

# The Warsaw Framework for REDD+: Implications for National Implementation and Access to Results-based Finance

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*The Warsaw Framework for REDD+ (WFR) has established a robust and comprehensive framework for the effective and sustained implementation of REDD+ activities while aiming at environmental integrity and tangible results. A critical element of the WFR are the modalities for measuring, reporting and verifying (MRV) greenhouse gas emissions and removals as an essential tool for linking REDD+ activities to results-based finance. This article describes the WFR and indicates six of its implications for the implementation of REDD+ in developing countries in the context of access to results-based finance. These include (1) the accumulative nature of the requirements to obtain results-based finance, (2) a higher degree of normative bindingness and (3) systematic integration of UNFCCC COP decisions on REDD+. Furthermore, (4) the WFR enhanced transparency of MRV processes and (5) promotes centralization at the national level, by linking MRV processes to reporting obligations of developing countries under the UNFCCC and by providing the opportunity of creating a voluntary national entity or focal point for REDD+, increasing the (6) need for inter-sectoral and inter-agency coordination. While all six implications will be discussed, the article highlights in particular the aspects of centralization and increased transparency.*

## I. Introduction

The adoption of the Warsaw Framework for REDD+ (WFR)<sup>1</sup> in 2013 has to a large extent concluded negotiations on REDD+ under the United Nations Framework Convention on Climate Change (UNFCCC).

<sup>2</sup> The WFR established a structure that is flexible enough to accommodate a large variety of circumstances and capabilities of developing countries, while at the same time establishing a robust and clear framework fulfilling the criteria for a results-based approach for financing mitigation ac-

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1 The WFR consists of the following UNFCCC COP decisions: Decision 9/CP.19, Work Programme on Results-based Finance to Progress the Full Implementation of the Activities Referred to in Decision 1/CP.16, Paragraph 70; Decision 10/CP.19, Coordination of Support for the Implementation of Activities in Relation to Mitigation Actions in the Forest Sector by Developing Countries,

Including Institutional Arrangements; Decision 11/CP.19, Modalities for National Forest Monitoring Systems; Decision 12/CP.19, The Timing and the Frequency of Presentations of the Summary of Information on how all the Safeguards Referred to in Decision 1/CP.16, Appendix I, are being Addressed and Respected; Decision 13/CP.19, Guidelines and Procedures for the Technical Assessment of Submissions from Parties on Proposed Forest Reference Emission Levels and/or Forest Reference Levels; Decision 14/CP.19, Modalities for Measuring, Reporting and Verifying; Decision 15/CP.19, Addressing the Drivers of Deforestation and Forest Degradation, UN Doc. FCCC/CP/2013/10/Add.1, 31 January 2014.

2 The Subsidiary Body for Scientific and Technological Advice (SBSTA) completed its consideration of methodological guidance for REDD+ activities during its 42nd session in Bonn, 1-11 June 2015. SBSTA recommended three draft decisions for consideration and adoption by COP 21 in Paris, December 2015 (UN Doc. FCCC/SBSTA/2015/L.5; FCCC/SBSTA/2015/L.5/Add.1; FCCC/SBSTA/2015/L.5/Add.2 and FCCC/SBSTA/2015/L.5/Add.3). This marked the formal conclusion of UNFCCC negotiations on REDD+.

tions in the forest sector, including independent verification.

The concept of results-based finance links payments directly to verified results. It focuses on rewarding positive outcomes of recipients' actions, as opposed to traditional support modalities which can include the provision of an upfront grant or concessional financing. In those cases, the key aspect is that there is very little or no attempt for transfers to be contingent on the results provided by the recipient.

In the case of REDD+, results are defined as mitigation outcomes, i.e. greenhouse gas emission reductions and/or enhancements in forest cover and carbon stocks (sinks) measured against a benchmark (forest reference emission level and/or forest reference level) expressed in tonnes of carbon dioxide equivalents per year.

Together with previous decisions, the WFR sets, *inter alia*, the general criteria for developing countries to access results-based finance for their mitigation actions in the forest sector. Moreover, the WFR attributes to the Green Climate Fund a "key role" among the entities channeling results-based finance to REDD+ and requests it to consistently apply UNFCCC methodological guidance on REDD+, while encouraging financing entities not under the UNFCCC to do the same.

This article describes the WFR and indicates some of its implications, especially centralization and increased transparency, for the implementation of REDD+ in developing countries, in particular in the context of accessing results-based finance. Rather than a commentary of each decision, it outlines the WFR from the perspective of access to results-based payments and measuring, reporting and verification (MRV) processes for REDD+ actions. The WFR has increased transparency and coordination of these processes as well as centralized them at the national level in developing countries, by linking MRV processes to reporting obligations of Parties under the UNFCCC and by inviting Parties to establish a voluntary "national entity or focal point" for REDD+. Sub-national elements are only envisaged as interim solutions in close coordination with national authorities. This has significant implications for the implementation of REDD+.

The article is structured in the following way: After a discussion of the phased-approach to REDD+ and the placement of concept of results-based finance

in this context, the article will in detail describe the criteria which, according to the WFR, need to be in place in order to access results-based finance for REDD+ activities, with a particular focus on the MRV-system. Following this description, the role of the Green Climate Fund (GCF) is analyzed. Moreover, the analysis of the MRV-system will show how the WFR has centralized processes and procedures for obtaining results-based finance on the national (as opposed to sub-national or project-based) level. The article concludes by indicating some of the implications of the WFR for national REDD+ implementation and access to results-based payments.

## II. A Phased Approach to REDD+?

One of the most prominent features of REDD+ under the UNFCCC is that finance for REDD+, ultimately, will be based on achieved results in terms of greenhouse gas emission reductions measured against a benchmark (forest reference emission level and/or forest reference level) expressed in tonnes of carbon dioxide equivalents per year. It is, however, understood, that REDD+ is complex and implementation depends on Parties' national circumstances, capacities and level of support, according to which Parties will move at their own pace.

The conceptualization of REDD+ therefore foresees a gradual increase in Parties' actions and support towards the "collective aim to slow, halt and reverse forest cover and carbon loss".<sup>3</sup> Right from the beginning of discussions around REDD+, it was expected that Parties would need to first go through a process of national policy analysis and design, consultation, and consensus building, testing, and evaluation, before moving to full-scale implementation – leading to results-based finance. Whereas the elements listed in Decision 1/CP.16 paragraph 71 established a common set of requirements for developing countries undertaking REDD+ activities, the so-called "phased approach" would seek to retain flexibility while establishing national Government ownership of the process, as well as a commitment from key ac-

3 Decision 1/CP.16, The Cancun Agreements: Outcome of the Work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention, UN Doc. FCCC/CP/2010/7/Add.1, 15 March 2011, Preamble of Section C.

tors, as essential prerequisites for successful REDD+ planning and implementation.<sup>4</sup>

Accordingly, Decision 1/CP.16 paragraph 73 made explicit reference to this progression by stating that REDD+ activities “should be implemented in phases, beginning with the development of national strategies or action plans ... followed by the implementation of national policies and measures ... and results-based demonstration activities, and evolving into results-based actions that should be fully measured, reported and verified”.

Such a flexible approach was considered necessary to accommodate the differing capabilities of developing countries. Accordingly, Parties agreed that the implementation of REDD+ activities, including the choice of a starting phase, “depends on national circumstances, capacities and capabilities of each developing country Party, and the level of support received.”<sup>5</sup>

As a consequence, many developing countries have increased their capacity in forest-management related issues and strengthened their institutional capacity and coordination.<sup>6</sup> Fewer countries, however, have already implemented changes in their policy and legal frameworks that would eventually lead to a decrease in forest-related emissions. What could be perceived as lack of progress is not surprising, given the fact that the WFR was only adopted in 2013. Prior to its adoption, uncertainties remained as to the methodological and financial framework for REDD+ activities. For this reason, the WFR was hailed as a “signature” achievement<sup>7</sup> and an important assur-

ance to the REDD+ community, in particular developing countries.

