to overcome specific barriers to financing	Additional information may be required, beyond what is posted on information hub
		Need for strengthening institutions and implementation capacity	Opportunities to strengthen institutional and implementation capacity in relevant institutions in the context of the proposal	Additional information may be required, beyond what is posted on information hub
Country ownership	Beneficiary country ownership of, and capacity to implement, a funded project or programme (policies, climate strategies and institutions)	Existence of a national climate strategy	Objectives are in line with priorities in the country's national climate strategy Proposed activity is designed in cognizance of other country policies	WFR could deliver: Both IF assessment factors
		Coherence with existing policies		
		Capacity of accredited entities or executing entities to deliver	Experience and track record of the Accredited Entity or executing entities in key elements of the proposed activity	WFR could deliver the IF assessment factor
		Engagement with civil society organizations and other relevant stakeholders	Stakeholder consultations and engagement	Additional information may be required, beyond what is posted on information hub
Efficiency and effectiveness	Economic and, if appropriate, financial soundness of the programme/ project	Cost-effectiveness and efficiency regarding financial and non-financial aspects	Financial adequacy and appropriateness of concessionality	Additional information may be required, beyond what is posted on information hub
			Cost-effectiveness (mitigation only)	Additional information may be required, beyond what is posted on information hub
	Amount of co-financing		Potential to catalyse and/or leverage investment (mitigation only)	Additional information may be required, beyond what is posted on information hub
	Programme/ project financial viability and other financial indicators		Expected economic and financial internal rate of return financial viability in the long run	Additional information may be required, beyond what is posted on information hub
	Industry best practices		Application of best practices and degree of innovation	Additional information may be required, beyond what is posted on information hub

TABLE 9. OPTION 3 INDICATIVE EXAMPLES OF REDD+ RESULTS-SPECIFIC CRITERIA AND SUB-CRITERIA

CRITERION	DEFINITION IN THE CONTEXT OF RBP FOR REDD+	COVERAGE AREA	RESULTS-SPECIFIC SUB-CRITERIA
Impact potential	Potential of RBPs to contribute to the achievement of the Fund's objectives and result areas	Mitigation impact: secures mitigation achieved (permanence), strengthens existing REDD+ programmes, contributes to further emission reductions	Tonnes of carbon dioxide equivalent (tCO ₂ eq) reduced or avoided * The GCF could develop specific requirements for RL and MRV that go beyond what is agreed in the WFR
Paradigm shift potential	Degree to which RBPs can catalyze impact beyond a one-off project or programme investment	Contribute to the establishment and consolidation of a global REDD+ RBP mechanism Support or catalyze the mobilization of other sources of finance for REDD+ results Facilitate the participation of the private sector in REDD+ and in environmental services markets related to forests in general	Scale of impact and potential for scaling up (sub-national to national) Sustainability of the results in the long-term * The GCF could develop specific information requirements to determine the extent to which permanence and leakage risks have been addressed
Sustainable development potential	Wider benefits and priorities	Help to create or sustain momentum in countries where there is clear potential for mitigation, alongside ecosystem services, livelihood results and other co-benefits and integrated land use management	Extent to which REDD+ social and environmental safeguards have been addressed and respected * The GCF could develop specific information requirements for REDD+ social and environmental safeguards that go beyond what is agreed in the WFR, to ensure that they have been addressed and respected
Needs of the recipient	Vulnerability and financing needs of the beneficiary country and population	Economic and social development level of the country and the affected population Absence of alternative sources of finance to cover anticipated RBP for REDD+ Need for strengthening institutions and implementation capacity	*Existence of REDD+ benefit sharing arrangements Proponents must submit an explanation of the existing barriers that limit access to alternative sources of RBP financing and how they will be addressed Explanation of the existing limitations of institutions and implementation capacity for achieving REDD+
Country ownership	Beneficiary country ownership of an RBP funded REDD+ programme	Existence of a national REDD+ strategy Engagement with civil society organizations and other relevant stakeholders	Country ownership is ensured through fulfillment of the Warsaw Framework requirements (e.g. existence of a national strategy and safeguards reporting) Requests to show capacity to deliver results are not relevant for RBP, as the results are the emission reductions for which RBPs are being sought (unless RBPs are linked to the implementation of additional activities) Reinvestment of RBPs in additional mitigation activities
Efficiency and effectiveness	Economic and, if appropriate, financial soundness of the programme/project	Amount of co-finance for on-going REDD+ activities and institutional support Potential to catalyze and/or leverage additional investment in REDD+ activities Cost-effectiveness and efficiency regarding financial and non-financial aspects	Demonstration that the Fund's RBP will not crowd out private and other public investment Estimated cost per tCO ₂ eq (PMF-M Core 2) as defined as total investment cost/expected lifetime emission reductions, and relative to comparable opportunities

