

UN-REDD PROGRAMME



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SOUTH - SOUTH EXCHANGE REPORT **Engagement in Different REDD+ Results Based Payments-like Schemes in Latin America and the Caribbean**

UN-REDD PROGRAMME

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Participants:

BRAZIL: Leticia Guimaraes and Antonio Carlos Martinez (Ministry of the Environment)

CHILE: Osvaldo Quintanilla (CONAF), Marcela Palominos (Ministry of Finance)

COSTA RICA: Héctor Arce and Jorge Mario Rodriguez (FONAFIFO), Tania Lopez (UNEP Consultant)

COLOMBIA: Diana Vargas and Lina Peñuela (Ministry of Environment and Sustainable Development)

ECUADOR: Elena Mejía (Ministry of Environment)

MEXICO: Ana Karla Perea and Diana Chemor (CONAFOR)

PERÚ: Gustavo Suarez De Freitas, Patricia Luna del Pozo, Claudia Ochoa and Jorge Torrez (Ministry of Environment).

Guest Experts: Josefina Braña (WWF), Juan Chang (GCF), Manuel Estrada (Climate Change Consultant).

Participants on behalf of the UN-REDD Programme Agencies:

FAO: Lucio Santos

UNDP: Marco Chiu, Bruno Guay, Pierre Guedez and Clea Paz

UNEP: Juan Ferrando.

Report: Manuel Estrada (Climate Change Consultant)

Editing: Patricia Toquica, UN-REDD Programme

About the UN-REDD Programme:

The UN-REDD Programme is the United Nations collaborative initiative on Reducing Emissions from Deforestation and forest Degradation (REDD+) in developing countries. The Programme was launched in 2008 and builds on the convening role and technical expertise of the Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP). The UN-REDD Programme supports nationally led REDD+ processes and promotes the informed and meaningful involvement of all stakeholders, including indigenous peoples and other forest-dependent communities, in national and international REDD+ implementation.

Acronyms and Abbreviations

BID	Inter-American Development Bank
BM	World Bank
CC	Climate Change
UNFCCC	United Nations Framework Convention on Climate Change
COP	Conference of the Parties
CPI	Climate Policy Initiative
DD	Drivers of Deforestation
EN REDD+	REDD+ National Strategies
FAO	Food and Agricultural Organization of the United Nations
FCPF	World Bank's Forest Carbon Partnership Facility
GCF	Green Climate Fund
FIP	Forest Investment Programme
NREFs /FRELs	Forest Reference Levels / Forest Reference Emission Levels
GEI	Greenhouse Gas Effect
GCP	Green Commodities Programme
INDCs	Intended Nationally Determined Contributions
IPCC	Intergovernmental Panel on Climate Change
LAC	Latin America and the Caribbean
MRV	Measurement, Reporting, and Verification
NAMAs	Nationally Appropriate Mitigation Actions
NDCs	Nationally Determined Contributions
NICFI	Norway's International Climate and Forest Initiative
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
ODA	Official Development Assistance
PSA	Payment for Environmental Services
RBPs	Results Based Payments
REDD+	Reducing Emissions from Deforestation and Forest Degradation in Developing Countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.
REM	REDD+ Early Movers
R-PP	REDD+ Readiness Preparation Proposal
SES	Social and environmental Standards
SESA	Strategic Environmental and Social Assessment
SIS	Safeguard Information System
SNMB	National System for the Monitoring of Forests
tCO ₂ eq	Equivalent to a metric ton of CO ₂
URE	Emission Reduction Unit
WF	Warsaw Framework for REDD+
WWF	World Wildlife Fund

Introduction

The South-South Exchange “**Engagement on different REDD+ Results-Based Payment-like Schemes in Latin America and the Caribbean**” took place in Panama City on March 29-30, 2016, organized by the UN-REDD Programme and coordinated by Mexico.