Despite the suggestion in Decision 1/CP.16 that REDD+ should over time gradually evolve towards results-based finance, there is no specific requirement for developing countries on when or how to follow these steps. The phased approach may suggest that national strategies or action plans should be the first item on the process towards results-based finance, but this may not necessarily be the case, for instance, for countries who already have established policy and legal frameworks for the forest sector.<sup>8</sup> Ultimately, under the WFR, it is not gradual progression on the phased approach that grants access to results-based finance: according to Decision 9/CP.19, paragraph 3, *all* of the elements referred to in Decision 1/CP.16, paragraph 71, should be in place in order to access results-based payments.

Before exploring the elements required to obtain results-based finance in more detail, we would like to briefly turn to the concept of results-based finance.

### III. Results-Based Finance

Results-based approaches have for over a decade been of increasing interest in official development assistance, especially in the health and education sectors,<sup>9</sup> but also increasingly in the environmental sector.<sup>10</sup>

4 Arild Angelsen, Sandra Brown and Cyril Loisel, *Reducing Emissions from Deforestation and Forest Degradation (REDD): An Options Assessment Report* (Washington, DC: Meridian Institute, 2009), at 3.

5 Decision 1/CP.16, *supra* note 3, at para. 74.

6 For an overview, see for example, Voluntary REDD+ Database, available on the Internet at: <<http://www.fao.org/forestry/vrd/>> (last accessed on 7 April 2015); an overview over countries with national REDD+ programs relevant to the UN-REDD program at <[http://www.un-redd.org/Partner\\_Countries/tabid/102663/Default.aspx](http://www.un-redd.org/Partner_Countries/tabid/102663/Default.aspx)> (last accessed on 7 April 2015), or those that participate at the Forest Carbon Partnership Facility at <<http://www.forestcarbonpartnership.org/redd-countries>> (last accessed on 7 April 2015).

7 Matt McGrath, “‘Signature’ Achievement on Forests at UN Climate Talks”, BBC News, 22 November 2013, available on the Internet at: <<http://www.bbc.com/news/science-environment-25060843>> (last accessed on 7 April 2015).

8 The case of Brazil clearly illustrates this point. The policy and legal framework that led to a large portion of the decrease of emissions in the forest sector was already in place in 2005.

Brazil’s sub-national forest reference emission level for the Amazon biome was submitted and assessed in 2014, but the country has yet to publish its national REDD+ strategy at the time of submitting this article for publication (March 2015).

9 See, for example, Amanda Melina Gritter, *Results-Based Financing. Evidence from Performance-Based Financing in the Health Sector* (Bonn: German Development Institute, 2013); Javier Pereira and Carlos Villota, *Hitting the Target? Evaluating the Effectiveness of Results-Based Approaches to Aid* (Brussels: European Network on Debt and Development, 2012); Mark Pearson, Martin Johnson and Robin Ellison, *Review of Major Results Based Aid (RBA) and Results Based Financing (RBF) Schemes: Final Report* (London: DFID Human Development Resource Centre, 2010).

10 See, for example, Craig Hanson, Suzanne Ozment and Cornis Van der Lugt, *Nature in Performance Integrating: Ecosystem Services into Business Performance Systems* (Washington DC: World Resources Institute, 2012); Jeffrey Milder, Sara Scherr and Carina Bracer, “Trends and Future Potential of Payment for Ecosystem Services to Alleviate Rural Poverty in Developing Countries”, 15(2) *Ecology and Society* (2010).

In general, results-based finance is a financing approach where payments are made only after a quantified outcome has verifiably been achieved. Such an approach is usually characterised by the following criteria: (i) the disbursement of funds is contingent on the delivery of pre-determined results, (ii) the recipient country has discretion over how results are achieved, under mutually agreed parameters, and (iii) independent verification acts as the trigger for disbursement.<sup>11</sup>

The introduction and increasing use of results-based funding is an attempt in international efforts to make development assistance more effective.<sup>12</sup> In the past, assistance in general – and health funding in particular – has often failed to deliver the desired results. Proponents of results-based finance argue that, in comparison to traditional aid modalities, this mode might deliver results with more effectiveness and efficiency, transparency, less intrusiveness, lower transaction costs and increased “country-ownership” by recipient countries.

Nevertheless, the increasing theoretical and practical importance of results-based funding is also based on the expectation that these approaches allow donors (governments and financial entities) and implementing domestic governments to link funding more closely to measurable results than other financing modalities do. This has gained particular importance in a time of political pressure on budget allocations.<sup>13</sup>

Having said that, results-based approaches might also hold certain challenges. One such challenge is that progress may be slow or uneven. There are many reasons for this and they vary from country to country. The requirements for results-based finance are (and have to be) quite strict. This poses important challenges regarding the fact that effective results-based finance requires from the outset a certain level of capacity, from operational management and assessment to strategic planning to budgeting. Progress on implementation may therefore be slow and concentrated within those actors with the largest capabilities.<sup>14</sup>

Despite these challenges, the concept of results-based finance has gained traction within REDD+ as a means to make actions in the forest sector more effective and to increase recipient accountability as well as transparency. For these – and perhaps more – reasons, many countries view results-based payments as the principal mechanism that will provide “positive incentives” for effective REDD+ actions.

#### IV. Criteria for Obtaining Results-Based Finance for REDD+ Actions

Results-based finance for REDD+ links payments to greenhouse gas (GHG) emission reductions and enhancements in forest cover and forest carbon stocks. Results-based payments for mitigation actions in the forest sector in developing countries provide financial incentives and disburse resources against demonstrated and independently verified results that are largely within the control of the recipient developing country. In the context of REDD+, results-based finance could leverage private and public investment into activities that reduce GHG emissions and promote removals. The credibility and acceptance of results-based finance frameworks, however, depend on the rigor of the applied measurement methodologies, the conservativeness of the reference level, and the transparency of the payment scheme.

For results-based finance for REDD+ actions, there have to be at least four components in place: (i) a clear agreement on the definition of results, (ii) an understanding of what needs to be in place in order to trigger potential payments, (iii) a set of commonly agreed parameters to frame the discretion left to implementing developing country Parties, and (iv) a

11 See, for example, Nancy Birdsall and William D. Savedoff “Cash on Delivery: A New Approach to Foreign Aid” (Washington DC: Center for Global Development, 2010); Department for International Development, UK, “Strategy for Payment by Results: Sharpening Incentives to Perform”, 26 June 2014, available on the Internet at: <<http://www.gov.uk/government/publications/dfids-strategy-for-payment-by-results-sharpening-incentives-to-perform>> (last accessed on 6 April 2015), and the World Bank, “Program for Results Financing”, March 2015, available on the Internet at: <[http://siteresources.worldbank.org/PROJECTS/Resources/40940-1244163232994/6180403-1340125811295/PforR\\_Overview\\_update2015.pdf](http://siteresources.worldbank.org/PROJECTS/Resources/40940-1244163232994/6180403-1340125811295/PforR_Overview_update2015.pdf)> (last accessed on 6 April 2015).

12 Rita Perakis and William Savedoff, *Does Results-Based Aid Change Anything? Pecuniary Interests, Attention, Accountability and Discretion in Four Case Studies* (Washington DC: Center for Global Development, 2015).

13 Gritter, *Results-based Financing. Evidence from Performance-Based Financing in the Health Sector*, supra note 9. For a discussion on results-based approaches, see Pereira, *Hitting the Target? Evaluating the Effectiveness of Results-Based Approaches to Aid*, supra note 9.

14 See, for a discussion: John Mayne, “Challenges and Lessons in Implementing Results-Based Management”, 13 *Evaluation* (2007), 87-109. See also: Robert D. Behn, *Rethinking Democratic Accountability* (Washington, DC: Brookings Institute, 2000); Annette Binnendijk, *Results-Based Management in the Development Cooperation Agencies: A Review of Experience* (Paris: OECD, 2000).

well-designed measurement, reporting and verification system that can give reasonable confidence that results have been achieved.