*These options would imply a "technical and safeguards" assessment beyond the requirements of the WFR.

VI. OTHER ISSUES, DECISIONS AND STEPS FOR THE GCF TO CONSIDER DURING RBP PORTFOLIO DEVELOPMENT

A POSSIBLE NICHE FOR THE GCF IN THE REDD+ FINANCING LANDSCAPE

26. In Paragraph 5 of Decision 9/CP.19 of the WFR, the COP:

“Encourages entities financing the activities referred to in decision 1/CP.16, paragraph 70, through the wide variety of sources referred to in decision 2/CP.17, paragraph 65, including the Green Climate Fund in a key role, to collectively channel adequate and predictable results-based finance in a fair and balanced manner, taking into account different policy approaches, while working with a view to increasing the number of countries that are in a position to obtain and receive payments for results-based actions“

Most existing REDD+ funds focus on the readiness phase. While there are a small number of funds (multilateral and bilateral) with the mandate to finance pilot activities (phase 2) and RBP for REDD+ (phase 3), their current capitalization or commitment is insufficient to respond to the expected demand. Within this landscape of REDD+ finance, the GCF funding could find an effective role in achieving transformational change through focusing support for phases 2 and 3; contributing funds at a sufficient scale and to achieve REDD+ ambition in a greater number of countries. The REDD+ financing landscape will continue to evolve and the GCF will need to adapt accordingly, in coordination with other funds and finance initiatives.

EX-POST AND EX-ANTE RESULTS-BASED PAYMENTS

27. **The WFR effectively considers RBP for REDD+ to be ex-post payments**, given the prerequisite of the country Party’s submission to the Information Hub of “*-t-he results for each relevant period expressed in tonnes of carbon dioxide equivalent per year.*”²² However, the WFR does not restrict consideration of ex-ante RBP to support proposed activities to generate results. As with any other activity supported by the GCF, a proposal for ex-ante RBP should follow the assessment process adopted by the GCF for RBPs. However, the initial assessment should be broadened to analyze the risk of the activity to not deliver the results for which ex-ante payments are being provided.

USE OF THE EX-POST RESULTS-BASED PAYMENTS

28. **REDD+ RBPs belong to the receiving country.** However, it is possible that such payments could be used to fund investments that may not be consistent with the GCF’s objectives and purpose (for example, RBPs used to invest in a coal-fired power plant). In line with the experience of existing funds (Guyana’s GRIF, or the Amazon Fund), the GCF could require that RBP be invested only in low carbon development activities. This could ensure that RBPs provided by the GCF promote its objectives but would necessitate monitoring of the use of such payments.

²² UNFCCC Decision 9/CP.19, Paragraph 11(a).

ALLOCATION OF RESULTS-BASED PAYMENTS

29. The GCF will need to determine the share of its available resources in a given period that it will set aside for REDD+ RBP. This should be done in a way that provides adequate and predictable results-based finance in a fair and balanced manner, in accordance with paragraph 5 of decision 9/CP.19. It may be anticipated that in the initial years of operation of the Fund, the number and value of RBP funding requests will be limited. As a result, the GCF could plan to increase the share for REDD+ RBP over time, as capacities increase and verified results are achieved in more countries. This may be seen as the best way to reach a “fair and balanced” provision of RBPs in the long run. The allocation of RBPs could be Operationalised through periodic calls for proposals, as opposed to a ‘first-come, first-served’ system. Predictability of RBPs will be limited by the overall predictability of the GCF’s resources, although some indication of the possible amount of resources that will be available to this end could be given by determining a percentage of total REDD+ funds that will be allocated against REDD+ results. This percentage could be revised periodically, if necessary, to reflect observed and foreseeable trends in how countries advance in the achievement of REDD+