The event had the participation of 17 government representatives (11 women) from the Latin American countries involved in bilateral or multi-lateral REDD+ Results Based Payments (RBP)-like agreements including Brazil, Colombia, Costa Rica, Chile, Ecuador, Mexico, and Peru, with the aim of:

- Providing an independent space for countries to discuss and analyze options and implications of participating in different REDD+ Results Based Payments (RBP)-like schemes;
- Contributing to informed decision making on country’s engagement on different REDD+ RBPs schemes;
- Facilitating an assessment on similarities and differences among different financial sources;
- Increasing opportunities for coordination and effectiveness in countries, on REDD+ results based finance from different sources; and
- Offering a space for discussion and analysis so countries assess elements to develop inputs that could be provided to the Green Climate Fund (GCF), in the context of operationalizing REDD+ RBPs.

The exchange was organized in three blocks:

Block 1: Background and conceptual framework

Block 2: Exchange on country experiences of participating in different bilateral and multilateral RBP schemes

Block 3: Discussion on views of the elements that could be provided to the GCF, in the context of operationalizing REDD+ RBPs.

What follows is a summary of the discussions held by countries structured by block and main topics. It must be noted that the exchanges were made under Chatham House rules, thus views and positions are not attributed to any of the participating countries.

Block 1. Background and conceptual framework

The objective of this block was to set a common ground for countries to continue discussions in the following two blocks. Two presentations were delivered by the UN-REDD Programme: [Approaches for climate finance on the forestry sector](#); and [REDD+ Finance Status](#).

Main points presented during the discussion included: (1) the need to differentiate REDD+ RBPs from finance for investments, which could be associated with the readiness phase; (2) the need to assess better the costs and length of the REDD+ readiness processes, and (3) the need to differentiate the legal nature of emission reductions used in different REDD+ financing schemes vis-à-vis what has been agreed under the United Nations Framework Convention on Climate Change (UNFCCC).

Introductory presentations made by UNDP experts on the basics of RBPs and the state of REDD+ finance served as the basis for a discussion by government representatives on a series of aspects related to such payments, inter alia:

The role of Results Based Payments as incentives to achieve outcomes

One of the presentations showed that outside the forest sector, experiences with RBPs have demonstrated that what drives participants in such schemes to achieve the results is not always obtaining the payments per se, but, for instance, the effect of enhanced public awareness on the covered topics, switching government's attention to obtaining results instead of focusing on the associated activities, etc.

Workshop participants noted that in the case of REDD+ in their countries, the expectations created after years of negotiations under the UNFCCC and by pilot initiatives such as the FCPF's Carbon Fund, NICFI, and REDD+ Early Movers have focused on the potential amount of the payment or the "price" of the ton of carbon. Moreover, they pointed out that the amount of the payment should reflect the cost of achieving the outcomes (this issue is further addressed as part of Block 2 below).

Traditional ODA practices and the rationale of RBPs

Participants discussed to what extent traditional ODA practices are suitable for a type of logic as the one of REDD+ RBPs. Or, to what extent financing REDD+ RBPs with ODA resources might hindered the rationale of providing incentives. Some participants noted that if ODA practices are not adapted to harness the relative advantages of RBP schemes (e.g. avoiding activity reporting requirements, switching the control and responsibility for the achievement of results to the recipient country, etc.), then there is a risk of hindering the potential of such schemes and could result in unnecessary costs and bureaucracy.

Block 2: Country experiences of participating in bilateral/multilateral RBP schemes

The objective of this block was to share the experiences of countries so far with multilateral and bilateral RBPs initiatives with a view of i) identifying and analyzing current participation requirements by the different REDD+-RBP sources and how they were negotiated; ii) analyzing differences and similarities with the UNFCCC's Warsaw Framework for REDD+; iii) identifying the challenges of taking part in two or more of such initiatives; iv) finding potential solutions at country level for aligning the readiness process coherently; and v) proposing recommendations for the implementation of REDD+ RBP in the Green Climate Fund.