With regards to the first point, UNFCCC Parties have agreed that – under the WFR and other related decisions – REDD+ results are defined as mitigation results: in the context of results-based payments for REDD+, the results are to be measured against an assessed forest reference emission level and/or forest reference level and to be expressed in tonnes of carbon dioxide equivalent per year.<sup>15</sup>

The second component – a clear understanding of what needs to be in place to trigger results-based payments – is something the WFR has clarified. Importantly, it requires that those REDD+ actions for which results-based payments are being sought need to be fully measured, reported and verified in accordance with Decisions 13/CP.19 and 14/CP.19.<sup>16</sup> UNFCCC Parties have recognized this as a prerequisite for obtaining and receiving results-based finance, necessary to give reasonable confidence that results have been achieved. The MRV process is a critical, complex and central element for obtaining and receiving results-based finance and is, therefore, being dealt with comprehensively in part V. below.

Furthermore, in order to obtain and receive results-based finance, developing countries should

have “in place” a compound of criteria, most notably those contained in Decision 1/CP.16 paragraph 71.<sup>17</sup> The criteria are the following:

## 1. National Strategy or Action Plan

Effectively undertaking REDD+ activities presupposes a national architecture or governance structure that facilitates comprehensive actions and delivers mitigation outcomes that are effective, efficient and equitable. The overall responsibility for REDD+ and its implementation lies with the national government whose task it is to develop a national REDD+ strategy or action plan.<sup>18</sup> Such a process entails coordinating and strengthening existing institutional and legal arrangements with respect to mitigation actions in the forest sector as well as identifying and initiating necessary policy reforms at national and subnational levels.<sup>19</sup> A national REDD+ strategy may, thus, also comprise of various sub-national elements.

It is worth noting here that a *national* strategy ought to cover the entire relevant territory of a developing country Party. While subnational approaches as interim measures are recognized for national forest reference emission levels and/or forest reference levels as well as national forest monitoring systems, no such sub-national or sub-jurisdictional option is provided for REDD+ strategy development under the UNFCCC.<sup>20</sup>

Further, developing country Parties are requested, when developing their national strategies or action plans, to address a catalogue of issues, *inter alia*, drivers of deforestation and forest degradation, land tenure issues, forest governance issues, gender considerations and the safeguards, ensuring full and effective participation of relevant stakeholders including indigenous peoples and local communities.<sup>21</sup>

Despite this list of elements, the concrete scope and approach to national REDD+ strategies or action plans is rather open and allows developing countries flexibility. National REDD+ strategies or action plans that are currently being developed in the context of national circumstances differ significantly from country to country.<sup>22</sup> They range from identifying REDD+ actions as a part in the overall climate change policy, embedding REDD+ into broader development strategies, to specific national strategies.<sup>23</sup> Also, countries may choose to include all REDD+ activities

15 Decision 12/CP.17, 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, UN Doc. FC-CC/CP/2011/9/Add.2, 15 March 2012, at paras. 7-15; Decision 14/CP.19, supra note 1, at para. 4; and Decision 13/CP.19, supra note 1.

16 Decision 9/CP.19, supra note 1, at para. 3.

17 Ibid.

18 Decision 1/CP.16, supra note 3, at para. 71 (a).

19 Angelsen, *Reducing Emissions from Deforestation and Forest Degradation (REDD): An Options Assessment Report*, supra note 4.

20 However, there seems to be a shared understanding that REDD+ activities may be implemented through subnational entities or shared competence between national and subnational governance entities. Countries may also prioritize certain geographical areas for action due to them being “hot spots” for deforestation activities or areas where actions will have a particular impact.

21 Decision 1/CP.16, supra note 3, at para. 72.

22 See, for example, Josefina Braña Varela, Donna Lee, Daniela Rey, Steven Swan, *REDD+ Safeguards: Practical Considerations for Developing a Summary of Information* (Washington DC: Meridian Institute 2014).

23 See, for example, *REDD+ National Strategy* (Jakarta: Indonesia REDD+ Taskforce 2012) available on the Internet at: <[http://www.unorcid.org/upload/doc\\_lib/Indonesia%20REDD+%20National%20Strategy.pdf](http://www.unorcid.org/upload/doc_lib/Indonesia%20REDD+%20National%20Strategy.pdf)> (last accessed on 6 April 2015).

listed in Decision 1/CP.16 paragraph 70 or single out one or some of them according to prevailing national circumstances.<sup>24</sup> Finally, countries can choose to embark on and implement emission reduction policies prior to finalizing a national REDD+ strategy. However, the WFR ultimately clarified that a *national* REDD+ strategy or action plan needs to be in place by the time a developing country Party wants to proceed to obtaining and receiving results-based finance.

## 2. National Forest Reference Emission Level and/or Forest Reference Level (RL)

Reference levels are a critical design element of REDD+, since there is a need for estimating benchmarks for assessing each developing country Party's performance in implementing REDD+ activities and measuring emission reductions due to REDD+ actions. Developing country Parties are therefore invited, on a voluntary basis and when deemed appropriate, to submit proposed forest reference emission levels and/or forest reference levels (RL), in accordance with Decision 1/CP.16, paragraph 71(b).<sup>25</sup> RL are to be expressed in tonnes of CO<sub>2</sub>eq per annum. In establishing RLs Parties should take into account historic data, potentially adjusted for national circumstances.<sup>26</sup> Such adjustment is particularly important for countries with high forest carbon stocks but low historic deforestation rates relative to global average.<sup>27</sup>

The modalities for forest emission levels and/or forest reference levels further require consistency with each country's national greenhouse gas inventory, and allow for a step-wise approach that enables Parties to improve their RL over time due to better data, improved methodologies and, where appropriate, additional pools.<sup>28</sup> It is further acknowledged that RL should periodically be updated taking into account new knowledge, new trends and modifications of scopes and methodologies.

The guidelines for submissions of information on reference levels are contained in the annex to Decision 12/CP.17 and include the principles of transparency, completeness, consistency, accuracy and comprehensiveness as well as being guided by the most recent IPCC guidelines and guidance. Consistent with the step-wise approach, Parties may com-

mence with elaborating subnational RLs as an interim measure. However, it is important to note that, in the context of results-based finance, the transition to a *national* RL remains the final goal and that the assessment of proposed RLs is a mandatory *requirement*, and the basis of the MRV process.<sup>29</sup> The assessment of the RL against the requirements described above is a crucial part of MRV process which is detailed in part V.

## 3. National Forest Monitoring System

Forest monitoring is a key issue in REDD+ policy and development. Because REDD+ is ultimately based on the premise of payments for mitigation results, it is critically important that measurements of emissions and removals are as accurate as possible, meaning they have low uncertainty.<sup>30</sup> Meeting these measurement and monitoring needs requires consistent and frequent images of forest landscapes, which can only be accomplished using a combination of remote

24 See, for example, Republic of Tanzania, *National REDD+ Strategy*, 2nd draft (2012).

25 Decision 12/CP.17, supra note 16, at para.13.

26 Decision 4/CP.15, Methodological Guidance for Activities relating to Reducing Emissions from Deforestation and Forest Degradation and the Role of Conservation, Sustainable Management of Forests and Enhancement of Forest Carbon Stocks in Developing Countries, UN Doc. FCCC/CP/2009/11/Add.1, 30 March 2010, at para. 7 and Decision 12/CP.17, supra note 16, at para.9.

27 So called High-forest–low-emissions (HFLE) countries would otherwise have little incentive to participate in a system based on RLs calculated from historical deforestation data alone because their emissions are small and thus have little room for reduction. If these countries do not participate, there is the risk of leakage from participating countries into these countries, which could threaten the environmental integrity of the whole system. National circumstances in this context could include the following: baseline above historic emissions, conservation activities, stage in forest transition, development plans. See Arild Angelsen, Doug Boucher, Sandra Brown et al., *Modalities for REDD+ Reference Levels: Technical and Procedural Issues* (Washington DC: Meridian Institute 2011).

28 Decision 12/CP.17, supra note 16, at paras. 7-15.

29 Decision 1/CP.16, supra note 3, at para. 71 (b), Decision 12/CP.17, supra note 16, at para. 11, and Decision 13/CP.19, supra note 1.

