

**Ways and means to transfer payments for results-based
actions and ways to improve coordination of results-based finance
2nd Workshop of the COP Workprogramme
on REDD+ results based finance
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Presentation by Brazil**

Thank you.

Last time we met here in Bonn, during the first workshop, we raised some questions from the floor that we would like to address in this presentation – namely, “what happens after results have been fully MRV-ed” “Who pays for these results?” and “How?”. By answering these questions, we will also address the questions posed by the co-chairs.

Before I do so, I would like to note that this presentation and our submission to the COP workprogramme should be considered along with our submission and presentation to the Joint SBI/SBSTA process on coordination of support, as both negotiation tracks have several overlapping points – we have requested the Secretariat to make them available at the workshop website as well. I would also like to thank all the feedback we have received in SBSTA38 to our proposal and the other presentations made in June – we have tried to build upon these when preparing this presentation.

THE CURRENT STATUS

Let us first have a look on the current status of REDD+ under the Convention. On one side, we have agreement on several tasks that developing countries ought to do to access results based payments, such as:

- develop the elements in paragraph 71 of Decision 1/CP.16: national strategies; safeguard information systems; national forest monitoring systems; reference emission levels and/or reference levels;
- RL/REs will be assessed according to modalities and procedures that we will finish at COP/19
- Results will be reported and measured against these assessed RL/REs and verified through modalities and procedures that we will also finish at COP-19.

Although we made excellent progress on these issues in SBSTA38, there is still a major gap to fill in Warsaw. Namely, the other side of the equation, the ways and means to receive results based payments. So far, we have only agreed that resources will come from “various sources” and that the GCF will have some role in this. Frankly, that is not enough.

We must come full circle and agree, in Warsaw, on an architecture for results based payments, otherwise REDD will not work. What makes REDD special and distinct from traditional forms of support and cooperation arrangements is its ex-post, results-based nature. Without a meaningful decision on this

matter in Warsaw, REDD+ will be nothing but a missed opportunity.

That is not to say that REDD is only about phase three. However, we must accept that the existence of phases one and two, of “readiness”, only makes sense if we can design phase 3, under the UNFCCC. The current collection of interim arrangements and patchwork of ad hoc payments simply cannot deliver the positive incentives required to implement REDD+ in developing countries. This workprogramme, therefore, has the most important task regarding REDD+.

THE ARCHITECTURE

We envision an architecture for results-based payments for REDD-plus activities that is simple and effective; that provides adequate and predictable support to developing countries; that has clear and distinctive roles for the international and national levels; and, above all, that ensures environmental integrity.

In our view, such an architecture has three basic elements:

- 1) The Green Climate Fund as the main multilateral financial institution;
- 2) The designation by each developing country of a national REDD+ coordination entity;
- 3) An online repository of REDD+ results, to maintain information on developing countries results and track results-based payments.

Lets take a look in each of them.

THE GREEN CLIMATE FUND

It is expected that the Green Climate Fund ought to have a central role in the architecture for results-based payments for REDD-plus activities under the Convention. A central role does not mean a centralized role, we do not see ALL REDD+ resources flowing through the GCF necessarily. There will be other international actors, multilaterally or bilaterally, providing results based payments and financing readiness.

But the GCF must assume a main role in the architecture we are designing here, not only to live up to its mission to be the main global fund for climate change finance. The GCF must assume a main role in the architecture we are designing here mainly to offer developing countries assurances that a substantial part of their REDD+ results will be paid. Without confidence that there will be adequate and predictable resources for results-based payments, developing countries will lack the positive incentives necessary to fully engage in REDD+.

In our presentation during the Joint Process workshop in June, we have addressed how the GCF can enable and support enhanced action on REDD+, through ex ante financing for readiness and ex post payments of grants.

The GCF must also assume an important role regarding ex ante financing to

enable all developing countries to receive ex post payments. We went into some detail on this in June – since we are basically addressing the same crowd here, I do not want to extend myself too much on this point.