During this section of Block 2, workshop participants reflected on the design and negotiation processes leading to the RBP schemes they are currently taking part on, as well as on the resulting requirements. With regards to the negotiation processes, countries pointed out that such processes have been too lengthy, taking anything from two to four years without yet realizing payments in most of the cases.

It was noted that in some ways bilateral RBP agreements have proven to be faster to negotiate than multilateral ones, although their implementation has not been necessarily faster. This is the case particularly when the details on specific elements are not defined between countries as part of the negotiation of the main RBP agreement.

This was seen as compromising the pilot nature of these pioneer initiatives, considering that, even though they were conceived to inform the UNFCCC negotiation process, they have rarely started making actual payments for results, and in most cases had not made RBPs by the time the UNFCCC negotiations on REDD+ were still taking place. It has also meant pressure on governments from the potential recipients of benefits,

who have great expectations and have waited years (since 2008 and even before) to receive REDD+ payments that are still unclear.

Some participants signaled that the adoption of the Warsaw Framework for REDD+ (WF) by the UNFCCC Conference of the Parties (COP) has in some cases expedited the negotiation processes. It has also facilitated the agreement with donors on specific elements, although so far the WF hasn't been followed in its entirety in RBP agreements in the LAC region.

Requirements of RBP Agreements beyond the REDD+ Warsaw Framework

Participants also discussed the requirements associated to the specific elements of the RBP agreements (such as reference levels, safeguards, MRV, benefit sharing plans, registries, non-carbon benefits, etc.), as well as the size, nature and timing of payments and carbon rights. They identified a number of requirements inserted in RBP agreements that go beyond those contained in the Warsaw Framework, namely:

- The scope of the safeguards applicable to some RBP schemes goes beyond, and is more strict than those agreed under the UNFCCC;
- The uncertainty deductions established in some RBP schemes are not consistent with the WF;
- In some cases, international third-party verification of emission reductions, additional to the technical assessments under the UNFCCC, are required by donors/schemes;
- Rules on how to establish reference levels are usually not consistent with the WF, particularly regarding adjustments to reflect national circumstances. This has led countries to work with more than one reference level – one for UNFCCC purposes and a different one for RBP agreements under the initiatives discussed in the workshop;
- Some of the RBP schemes require registries not asked for by the WF in order to account for and cancel/retire the emission reductions for which payments are received in order to avoid double counting/double payment. It was underlined that under the WF carbon accounting does not exist, being the [Information Hub](#) (an information platform and not a carbon transactions registry) the only registry for REDD+ results in the UNFCCC context.
- Likewise, it was noted that in some cases, the initiatives require REDD+ countries to transfer the title to emission reductions to the RBP sources, therefore not allowing their use for complying with national NDCs. Although, others merely ask REDD+ countries not to receive more payments for the tons of emission reductions they have paid for and allow them to use such reductions to demonstrate compliance with their NDCs. Some countries noted the difficulty of determining the title of emission reductions and that sometimes national laws do not allow for this type of transactions. In general, participants pointed out that they hold the title to emission reductions, but that it is often difficult to attribute the rights to RBPs where landowners or landholders have rights to the environmental services associated to their forests. It was also pointed out that benefit distribution in their countries is being seen in a way in which it does not take the form of payments, but that it rather translates into support for the implementation of additional activities.
- In some cases, RBP sources require the establishment of complaints and conflict resolution mechanisms, which are not mandated by the WF;
- Some of the initiatives ask REDD+ countries to have in place a benefit distribution plan that needs to comply with specific conditions. Similarly, some agreements set conditions on how the payments can be used, restricting them, for instance, to specific regions, activities, or beneficiaries. Countries

noted that this is not required by the WF and that sometimes such conditions are not in line with their own plans and priorities on the allocation and use of the payments;

- Reporting under these RBP initiatives is burdensome and goes well beyond the reports required under the UNFCCC;
- There are a number of plans (e.g. reversal mitigation plans) inserted in RBP schemes that are not consistent with the WF;
- Discounts and other measures to address non-permanence and leakage are usually part of the agreements signed with RBP initiatives, while these do not exist under the Convention, where reversals and emissions displacement are part of the Cancun Safeguards.