30 Arild Angelsen, Maria Brockhaus, William D. Sunderlin and Louis V. Verchot, *Analysing REDD+ - Challenges and Choices* (Bogor: CIFOR 2012); Martin Herold, Rosa Román-Cuesta, Danilo Mollicone, et al., "Options for Monitoring and Estimating Historical Carbon Emissions from Forest Degradation in the Context of REDD+", 6:13 *Carbon Balance and Management* (2011); Martin Herold and Margaret Skutsch, "Monitoring, Reporting and Verification for National REDD+ Programmes: Two Proposals", 6 *Environmental Research Letters* (2011).

sensing that has been calibrated and validated with measurements on the ground.<sup>31</sup>

Moreover, monitoring of natural forest cover and biodiversity can also, where appropriate, demonstrate how countries address and respect (some of) the safeguards of REDD+.<sup>32</sup>

Decision 4/CP.15 already requested developing country Parties to establish robust and transparent national forest monitoring systems and provided some guidance. The WFR reaffirms this guidance, including the use of a combination of remote sensing and ground-based forest carbon inventory approaches, and refers its technical aspects to the most recent applicable IPCC guidance and guidelines.<sup>33</sup>

The WFR sets further parameters for what constitutes a “robust”<sup>34</sup> monitoring system: data and information provided through such systems should be transparent, consistent over time, suitable for measurement, report and verification of REDD+ activities, as well as consistent with other methodological guidance developed under the UNFCCC for MRV of mitigation actions in general.<sup>35</sup>

The flexible, progressive nature of REDD+ under the UNFCCC is reinforced by the recognition that national forest monitoring systems should build upon existing systems (including, as an interim measure, subnational systems), be flexible, allow for improvement and reflect the phased approach, as appropriate.<sup>36</sup>

Although neither the WFR, nor previous decisions, explicitly determine any specific order for the development of the elements listed in Decision 1/CP.16, paragraph 71, there is a sequential logic in-

trinsic to the MRV process that requires forest monitoring systems to be in place *before* a country can develop a reference level and present results from their REDD+ actions. Results depend on estimating emissions and changes in forest area or forest carbon stocks over time. This estimation, in turn, can only occur with forest monitoring systems in place – thus making such systems the cornerstone of the MRV process.<sup>37</sup>

#### 4. Safeguard Information System

An important feature of the UNFCCC framework for REDD+ is the introduction of safeguards. REDD+ safeguards direct implementation and support of REDD+ activities beyond mitigation actions, aiming at avoiding negative impacts and at promoting selected rights and interests of stakeholders.<sup>38</sup>

Accordingly, Decision 1/CP.16 provides that REDD+ activities should promote and support a set of social and environmental safeguards.<sup>39</sup> In order to ensure transparency of the implementation of these safeguards, the same decision requests developing countries to develop a system for providing information (SIS) on how the all of the safeguards are being addressed and respected throughout the implementation of REDD+ activities in *all* phases.

Decision 12/CP.17 specifies that safeguard information systems must be implemented at the national level for all REDD+ activities regardless of the source or type of financing and through a country-driven approach. The decision further clarifies that

31 Scott J. Goetz, Matthew Hansen, Richard A. Houghton et al., *Measurement and Monitoring for REDD+: The Needs, Current Technological Capabilities, and Future Potential*, Working Paper 392, CGD Climate and Forest Paper Series 17 (Washington: Center for Global Development 2014).

32 Decision 11/CP.19, supra note 1, at para. 5.

33 Ibid. 2.

34 Decision 4/CP.15 at para. 1(d) already identified the provision of estimates that are transparent, consistent, as far as possible accurate, and that reduce uncertainties already as qualifiers for “robust” national forest monitoring systems (Decision 4/CP.15, supra note 27).

35 Decision 11/CP.19, supra note 1, at para. 3.

36 Ibid. at para. 4.

37 This point may be carried further. Forest monitoring systems are arguably the most important of the elements listed in Decision 1/CP.16, para. 71, because of their relationship with the develop-

ment and effectiveness of all other elements (Decision 1/CP.16, supra note 3). Besides their role in the MRV process, forest monitoring systems are to a large extent the source of the information required for the development and follow up of national strategies or action plans, as well as to feed safeguard information systems. See also Decision 11/CP.19, supra note 1, at para. 5, which acknowledges that forest monitoring systems may provide relevant information on how safeguards are being addressed and respected.

38 There is a large amount of literature on this aspect of REDD+. For an overview, see: Annalisa Savaresi, “The Legal Status and Role of Safeguards”, in: Christina Voigt (ed.), *Research Handbook on REDD+ and International Law* (Edward Elgar Publishing, forthcoming in 2016); also: Constance L. McDermotte, Lauren Coada, Ariella Helfgotta and Heike Schroeder, “Operationalizing Social Safeguards in REDD+: Actors, Interests and Ideas”, 21 *Environmental Science & Policy* (2012), 63 *et seq.*, at p. 72; Braña Varela, *REDD+ Safeguards: Practical Considerations for Developing a Summary of Information*, supra note 23.

39 Decision 1/CP.16, supra note 3, at Appendix I, para. 2 (a-g).

the safeguard information system should provide consistent, comprehensive and transparent information that is accessible by all stakeholders and is updated regularly, that should be flexible to allow improvements over time and should provide information on how all of the safeguards are being addressed and respected.

## 5. Most Recent Summary of Safeguard Information

Decision 12/CP.17 further agrees that developing country Parties should periodically provide a summary of information on how all the safeguards are being addressed and respected.<sup>40</sup> The information can come from the SIS or other information systems or sources but should be provided in a way that ensures transparency, consistency, comprehensiveness and effectiveness. The summary should contain information about which REDD+ activity or activities are covered and include information on national circumstances relevant to addressing and respecting the safeguards, a description of each safeguard in accordance with national circumstances, a description of existing systems (including, for example, the SIS) and processes relevant to addressing and respecting safeguards as well as information on how each safeguard has been addressed and respected. Developing countries are encouraged to add additional information how they seem fit and to step-wise improve the information.<sup>41</sup> The summary is to be provided by a national authority after the start of the implementation of REDD+ activities and included in the national communications from developing country Parties, as well as, on a voluntary basis, via the REDD+ Web Platform.<sup>42</sup>

The WFR further states that developing countries seeking to obtain and receive results-based payments for REDD+ activities should provide the *most recent* summary of information on how *all* of the safeguards have been addressed and respected before they can receive results-based payments.<sup>43</sup>

The rationale for the requirement of providing the *most recent* summary is to give donors the transparency and assurance that for the relevant period for which results-based payments are being provided, all safeguards have been addressed and respected. Donors may have to offer evidence to their constituencies that finance spent on REDD+ is for

achieved results that cause no environmental or social harm.

Following that line of thought, the argument can be made that “the most recent summary” should correspond to the period for which results-based payments are being sought - although the decision is not explicit on this matter. Following the guidelines for national communications from developing countries, the minimum frequency for providing a summary of information is every four years.<sup>44</sup> In practice, considering this long period might not be consistent with opportunities to access results-based finance, it is reasonable to expect a more frequent submission of summaries on safeguards – for instance every two years, along with results presented through the Biennial Update Reports.

## V. Measurement, Reporting and Verification at the Core of Results-based Finance for REDD+

As mentioned above, a well-designed measurement, reporting and verification system that can give reasonable confidence that results have been achieved is critical to any results-based approach. In this sense, UNFCCC Parties decided that REDD+ actions should be fully measured, reported and verified “in accordance with Decisions 13/CP.19 and 14/CP.19”.<sup>45</sup>

Decisions 13/CP.19 and 14/CP.19 refer, respectively, to the assessment of forest reference emission levels

40 Braña Varela, *REDD+ Safeguards: Practical Considerations for Developing a Summary of Information*, supra note 23. It should be noted that although the summary of information and the SIS are intrinsically linked, the summary can inform the UNFCCC on the status of addressing and respecting safeguards prior to the establishment and full operationalization of the SIS.

41 Draft Decision -/CP.21 Further Guidance on Ensuring Transparency, Consistency, Comprehensiveness and Effectiveness when Informing on how all the Safeguards Referred to in Decision 1/CP.16, Appendix 1, are being Addressed and Respected, as Recommended by SBSTA at its 42<sup>nd</sup> Session for Consideration and Adoption by COP21 (UN Doc. FCCC/SBSTA/2015/L.5/Add.1, 9 June 2015).