DETERMINING SIZE OF PAYMENT PER RESULTS UNIT (TONNE OF CO₂E)

30. The UNFCCC provides no guidance on this topic. Whether or not the proponent specifies a total payment request for REDD+ results achieved, to ensure some consistency in the treatment of eligible RBP requests by proponents, the GCF will need to consider the payment per unit tCO₂e. The approach will depend on how (or if) the GCF defines the allocation of funds for REDD+ RBP for a given year or other period length.

31. If the GCF establishes a fixed allocation of funds available for REDD+ RBP, it could set a price/tCO₂e, thereby fixing the total volume associated with the payments, or it could allow a variable price/tCO₂e across the portfolio of eligible claims, which could be dependent on demands of proponents, use of a reverse-auction process, ‘grading’ of submissions, or other considerations.

32. Experience from the FCPF Carbon Fund, NICFI and REM initiatives would suggest setting a minimum price per tCO₂e in order to provide some degree of predictability to proponents. In deciding on a fixed amount, the GCF could consider the “prices” used in existing multilateral and bilateral results-based programmes, but keeping in mind that the differences between such programmes and the WFR may need to be reflected in the per-tonne payments (i.e., REDD+ results reported and verified in accordance with the WFR may not be comparable to those verified under multilateral and bilateral programmes due to a difference in estimation and accounting methodology, thus the payments could differ under the different initiatives. The GCF should take also into account that the per-tonne payments of existing bilateral and multilateral programmes mainly represent the “willingness to pay” of donors, and not an agreed amount between developed and developing country partners.

33. The GCF could also consider establishing differentiated per tonne amounts for results verified using different methodological requirements; for example, setting higher per tonne amounts for REDD+ results verified using lower tolerances for uncertainty of estimates and/or a more conservative accounting methodology. A pre-approved list could be established, with the WFR as the minimum acceptable requirements.

PRIORITISATION OF REDD+ RESULTS-BASED PAYMENT PROPOSALS

34. The GCF will need to decide on how the Fund’s available resources for RBPs will be allocated among competing country proposals submitted in a given year/period. If a ‘first-come, first-served’ system is used, the prioritization of payments could follow the order of submission of payment requests by countries if all results are considered comparable in quality. Or, if the assessment of proposals includes the activities that generated the results, the proposals in which the activities better fulfill the assessment criteria could be prioritized for payment. The GCF could establish caps on the amount of payments that a single country may receive in a single year or a given

period, so as to broaden the number of countries benefiting from such payments. This limit could be a fixed amount or a proportion of the total REDD+ RBP available for all proposals in a given year, for example.

CONTRACTING AND DELIVERING RESULTS-BASED PAYMENTS

35. Beyond the application of its standard safeguards, if the GCF does not require the funds transferred as REDD+ RBP to be used to support activities that are consistent with its objectives and purpose, contracts could be relatively simple. They could specify basic information on the payment, such as the amount of results paid for, the dollar amount per tonne, the total amount received by the country, the year when the result was achieved and the year of the RBP. Otherwise, if conditions on the use of the funds transferred as REDD+ RBPs were established, it would also be necessary for the proponent to include information on the activities that will be supported with those funds and the details of a monitoring and reporting system. As noted earlier in this paper, similar requirements would need to be applied if ex-ante RBP are made by the GCF.

EQUITABLE GEOGRAPHIC DISTRIBUTION OF FUNDS

36. Achieving an equitable distribution of REDD+ RBP may be challenging, considering that, in principle, only countries with enough capacity to design and implement successful REDD+ activities and to monitor and measure their results will be able to access such payments. Consequently, achieving an equitable distribution will depend not only on how RBP are allocated, but also on the distribution of funding for readiness activities (including those aimed at allowing countries to develop the financial instruments required to directly receive payments, if relevant). It may, therefore, be advisable for the GCF to apply equity provisions considering the whole available funding for REDD+ and not only RBP.

