

## Standing Committee on Finance

### **COP draft guidance for the operating entities of the financial mechanism of the Convention for enhance action on non-market-based approaches related to reducing emissions from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**

#### **Forests and Joint Mitigation and Adaptation (JMA)**

##### **Submission by the Plurinational State of Bolivia**

**August 30, 2013**

The Government of the Plurinational State of Bolivia presents its views on the provision of draft guidance to the operating entities of the financial mechanism, as per decision 2/CP.17, paragraph 121(c), and for recommendation to COP19.

This submission refers to guidance for financing non-market based approaches as referred to in paragraph 67 of decision 2/CP17 that decided the following: *“67. Notes that non-market-based approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests as a non-market alternative that supports and strengthens governance, the application of safeguards as referred to in decision 1/CP.16, appendix I, paragraph 2(c–e), and the multiple functions of forests, could be developed”*;

Also, the decision FCCC/SBSTA/2013/L.12 of June 2013 that establishes in the paragraph 14 the following: *“14. The SBSTA noted that non-market-based approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests, as referred to in decision 2/CP.17, paragraph 67, are important to support the implementation of the activities referred to in decision 1/CP.16, paragraph 70”*.

Therefore, in order to enable and support results-based payments and finance for deforestation and forest degradation and sustainable management of forests in a context of non-market-based approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests, the Green Climate Fund (GCF) must allocate new, adequate and additional public financial resources for those approaches.

Joint Mitigation and Adaptation approaches (JMA) are based on sustained public financing according to the performance of results-based actions during a long period of time, taking into account joint mitigation and adaptation indicators, considering a composite of ex ante finance (variable tranches) and ex post finance (fixed tranches). These indicators are related to the achievement of multiple benefits of forests (including carbon, non-carbon benefits, and forestry governance) as follows:

- **Variable tranches** are established as a progressive sequence of ex ante finance, or disbursements throughout an agreed period of time, in order to give countries the necessary means and conditions to achieve a bundle of indicators with respect to

mitigation and/or adaptation. With the exception of the first disbursement, which is a compulsory compensation to the countries, later disbursements are undertaken in accordance with the performance of indicators as achieved in the previous period.

- **Fixed tranches** are established in order to disburse progressively fixed amount of finance through ex-post finance under the scheme of “all or nothing” during an agreed period of time. If all related outcomes established in the fixed tranches are achieved the finance can be disbursed, otherwise is not disbursed at all.

The Plurinational State of Bolivia proposes two modalities of financing considering both variable tranches and fixed tranches, as explained below.

**First modality: one single tranche for financing mitigation and adaptation plus an additional tranche for financing the strengthening of forestry governance**

This first modality of financing implies articulating the achievement of joint mitigation and adaptation indicators in one tranche of financing (variable tranches), and creating an additional tranche of finance for forestry governance (fixed tranches), which creates the necessary conditions to effectively achieve the former. The proposed scheme for this modality is the following:

- *Variable tranches* are related to a bundle of joint mitigation and adaptation indicators achieved by a given country, such as the following: reduction of unplanned and illegal deforestation; strengthening the livelihoods of local peoples; development of sustainable productive systems, management of environmental functions (reduction of CO<sub>2</sub>, water provision, among others).
- *Fixed tranches* are related to the establishment at the country level of conditions of forestry governance for climate change, such as forestry decentralization and clear tenure property rights.

For example, a non-market commitment for financing mitigation and adaptation in the first modality, encompassing a hypothetical total amount of financing of 2.000 MM dollars in a 20 years period for a given developing world country, could be the following:

- Fixed tranches: A total of 400 MM is disbursed if conditions of general governance are achieved in years 3 and 8.
- Variable tranches: A total of 1.600 MM is disbursed through ex ante financing at the beginning of year 1, 6, 11 and 16.

**Second modality: two parallel tranches for financing mitigation and adaptation as interlinked outcomes**

This second modality of financing implies separating in two independent but articulated tranches of financing the outcomes of adaptation or non-carbon benefits, to be located in one tranche (variable tranches), from those of mitigation or reduction of carbon emissions, to be located in other tranche (fixed tranches). The proposed scheme for this modality is the following:

- *Variable tranches* are related to key non-carbon benefits indicators to be achieved by a given developing country, such as the strengthening the livelihoods of local peoples; development of sustainable productive systems, and management of some environmental functions (water provision, among others).
- *Fixed tranches* are related to mitigation results (reduction of carbon emissions) that have been measured, reported and verified by a given country, following the modalities and procedures agreed at COP19.

For example, a non-market commitment for financing mitigation and adaptation in the second modality, encompassing a hypothetical total amount of financing of 2.000 MM dollars in a 20 years period for a given developing world country, could be the following:

- *Fixed tranches*: A total of 1.000 MM is disbursed if mitigation efforts are achieved in years 1, 6, 11 and 16.
- *Variable tranches*: A total of 1.000 MM is disbursed in years 1, 6, 11 and 16 if mitigation outcomes are achieved.