42 Decision 12/CP.17, supra note 16, paras. 3 and 4.

43 Decision 9/CP.19, supra note 1, para. 4.

44 Arts. 4 (1) and 12 of the United Nations Framework Convention on Climate Change, New York, 9 May 1992, in force 21 March 1994; Decision 17/CP.8, Guidelines for the Preparation of National Communications from Parties not included in Annex I to the Convention, UN Doc. FCCC/CP/2002/7/Add.2, 28 March 2003.

45 Decision 9/CP.19, supra note 1, at para. 3.



and/or forest reference levels and to the modalities for measuring, reporting and verifying REDD+ actions and their results. Since REDD+ results are to be measured in relation to their reference level, both decisions are closely interrelated; they establish, in practical terms, one periodical and continuous process, starting with the assessment of reference levels.

The assessment of reference levels and the following steps of the MRV process, including the insertion of information on results and respective payments in the Lima information hub form interlinked elements that aim at securing certainty and transparency for results-based REDD+ actions.

## 1. Measurement: Assessment of Reference Levels

While the process for the technical assessment of reference levels was already established in Durban in 2011 by Decision 12/CP.17 paragraph 15, it was not until the WFR was adopted that Parties set out detailed guidance for this process. According to Decision 13/CP.19, the technical assessment will be conducted, on a yearly basis, by LUCLUF, a team of land use, land-use change and forestry experts, selected from the roster of experts, under coordination of the UNFCCC Secretariat. Each reference level submission will be assessed by two experts, one from a developed country and one from a developing country – neither a national of the Party being assessed, nor funded by

that Party. These characteristics offer assurances of the independence of this aspect of the MRV process and effectively mark the beginning of its international component. It is a lengthy process though: it can take up to 9-10 months from the submission of a proposed reference level to the publication of the final report.<sup>46</sup>

Once again reflecting the need for REDD+ to be technically robust, while flexible enough to allow for broad participation, Decision 13/CP.19 establishes a process where the team of experts will assess the degree to which the information provided is in accordance with the guidelines internationally agreed in Decision 12/CP.17, in a “facilitative, non-intrusive” technical manner, with a view to support the progressive improvement of the reference levels.<sup>47</sup> It is worth noting nevertheless that the scope of the assessment goes into considerably more detail than Decision 12/CP.17, by including, *inter alia*, its consistency with national greenhouse gas inventories; the use of historical data; pools, gases and activities included; the definition of forest used; and whether assumptions on relevant policies and plans have been provided. For Parties seeking results-based payments, the technical assessment of the reference level has a particular weight, because the verification process is to a large extent based on the consistency between results and the assessed reference levels.

## 2. Reporting and Verification: Biennial Update Reports and International Consultation and Analysis

After the RL assessment procedure, REDD+ results are to be measured against the assessed reference level, in tonnes of carbon dioxide equivalent per year<sup>48</sup>, reported through a technical annex to the biennial update reports<sup>49</sup> (BUR) and verified through the International Consultation and Analysis (ICA) process agreed upon in Decision 2/CP.17.<sup>50</sup>

The BUR and the ICA process are part of enhanced MRV provisions for developing countries' mitigation actions under the UNFCCC, decided in the Cancun Agreements.<sup>51</sup> Under these, developing countries are to submit BURs, besides their regular national communications, “containing updates of national greenhouse gas inventories, including a national inventory report and information on mitigation actions, needs and support received”.<sup>52</sup>

46 See Annex of Decision 13/CP.19 for the Objective, Scope and Procedures of the Assessment (Decision 13/CP.19, *supra* note 1).

47 *Ibid.* See, for example, “Report of the Technical Assessment of the Proposed Forest Reference Emission Level of Brazil Submitted in 2014”, FCCC/TAR/2014/BRA (1 December 2014) <<http://unfccc.int/resource/docs/2014/tar/bra01.pdf>> (last accessed 15 May 2015).

48 Decision 14/CP.19, *supra* note 1, at para. 4.

49 *Ibid.*, at para. 6.

50 *Ibid.*, at paras. 10 and 11.

51 Decision 1/CP.16, *supra* note 3, at paras. 48-67. Decision 2/CP.17, Outcome of the Work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention, UN Doc. FCCC/CP/2011/9/Add.1, 15 March 2012, at paras. 32-62, annexes III and IV; and Decision 20/CP.19, Composition, Modalities and Procedures of the Team of Technical Experts under International Consultation and Analysis, UN Doc. FCCC/CP/2013/10/Add.2, 31 January 2014, set up the guidelines for preparing the biennial update reports, as well as the modalities and procedures for the International Consultation and Analysis process.

52 Decision 1/CP.16, *supra* note 3, at para. 60 (c).

In response to concerns by some donor countries that the ICA process<sup>53</sup> alone might not be stringent enough for the purpose of results-based payments (as opposed to traditional modalities of international support), the WFR effectively created additional layers for the MRV process of REDD+ results. Pursuant to Decision 14/CP.19, paragraphs 1, 3 and 6, REDD+ actions will be subject to the ICA process together with other mitigation actions by developing countries, regardless of the point along the “phased approach” when those actions are being carried out. Paragraphs 7-14 of the same decision, however, go further, requesting developing countries seeking to obtain and receive payments for results-based actions to supply in their BUR a technical annex on REDD+.

This technical annex will be subject to a specific analysis and a separate technical report by two LULUCF experts from the UNFCCC roster of experts (one from a developing and one from a developed country Party), to be included in the technical team responsible for the ICA upon request of the developing country concerned.<sup>54</sup> This additional layer of reporting and verification procedures offers further reassurances of the independence and technical quality of the MRV process with regard to REDD+ results, while at the same time keeping REDD+ consistent with the methodologies and guidance established for developing countries’ mitigation actions under the UNFCCC.

For Parties seeking results-based payments, the elements to be included in the technical annex to the BUR are listed in the annex to Decision 14/CP.19. They can be broadly described as summary information linking REDD+ results to their corresponding assessed reference level, along with information that demonstrates that the methodologies used to produce the results are consistent with the assessed reference level and that allow for the reconstruction of the results. The focus of the technical annex is clearly on the relationship between the results and the assessed reference level.<sup>55</sup>

The verification procedure for REDD+ results conducted by the LULUCF experts under the ICA looks, *inter alia*, at the extent to which the data and information provided are transparent, consistent, complete<sup>56</sup> and accurate – and, most importantly, at the demonstration of the consistency of the results with the assessed reference level.<sup>57</sup> It may be argued that, because of the close interrelation between the verification of results and the assessed reference level, De-

isions 13 and 14/CP.19 jointly create, effectively, a two-step international verification process, conducted by independent experts, under the auspices of the UNFCCC. This verification process may be described as a *continuous cycle* that follows the timelines of the ICA.

The final outcome of the MRV process is a technical report by the LULUCF experts, to be published by the UNFCCC secretariat, containing the respective country's technical annex on REDD+ results, the analysis conducted by the experts, as well as areas for technical improvement on data and methodologies and any comments or responses related to areas of further improvement or capacity-building needs.<sup>58</sup>

### 3. MRV and Transparency: Lima Information Hub

Once the MRV process is finalized, and all the documentation regarding REDD+ results and the requirements for obtaining results-based payments<sup>59</sup> are available, these will be published, along with related reports, in the “Lima Information Hub for REDD-plus” (Lima Info Hub).<sup>60</sup> The purpose of the Lima Info Hub is to increase transparency on results-based

53 ICA is the agreed international component of MRV of developing countries' mitigation actions more broadly, not just for REDD+. In general terms, it consists of two steps. The first is an “analysis [of the BUR] by technical experts in consultation with the Party concerned” in a manner that is “non-intrusive, non-punitive and respectful of national sovereignty”. The analysis under the ICA is to be conducted by a team from the UNFCCC roster of experts, resulting in a summary report, and this will be subject to the second step: a “facilitative sharing of views” conducted by the Subsidiary Body of Implementation, in the form of open workshops, including the opportunity for questions and answers to the developing country concerned. The first round of analysis will be conducted in 2015, for those countries that already submitted their BUR and will be repeated, accordingly, on a bi-annual basis. (see Decision 1/CP.16, *supra* note 3, at para. 63 and Decision 2/CP.17, *supra* note 15, at Annex IV, para. 3.)