Reflections on potential solutions

Unfortunately, time did not allow for an extensive discussion on potential solutions to the previous inconsistencies. However, in general REDD+ countries participating in the exchange considered that it would be important for existing and future RBP initiatives to fully align with the rules adopted under the UNFCCC.

In this context, it was also mentioned that REDD+ countries could work at the national level in developing frameworks that could allow for serving simultaneously purposes under the WF, as well as under other RBP schemes; although, it was also acknowledged that this could increase transaction costs significantly.

Moreover, countries recognized that the amounts per ton of emission reductions currently being offered by the RBP initiatives mostly reflect the donors' willingness to pay and have been influenced by the price of a ton of carbon dioxide equivalent (tCO₂e) in carbon markets. Some of them noted that such amounts are far from representing the cost of implementation of the mitigation measures they have put in place to reduce emissions from deforestation and forest degradation. They also pointed out that such amounts are even less competitive considering the current post-Paris scenario, where they have to face the mitigation costs associated to the national contributions they have adopted under the Paris Agreement.

On the other hand, it was acknowledged that the role of RBPs is to incentivize effective actions, and not to replace the ex-ante funding, either from ODA or national sources, needed to implement REDD+ activities. Some participants noted that under some of the initiatives, payments are made not only per tCO₂ mitigated, but also for specific implementation goals or policy milestones achieved, leading to the REDD+ results.

Block 3: Discussion on views of the elements that could be provided to the GCF, in the context of operationalizing REDD+ RBPs

The aim of this block was to identify relevant topics to be further analyzed in the context of operationalizing REDD+ RBPs under the Green Climate Fund (GCF).

Exchanges started based on a presentation delivered by the GCF Secretariat, which included an introduction to the issues that may be taken into account when operationalizing results-based payments for REDD+ under the Fund.

In this regard it was also announced that the Fund's Board has requested its Secretariat to prepare a document on that topic for its consideration. As part of the process to elaborate such document, it is anticipated that there will be informal consultations with stakeholders starting in April 2016, and that its final draft will be submitted to the Board by October of this year.

In reaction to the presentation of the GCF, participants stressed that the definition of rules for the operationalization of RBPs should be guided exclusively by the WF and current GCF operational guidelines (inter alia, the investment framework, the results management framework, the performance management framework and the mitigation logic model). Participants cautioned against establishing additional requirements that may duplicate, contradict or go beyond those set out in the WF.

Moreover, they noted that the current version of the initial logic model and performance management framework for REDD+ RBPs introduces the issue of double counting, which is not in line with COP decisions. Furthermore, they questioned the role of such document in the process for the elaboration of the rules for the operationalization RBPs under the GCF.

Priority topics to be considered for operationalizing REDD+ RBPs under the GCF

Participants agreed that the following seven topics are the most relevant to consider in the context of operationalizing RBPs under the GCF¹:

- 1) **Eligibility criteria:** There was a common understanding that publication on the REDD+ Information Hub of all the elements required by the WF should be enough to make countries eligible for RBPs for REDD+.
- 2) **Funding allocation²:** Participants discussed ideas around criteria for distribution of resources geographically, thematically (mitigation vs adaptation), among financing modalities (ex-ante, ex-post, grants vs loans), and procedurally (first come first served, inverse auction, etc.). It was acknowledged that the GCF already has criteria for the allocation of funds thematically, and noted that REDD+ activities may have a mix of mitigation and adaptation components. Consequently, the GCF could set aside a part of the funds allocated to mitigation for REDD+ RBPs. They also recognized that there are criteria to promote an equitable geographic distribution of resources (particularly with regards to least developed and most vulnerable countries), noting that it is not clear how they may be translated to REDD+ RBPs.