Many countries are already implementing results based approaches domestically, but they need to be scaled up. Some of them also lack a way to channel international resources. The GCF can do this through ex post payments of grants. Ex post payment of grants would be made on a regular basis (every BUR cycle) and distributed to applicant developing countries on equitable terms. By equitable terms we mean that all countries should have a fair share of the available resources. The GCF could ensure that by distributing the resources available at a particular year according to countries' participation in the totality of results over a period of time, between certain thresholds. To sum up, ex post payment of grants for results is what one can call a non market based approach.

With this, we settle the question “who signs the check?”: mainly the GCF, but also other bilateral or multilateral arrangements. We come then to another important question: “who gets the check?”. This is where the second element in the architecture comes in, the designation by developing countries of a national REDD+ coordination entity.

NATIONAL REDD+ COORDINATION ENTITIES

National REDD+ coordination entities would have two main responsibilities. Firstly, at the international level, such entities would be the ones responsible to establish and sign agreements to obtain and receive payments for results with multilateral institutions or with developed countries. They would be the ones applying for grants under the GCF.

REDD+ results have a national scale (subnational on a interim basis). National REDD+ coordination entities respond for them on the international level. Incidentally, this also addresses another point of the workprogramme – coordination of support.

On the national level, however, we must recognize that results are not exclusively the work of the national government. This is the second main responsibility of national REDD+ coordination entities. To recognize and reward subnational actors and local communities for their contribution to REDD+, national entities would be entitled to ascribe results to them when inserting it in the repository. When ascribing results to other actors, national REDD+ coordination entities may choose also to authorize them to obtain and receive payments for results directly.

The criteria for ascribing results to subnational actors shall be defined domestically according to each countries priorities and circumstances. Ascribing results would make benefit sharing arrangements transparent, while ensuring that they remain exclusively a national prerogative. By taking into consideration non-carbon benefits when ascribing results, developing countries would also be incentivizing them, as appropriate.

THE REPOSITORY

In order to make all of this work together we will need a matchmaking tool – the third element. Such a tool would be a very simple online repository on the UNFCCC website. This repository would contain the following information:

- identification of the results according to country of origin, year, activity(ies), corresponding reference emission level or reference level, expressed in tonnes of CO₂ eq.;
- whether the results have been fully measured, reported and verified according to the modalities and procedures agreed in decision --/CP.19;
- whether the result is seeking payment (“active”); has been paid (“inactive”) and, in that case, by whom; or has been cancelled;
- to whom a particular result has been ascribed to, if that is the case;

Results inserted in the repository shall be non-transferable. Ascribing or paying for results do not generate rights of any sort. The repository offers transparent information on REDD+ results that will serve as basis for payments. That is, the GCF and other multilateral financial institutions would use the information provided in the repository to inform their financial decisions. Additionally, the repository offers assurances to developed countries that the same results are not being paid twice.

At a later stage, once the COP has finished the consideration of the Framework for Various Approaches and the New Market Mechanisms, the SBSTA could examine the requirements and methodological implications of the use of the information in the repository for appropriate market based approaches.

It is never enough to remind colleagues that these appropriate market-based approaches exclude the use of offset mechanisms. In order for REDD+ to be an effective instrument in the efforts to hold the increase in global average temperature below 2 °C above pre-industrial levels, REDD+ results may not serve as basis to concede emission allowances to Annex I countries.

OVERVIEW

So, to conclude, let us have an overview of the blueprint.

REDD+ countries will develop the elements of para 71 of Cancún. Their RL/REL will go through an assessment, following the modalities and procedures agreed in Warsaw. With this, they can present their results, which will follow the modalities and procedures for MRV also to be agreed in Warsaw – the technical annex and ICA.

After this, national REDD+ coordination entities may insert their results in the repository, as “active results”, and ascribed them to subnational entities or other

actors, as deemed appropriate. The national REDD+ coordination entity may then apply for grants from the GCF and other multilateral entities in order to receive payments. Alternatively, they may also establish bilateral arrangements with developed countries or with anyone willing to pay for results, may it be the civil society or the private sector.

Payment of results may only be used by developed countries to fulfill their financial obligations under the Convention. Subnational entities or other actors may also access payments directly, under the terms and conditions agreed between them and their national REDD+ coordination entity, in the national level. When resources are received, the repository reflects the payment by changing the status of the corresponding results to “inactive” and register who has made the payment.