54 Decision 14/CP.19, *supra* note 1, at paras. 7-10.

55 *Ibid.*, at Annex.

56 Complete means here the provision of information that allows for the reconstruction of the results.

57 Decision 14/CP.19, *supra* note 1, at para. 11.

58 *Ibid.*, at para. 14.

59 See the list in Decision 9/CP.19, para. 11 (a-e) (Decision 9/CP.19, *supra* note 1).

60 COP20 operationalized the information hub established by Decision 9/CP.19, at para. 9, and named it the “Lima Information Hub for REDD-plus” (Decision 9/CP.19, *supra* note 1). See “Report of the Conference of the Parties on its Twentieth Session, held in Lima from 1 to 14 December 2014”, UN Doc. FC-CC/CP/2014/10, 2 February 2015, at para. 50.

actions and on the corresponding payments, as well as on information related to the requirements to obtain and receive results-based finance. By linking mitigation results to their corresponding payments, it also serves as a tracking tool to avoid the possibility of double counting results and/or payments – assuming that developed country Parties and entities providing results-based finance will want their payments recognized under the UNFCCC and inserted in the Lima Info Hub.<sup>61</sup>

Unlike other online tools developed outside the UNFCCC<sup>62</sup>, the Lima Info Hub relates exclusively to results-based payments, not to readiness financing.<sup>63</sup>

The actual effect of the Lima Info Hub might not be restricted to being a repository for REDD+ activities. In practical terms, by publicizing the information on the criteria established in Decision 1/CP.16, paragraph 71, and the outcomes of the MRV process, the Lima Info Hub serves implicitly as international recognition that a developing country is in a position to obtain and receive results-based payments. The insertion of information, however, “does not create any

rights or obligations for any Party or other entity”, i.e. it does not automatically entitle developing countries to receive payments, nor pre-determines conditions or any arrangements to that end.<sup>64</sup> It should be underlined that the insertion of information on results-based payments in the Lima Info Hub is to be done “in consultation with the developing country Party concerned, taking into full account Decision 10/CP.19, paragraph 2”.

Being in a position to obtain and receive results-based payments, however, is not the same as being granted payments – there is still the matter of carrying out payment arrangements with a partner from the “wide variety of sources, public and private, bilateral and multilateral, including alternative sources”<sup>65</sup> channeling results-based finance to developing countries, most notably the Green Climate Fund.

## VI. Relationship between the WFR and Market Mechanisms

The WFR, including the MRV process previously described, apply to REDD+ activities irrespective of the source or approach for financing REDD+, be it public or private, market or non-market. The matter of market approaches to REDD+, however, remains unresolved and highly polarized.<sup>66</sup>

While Parties have considered that “appropriate market-based approaches could be developed by the COP”<sup>67</sup>, they also later agreed that “nothing under this decision and its implementation prejudices any future decision with regard to the eligibility or non-eligibility”<sup>68</sup> of REDD+ activities to market-based mechanisms currently under discussion under the UNFCCC. The COP has further agreed that “results-based actions that may be eligible to appropriate market based approaches that could be developed by the Conference of the Parties ... may be subject to any further specific modalities for verification consistent with any relevant decision of the Conference of the Parties.”<sup>69</sup>

The possible development of market approaches for supporting REDD+ actions is, therefore, not only contingent upon the conditions established in Decision 2/CP.17 paragraph 66<sup>70</sup>, but also upon resolving the matter of “eligibility or non-eligibility” of REDD+ activities to market-based mechanisms. This maintains the existing uncertainties to market-based approaches for REDD+.<sup>71</sup>

61 Decision 9/CP.19, supra note 1, at paras. 9-15.

62 Such as the Voluntary REDD+ Database available on the Internet at: <<http://www.fao.org/forestry/vrd/>> (last accessed on 7 April 2015).

63 Further details on the design of the information hub are available at “Report on the Expert Meeting on an Information Hub for Information on the Results of the Activities referred to in Decision 1/CP.16, paragraph 70, and Results-based Payments”, UN Doc. FCCC/SBI/2014/INF.13, 14 October 2014.

64 Decision 9/CP.19, supra note 1, at para. 16.

65 Ibid., at para. 1; and Decision 2/CP.17, supra note 15, at para. 65.

66 A number of countries are in favour of using market approaches, including offsetting, while, for example, Brazil, upon the adoption of the WFR, made an interpretative statement of Decision 9/CP.19, paras. 16–18, underlining that in order to ensure environmental integrity of REDD+, results-based payments are not to be used to offset mitigation commitments by Annex I Parties (Decision 9/CP.19, supra note 3). See “Report of the Conference of the Parties on its nineteenth Session, held in Warsaw from 11 to 23 November 2013”, UN Doc. FCCC/CP/2013/10/Corr.1, 20 June 2014.

67 Decision 1/CP.16, supra note 3, at para. 66.

68 Decision 9/CP.19, supra note 1, at para. 18.

69 Decision 14/CP.19, supra note 1, at para. 15.

70 The conditions are: ensuring that environmental integrity is preserved, that the provisions of Decision 1/CP.16, appendices I and II, are fully respected and should be consistent with the relevant provisions of existing and future decisions on these matters.

71 Market analysts have noted such uncertainty – see, for instance, Nicolas Kreibich, “Sending Mixed Signals to the Markets”, 4 *Carbon Mechanisms Review* (2013), available on the Internet at: <<http://www.jiko-bmub.de/files/basisinformationen/application/pdf/cmr-04-2013-english-web.pdf>> (last accessed on 7 April 2015).

It is worth noting further that “the information on results included on the information hub should be linked to the same results reflected on any other relevant future system that may be developed under the Convention”.<sup>72</sup> This language could be understood as making reference to, for example, the possible development of systems to avoid double counting of mitigation units from market mechanisms developed and/or recognised under the UNFCCC. It could imply that the possibility of trading REDD+ mitigation results would be accompanied by the deduction of tonnes of CO<sub>2</sub>e from developing countries’ national greenhouse gas accounting in the new agreement under the UNFCCC, currently being negotiated.

## VII. Access to Results-based Payments

### 1. Financing Sources within the UNFCCC

#### (a) “Key” Role of the Green Climate Fund

In order to effectively implement and scale-up REDD+ actions the availability of finance is critical. For results-based finance, Parties have agreed that the sources may cover a wide variety, public and private, bilateral and multilateral, including alternative sources. Such a broad array of differing financing sources and corresponding entities is deemed a necessary condition for garnering adequate and predictable results-based finance – while it admittedly raises challenges in relation to coordination of support.

Among those financing entities, the WFR allocates to the Green Climate Fund a key role in channelling results-based finance to developing countries in a fair and balanced manner.<sup>73</sup> The explicit attribution of such a role to the GCF seeks to offer some degree of assurance to developing countries on the scale, adequacy and predictability of results-based finance for REDD+.

The COP has explicitly requested the GCF to apply the UNFCCC methodological guidance when providing results-based finance.<sup>74</sup> Accordingly, the Fund’s Board has developed a specific logic model and performance measurement framework (PMF) for results-based payments for REDD+, following the WFR’s methodological guidance.

The initial logic model for REDD+ results-based payments and the PMF were both adopted at the

Board’s 8<sup>th</sup> meeting in October 2014<sup>75</sup> and are integral to the GCF’s mitigation logic model.<sup>76</sup> They show the way in which results-based payments for REDD+ contribute to the achievement of the GCF’s overall mitigation objectives directly at the level of paradigm shift, i.e. shift to low-emission sustainable development pathways, and impacts in the Fund’s overall mitigation logic model, providing the rationale for providing results-based payments.