The idea of establishing regional quotas was brought up, but it was seen as potentially leading to prioritizing geographic distribution over project quality. Some proposed establishing a cap to limit the amount of RBPs that a single country could receive in a determined period, so as to ensure that countries with large emission reductions will not hoard RBPs. Such a cap could be either a fixed amount or a proportion of total resources available for RBPs taking into account the number of countries seeking to obtain such payments in a given period.

Some participants pointed out that, considering the nature of RBPs, they should only take the form of grants, and that loans should be limited to support ex-ante activities. However, there was also interest in exploring how RBPs could be used as ex-ante resources to fund the activities expected to achieve mitigation results.

¹ There were different views on the last two topics, which could be seen as a lack of consensus in the group as being the most relevant for operationalizing RBPs under the GCF

² The discussion included ideas around the general funding allocation at the GCF. In this context, ideas on how to distribute GCF resources between adaptation and mitigation, as well as geographical allocation, or finance for REDD+ ex ante – ex post results were discussed. On this last topic, the group agreed that the discussion on REDD+ RBPs is confined to ex post finance only.

- 3) **Value of the payment:** participants discussed different approaches for setting the size of the payment per unit of results (i.e. a tCO₂e mitigated). These ideas included: establishing something similar to a “price floor” in order to provide certainty to REDD+ countries; defining such amount as the average cost of mitigation per ton in all sectors; making variable payments taking into account the position of each country in the forest transition curve and/or the proportion of the country’s emissions with regards to the global emissions from the sector. The option of adopting the “standard” amount currently used in most RBP agreements (US\$ 5) was also considered. Some countries pointed out that the “floor payment” could also be increased to reflect the perceived value of e.g. non-carbon benefits.
- 4) **Operationalization package:** As to how to operationalize REDD+ RBPs in practice, participants proposed elaborating a detailed checklist containing all of the requirements set by the Warsaw Framework for each of the elements mandated by decision 1/CP.16. This checklist would allow the GCF to confirm compliance with them based on the documents posted on the Information Hub.
- 5) **Means of transferring payments to the country:** Participants remembered that decision 10/CP.19 asks REDD+ countries to designate a national entity to receive RBPs. They also noted that, following current rules under the GCF, this entity will in turn need to be accredited by the GCF, something that so far has proven to be complicated. Consequently, countries questioned the need for such accreditation in the case of RBPs, considering that they are not provided for the implementation of activities, but as a payment for accomplishing results.
- 6) **Reporting:** Participants generally saw that reporting on results beyond the Information Hub shouldn’t be required, but that the GCF could request information on the use of the RBPs to ensure consistency with its objectives. However, participants argued that this information should not be used to assess how the payments are applied, and no monitoring of activities funded with such payments should be required.
- 7) **Double finance:** Participants pointed out that there could be cases where the GCF could have provided ex-ante financing for the implementation of REDD+ activities. In those cases, such activities might generate emissions reductions for which countries could request RBPs to the Fund. Some of them saw this situation as negative, since it could imply an inequitable and inefficient use of GCF funds, while others signaled that the Warsaw Framework, in particular decision 1/CP.16, requests support to be provided for all phases of REDD+, and does not condition the reception of RBPs to not having received funding for the previous phases. This situation was differentiated from that of double payments (where a country obtains payments from several sources for a single result), which was generally seen as something the GCF should avoid to ensure the most efficient use of its resources. Some participants underlined that this is a different issue than double counting, which is used in the carbon market context but excluded from REDD+ decisions under the WF.

Finally, countries stressed their interest in taking part in the process launched by the GCF to define the operationalization of REDD+ RBPs, and asked the Funds Secretariat representative to inform them about the means that will be established to do so.