AVOIDING DOUBLE PAYMENTS

37. It is likely that submissions to the GCF for REDD+ RBP will include countries and sub-national programmes that are receiving, or have received, payments under existing RBP initiatives (e.g. FCPF-CF, NICFI, REM). Given the limited size, scope and lifetime of these existing initiatives, additional support from the GCF may be warranted. However, to avoid double payment for REDD+ results, the GCF should verify that the emissions reductions being claimed as a basis for payment from the GCF have not also been used as the basis for payment from another RBP funding source. To this end, the Fund may require that all REDD+ RBP funding proposals disclose all other sources of financing, either received or being sought.

ROLE OF THE PRIVATE SECTOR IN REDD+ RESULTS-BASED PAYMENTS

38. The private sector has a significant role to play in achieving and maintaining REDD+ results, based on its association with the drivers of deforestation and forest degradation as well as its role in a country's transition to a low emission, green economy. On the supply side of REDD+, the GCF Private Sector Facility may have a potential role in, for example, underwriting various forms of risk involved in changing business-as-usual practices that contribute to deforestation and forest degradation (or unsustainable land use in general) and to contribute to alternative livelihoods within a model of Green Economic Development. On the demand side for REDD+, the GCF could create conditions to foster private demand for REDD+, for example by participating and promoting co-funding schemes. GCF investments that facilitate or enhance companies' ability to achieve commitments to 'zero deforestation supply chains' should also be considered.

VII. CONSIDERATIONS

GIVE THE WFR TIME TO PROVE ITSELF: It will take years for most tropical countries to provide the UNFCCC with all four pieces requested by the WFR to trigger RBPs, let alone to achieve significant REDD+ results. In these years, through experience and the scrutiny of experts and stakeholders, the WFR may prove sufficient (or improve) to deliver to the high standards that all parties wish to see.

UNTIL THEN, MANAGE RISKS OF RBP FOR REDD+ THROUGH FUNDING DECISIONS THAT ARE THE PREROGATIVE OF THE GCF: Instead of trying to manage GCF risks by requesting compliance with measures that countries can interpret as going beyond the WFR, the GCF could manage risks in its portfolio of RBP for REDD+ by modulating its financial decisions on (a) how much RBP funding to allocate to a country; (b) at what price per tonne of CO₂ and (c) for how many years. All these decisions fall clearly into the GCF remit.


IN THE SHORT- TO MEDIUM-TERM USE THE GCF INVESTMENT FRAMEWORK TO FINANCE PHASE 2 REDD+ ACTIVITIES: As mentioned in point 1 above it may take some time for most tropical countries to provide the UNFCCC with all four pieces requested by the WFR to trigger RBPs. Until then, the GCF could do a lot of good by financing phase 2 REDD+ activities using the GCF Investment Framework. In this case, part of the funding will be disbursed up-front before the emission reductions are achieved, to partly pay for the costs of implementing the REDD+ strategy, as will be the case in most other GCF mitigation and adaptation financing. Still, the GCF and the recipient country could negotiate some ex-post payment linked to the achievements of the strategy, a kind of learning by doing RBP.

Rules and procedures for REDD+ RBP should be part of a general framework for RBPs under the GCF. Establishing REDD+ RBP rules before designing such framework may create precedents that may not be adequate for, or well received by, RBPs in other sectors.

A TEMPLATE FOR REDD+ RBP PROPOSALS: Once the GCF has made decisions on key elements of operationalising REDD+ RBP, including any additional information requirements and how payments would be determined, an initial template for REDD+ RBP proposals should be prepared in order to standardize the format and ensure consistency in the assessment of multiple proposals.

Preparation of this discussion paper was led by the WWF Forest and Climate Programme (FCP). Its intention is to provide ideas and suggestions for consideration by the GCF Secretariat and other interested organizations.

It does not represent a policy position of WWF.

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