When designing the initial logic model and the PMF, the Board has considered that “the body of REDD+ decisions define the requirements for recognizing developing countries’ results-based actions and enabling them to receive results-based payments.” The logic model defines its programme outcomes as the five REDD+ activities listed in decision 1/CP.16 paragraph 70, expressed in tCO<sub>2</sub>eq. Programme outcomes can only be on the scale of national and, as an interim measure, sub-national levels. The Fund will disburse results-based payments in accordance with the guidance in Decision 9/CP.19 which – as explained above - requires, *inter alia*,

- Results in tCO<sub>2</sub>eq that have undergone technical analysis as referred to in 14/CP.19;
- A Reference Emission Level/ Reference Level (REL/RL) that has undergone technical assessment as referred to in 13/CP.19;
- The most recent summary of information showing how all the safeguards referred to in Decision 1/CP.16 have been addressed and respected, consistent with Decisions 1/CP.16, 12/CP.17, 9/CP.19 and 12/CP.19;
- A national strategy or action plan as referred to in 1/CP.16;
- Information on the national forest monitoring system as referred to in 14/CP.19.

The source for the above information provided to the GCF will be the Lima Info Hub.

<sup>72</sup> Decision 9/CP.19, *supra* note 1, at para. 17.

<sup>73</sup> *Ibid.*, at para. 5.

<sup>74</sup> *Ibid.*, at para. 7.

<sup>75</sup> Green Climate Fund, Meeting of the Board, Initial Logic Model and Performance Measurement Framework for REDD+ Results-based Payments, GCF/B.08/08/Rev.01, 17 October 2014.

<sup>76</sup> Green Climate Fund, Meeting of the Board, *Initial Results Management Framework*, GCF/B.07/04, 07 May 2014. Results-based payments will partly contribute to the achievement of result 4.0 in the mitigation logic model, which includes also activities in the land use sector other than REDD+.

It is important reiterating, however, that the expressed results do not establish payment rights. The operationalization and actual disbursement of results-based payments for REDD+ is to be considered in the context of the GCF's overall investment framework and in line with the Funds allocation policy. At least during this initial phase of the Fund's operationalization, until the Board develops specific modalities for disbursing results-based payments for REDD+ and/or calls for funding proposals, developing countries (or entities they nominate to obtain and receive results-based payments on their behalf) must submit their results through the proposal approval process outlined in the Board's Decision B.07/03.

(b) GCF National Designated Authority and the REDD+ National Entity or National Focal Point

The GCF has recently opened accreditation procedures for implementing entities and intermediaries, as a first step for the GCF to start financing projects and programmes. All entities seeking accreditation are required, *inter alia*, to demonstrate that they meet Fiduciary Standards and Social and Environmental Safeguards, among other requirements. According to the Fund's agreed procedures, finance will flow from the Fund to implementing entities (IEs) and intermediaries – who will manage, oversee and intermediate resources to the executing entities (EEs). Funding proposals will be also be subject to a no-objection procedure by developing countries' national designated authorities (NDAs).<sup>77</sup>

It is important to point out the different, yet complementary, roles of the entities described above and the national entity or national focal point for REDD+ referred to in the WFR (henceforth "NE/NFP") – where they exist. The WFR invites interested Parties to designate a NE/NFP "to serve as liaison" on matters related to coordination of support.<sup>78</sup> The same Decision, in its paragraph 2, notes that the NE/NFP of developing countries, if designated, may nominate

entities to obtain and receive results-based payments on behalf of the developing country concerned, "consistent with any specific operational modalities of the financing entities providing them with support".

As referred in section V.3 above, the insertion of information on results-based payments in the Lima Info Hub is to be done in consultation with the developing country Party concerned, especially the NE/NFP where a developing country Party has chosen to designate it – undoubtedly information on payments to the entities the NE/NFP has nominated, since the insertion of information is to be done "taking into full account Decision 10/CP.19, paragraph 2".<sup>79</sup> Entities submitting proposals to the GCF for results-based payments, therefore, should preferably be among those nominated by the NE/NFP, with a view to ensuring proper recognition in the Lima Info Hub.

At the same time, the nomination by the NE/NFP, *per se*, is not enough to access results-based payments under the GCF – entities submitting proposals to the GCF must also fulfil its operational modalities, including accreditation and the no-objection procedures. It follows that there is need for coordination between developing countries' NDA and NE/NFP where they exist, in order to ensure effective proposal procedures for REDD+ results-based payments.

## 2. Financing Entities Outside the UNFCCC

As explained above, finance for REDD+ results can come from a variety of different sources and corresponding entities, including entities outside the UNFCCC, such as multilateral funds or public or private donors.

While the GCF and other financing entities under the UNFCCC are explicitly *requested* to apply UNFCCC methodological guidance on REDD+ when providing results-based finance for REDD+ actions, other entities outside the UNFCCC are only *encouraged* to do so, "in order to improve the effectiveness and coordination of results based finance".<sup>80</sup> The distinction between the request and encouragement is due to the fact that the COP has no normative powers with regard to entities that do not operate under its guidance and/or accountability.

The application by other entities financing REDD+ of the methodological guidance multilaterally agreed under the WFR and other relevant UNFCCC deci-

77 Green Climate Fund, Meeting of the Board, Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, including the Fund's fiduciary Principles and Standards and environmental and social Safeguards, GCF/B.07/02, 7 May 2014.

78 Decision 10/CP.19, *supra* note 1, at paras. 1, 4 and 5.

79 Decision 9/CP.19, *supra* note 1, at para. 13.

80 *Ibid.*, at paras. 6 and 7.

sions is nevertheless key for the effectiveness and coordination of REDD+ results-based finance. For developing countries, having a common set of rules and requirements allows for clarity and predictability in relation to what is expected of them to access results-based finance. For financing entities providing or aiming to provide results-based finance, the application of the WFR provides independent assurances that results have been achieved, without the (expensive) need to maintain structures for MRV and oversight of the development and implementation of REDD+ activities – which could, therefore, reduce transaction costs.

Financing entities outside the UNFCCC may, of course, choose not to apply the methodological guidance on REDD+ developed under the UNFCCC. In this case, however, there is a considerable risk of redundancies and duplications with regard to the requirements to obtain results-based finance. A multitude of different requirements and procedures for each financing entity, in turn, raises transaction costs for developing countries. It may also increase the chances of double counting of results and payments. The widespread application of the UNFCCC methodologies is thus an important factor in the coordination of support to REDD+ activities.

Without prejudice to specific rules and regulations of financial entities, the WFR provides a common platform for harmonizing results-based finance to developing countries. The adoption of multilaterally agreed guidelines under the UNFCCC offers a clear understanding on what constitutes mitigation results, what is required to achieve them and how to measure, report and verify them. Confidence on this understanding also sets the basis to enable other entities to participate in the effort to scale-up results-based finance for forests. So far, sources of REDD+ financing have been concentrated in multilateral funds or large bilateral donors. WFR can be seen as a common platform with potential for harmonizing guidelines, while recognizing that different financial entities and donors may also have specific requirements in order to fulfil their rules and regulations.

By creating a common set of rules and reducing transaction costs, in particular for MRV, the WFR offers the possibility for a whole new set of smaller actors, including the private sector, to provide results-based finance on a broader scale, with immediate recognition on the international level. The potential for private sector participation will depend largely

on arrangements between the private actors and national authorities responsible for REDD+, but it is worth noting that the WFR provides a uniform and independent standard that is analogous to *public* verification and registration. The key point here is the fact that REDD+ results under the WFR have the international recognition that a certain level of environmental integrity and the safeguards have been met. Governmental and international recognition further allow for innovative uses to leverage private finance to REDD+, as part of payment for ecosystem services or tax rebates, for instance.

### **VIII. Summary and Conclusions: Implications of the WFR for National REDD+ Implementation and Access to Results-based Payments**

After many years of negotiation, the WFR has finalized a robust framework for effective and sustained implementation of REDD+ activities, aiming at environmental integrity and tangible results, while allowing flexibility to accommodate the diversity of REDD+ countries. The finalization of the requirements of the MRV process is a critical element. REDD+ under the UNFCCC is the outcome of a delicate balance between stringency of requirements to obtain financial support, flexibility to allow broad participation, while at the same time keeping consistency with other obligations under the UNFCCC and with other relevant international agreements.

The WFR has achieved this balanced outcome by establishing the components for effective results-based finance identified above: (i) a clear agreement on the definition of results, (ii) an understanding of what needs to be in place in order to trigger potential payments, (iii) a significant degree of discretion left to implementing developing country Parties, based on commonly agreed parameters, and (iv) a well-designed measurement, reporting and verification system that can give reasonable confidence that results have been achieved. The WFR, therefore, offers a common set of rules for the implementation of REDD+ results-based actions and the requirements to obtain and receive results-based payments.

The WFR clearly recalls and builds on earlier decisions on REDD+. However, in the context of results-based finance it has added further layers of trans-

parency and clarity. These have six distinct implications.

First, the WFR stresses the *accumulative* nature of the elements contained in paragraph 71 of Decision 1/CP.16 and of the provision of the most recent summary of information on how all of the safeguards have been addressed and respected by stating that all these elements need to be in place by the time results-based payments are being sought.

Second, the WFR infuses a *stronger degree of normative bindingness* to the pre-existing elements of REDD+. As a consequence of the WFR, results-based finance has been made *contingent upon the implementation* (“in place”) of all elements as well as upon increased transparency, including on safeguards. It is difficult to perceive financing entities allocating results-based payments to country Parties that provide selective, inconclusive or inconsistent information on their REDD+ activities – or negative information on how they address and respect all of the safeguards. Ultimately, this provides a powerful incentive towards implementation.

Third, the WFR has had a consolidating and *streamlining effect* by providing a framework that not only builds upon, but allocates a more *systematically integrated* place and role to the pre-existing UNFCCC COP decisions on REDD+. Furthermore, by encouraging entities outside the UNFCCC which finance REDD+ activities to apply methodological guidance consistent with all pre-existing decisions on REDD+, the WFR aims at streamlining and harmonizing policy development and practice and to avoid possible tensions, fragmentation, inconsistencies and incompatibilities.

Fourth, in the context of results-based finance, the WFR embraced a *centralized, national level approach*. Although the approach based on national scale of REDD+ activities (as opposed to the project level scale) is not something particularly new,<sup>81</sup> the WFR has taken this a step further – by centralizing at the national level the procedures to fulfill the re-

quirements of results-based finance, as well as the receipt of support from financing entities under the UNFCCC.<sup>82</sup>

Such a centralized approach is critical to avoiding double counting of REDD+ results as well as promoting better coordination of implementation and support. While developing countries have flexibility to implement REDD+ actions *per se* at the scale and levels that best suit their national circumstances, *access* to results-based finance is contingent upon procedures under the authority, or at least coordination, of national agencies. Such centralization has occurred mainly through two ways: (i) by linking the MRV process to national reporting obligations under the UNFCCC and (ii) by creating the possibility of setting up a national entity or national focal point for REDD+ with the prerogative to nominate other entities to obtain and receive the corresponding payments on their behalf.

Regarding (i), as we have seen in section V., the entire MRV process for REDD+ is coupled with international procedures applicable to developing country Parties under the UNFCCC – namely, the assessment of reference levels, the provision of the summary of information on safeguards through national communications, the reporting of results through the BUR and their verification through the ICA process. Hence, only national governments (i.e. the UNFCCC Parties) are accountable under the MRV process. Under the UNFCCC, even in cases where subnational agencies or institutions are effectively those implementing REDD+ activities, *it is the national government that ultimately assumes accountability for REDD+ results* to the international community.

Centralization, therefore, imposes important caveats to subnational jurisdictional approaches, which recently have been object of increased interest in the literature on REDD+. Subnational actors simply cannot implement the internationally agreed MRV process independently from national governments. Thus, they may not achieve recognition under the UNFCCC of their results-based actions without close coordination with, and recognition by, national authorities.

Concerning (ii), the WFR enhances developing countries’ prerogative to determine who is authorized to obtain and receive results-based payments on their behalf, although, as we have seen in section V.4., this does not necessarily mean that results-based

81 As previously mentioned, Decision 1/CP.16 at para. 70 refers to *national strategies or action plans, national reference levels* (allowing subnational reference levels only as an interim measure) and *national forest monitoring systems* (Decision 1/CP.16, supra note 3). Except for early demonstration activities, none of the provisions for REDD+, in any UNFCCC decision, apply to the project level scale.

82 And other financing entities if they choose to apply UNFCCC REDD+ methodology.

finance has to flow through the national government. However, a competent national authority – be it the national entity or national focal point or not – controls the recognition of the linkage between results-based actions and their corresponding payments if payments are to be inserted in the Lima Info Hub. In the case of the GCF, it is unlikely that results-based payments would be provided to entities not recognized by the competent national authority, particularly considering the accreditation requirements and the no-objection procedure required by the Fund.

Fifth, the level and robustness of *transparency and accountability* promoted by the WFR in general is without precedent and could be an example for other performance-based approaches. Centralization may, in fact, lead to further increased transparency and accountability beyond points (i) and (ii) raised above, as it implies that there is a responsible national agency for REDD+ actions and results. Accountability is further strengthened by the need to align the implementation and results of REDD+ activities to other obligations under the UNFCCC, such as national communications, inventories, the BUR and ICA process.

At the international level, increased transparency and accountability under a common set of rules creates a system that, for the purposes of results-based finance, provides incentives for aiming at higher standards. It is to be expected that results-based finance will be directed to those Parties who can demonstrate robust results and transparent information, including on safeguards, leading other actors to follow suit and improve over time.

Sixth, the WFR also has governance implications in terms of inter-sectoral and inter-agency *coordination*. At the domestic level, national authorities' accountability for REDD+ results requires increasing the level of national inter-agency coordination, including those responsible for other obligations under the UNFCCC and the multiple stakeholders involved in implementing REDD+ activities at all levels.

To illustrate this point, the MRV process, in itself, requires coordination among different institutions involved in forest monitoring systems, national greenhouse gases inventories and national communications to the UNFCCC, taking into account that the timing and frequency of the MRV process is dependent upon timelines and processes conducted by the UNFCCC Secretariat and the Subsidiary Body of

Implementation. Therefore, while the implementation of most of the elements referred to in Decision 1/CP.16, paragraph 71 depends solely on national circumstances, capabilities and support received, undergoing the MRV process requires careful planning and coordination. Because the assessment of the reference level may take up to 9-10 months and the ICA process occurs on a biennial basis, missing a window of opportunity may lead to delaying access to results-based finance.

Likewise, with regard to obtaining and receiving results-based payments, the designation of entities to obtain and receive such finance will likely demand great coordination efforts between the national and, where necessary, sub-national agencies involved as well as financial entities, with a view to ensure that results-based finance benefits those actors that are responsible for implementing and strengthening REDD+ actions, in a fair and balanced manner.

With regard to coordinating developing countries' approaches to gradually move towards results-based finance, it is worth noting the need for a holistic readiness support, covering all elements that need to be *in place* in order for developing country Parties to access results-based finance. Financing each element in isolation, without consideration for their coherence, may fail to deliver results-based actions that are “fully measured, reported and verified, in accordance with Decisions 13/CP.19 and 14/CP.19” – and thus hinders access to results-based finance.

One final observation relates to the general concept of results-based finance described above as applied in the context of REDD+. While, conceptually, results-based finance is largely described as a financing approach where the recipient country has total discretion over how results are achieved, within REDD+ we see a *practical application* of the results-based approach to climate change finance on a multilateral level, where the recipient country still retains a large degree of discretion and flexibility, but it becomes apparent that the WFR sets up significant parameters to such exercise of discretion – and these are most pronounced in the requirements that need to be in place in order to access results-based finance, the different types of guidance to be applied, as well as the MRV process.

With all that having been said, it remains important to stress that the progression to results-based payments first and foremost requires the effective and sustained *implementation* of REDD+ activities.



After all, the MRV process is *merely a tool* for linking concrete reductions of greenhouse gas emissions to results-based payment structures. The main goal of REDD+ is to enhance action and support to slow, halt and reverse forest cover and carbon loss in developing countries, as part of the global effort against

climate change. The full implementation of the WFR, through enhanced transparency, robust methodologies, clear requirements for linking verified REDD+ activities to results-based finance, coordination and centralization under national accountability is an important lever for bringing us closer to this goal.