

Bonn, August 21 2013

Statement on behalf of the UN-REDD Programme-UNFCCC workshop on results-based finance for the full implementation of activities referred to in decision 1/CP.16, par 70

Thank you Co-chair, we would like to begin by providing a brief update on actions taken by the UN-REDD Programme:

1. The UN-REDD Programme provides comprehensive REDD readiness support to more than 30 countries through National Programmes and Targeted support-catalyzing the path and process for results-based finance in the implementation phase under the following work areas:
 - Governance
 - MRV and monitoring
 - Multiple benefits
 - Stakeholder engagement
 - Transparent and equitable management of funds
 - REDD+ and the green economy
2. Support the development of demonstration activities such as national fund's development:
 - a. DRC – advisory services to fund design
 - b. Vietnam – Phase 2 fund – support the REDD+ window of the VNFF
 - c. Organize South-South Exchange to facilitate learning and experience sharing among countries involved in REDD+ fund development – together with the FCPF
3. Support better understanding of how to implement benefit sharing in National Programmes and TS – Kenya, Peru
4. Events related to finance issues to share experiences and information at the international level in Bangkok (Sep 12), Doha (Oct 12) and Jakarta (June 13)

Now going to the three questions we were asked to address:

- 1. In your organization's experience with readiness funding, what are the key lessons that can be drawn for effective transfer of results-based finance and the coordination of such payments?**

Some of the lessons emerging from implementation of National Programmes (REDD readiness) and coordination of support include:

- Setting up the infrastructure for disbursement of funds for readiness activities has been challenging and more complexities could be expected for disbursements for results-based finance. Interim solutions may have to be sought while simultaneously preparing for transferring responsibilities to national entities.
- Solid and functional institutional arrangements take a long time to be set up and require capacity development, dialogue and country specific processes to be launched (processes may longer that initially thought)
- Credible results-based MRV may take longer than expected, countries may require more time and resources to the ones initially foreseen to build and maintain the necessary institutional framework.
- It is challenging for countries to coordinate the many different actors present and funding different activities using different criteria and having different agendas all requiring the attention of government staff. In this sense, is critical to support a single national coordinating entity that is on the driving seat, and setting up financial coordination mechanisms such as registries and funds to ensure coherence.

- Consider potential conflicts related to the sharing of responsibility and subsequently ensuing payment and therefore having open and transparent mechanisms becomes a critical element of success.
- 2. In your organization's view, and based on experiences from readiness financing, what should results-based finance for the full implementation of REDD-plus activities look like?**

Taking in account of different national circumstances:

- Discuss and assess the pros and cons of heterogeneity of sources versus single sources (market/non-market, private/public, international/domestic etc.) – so REDD+ countries have to be able to assess the advantages and disadvantages of different sources and types of funding, understand their suitability to support different types of actions and make their national REDD+ financial choices accordingly.
- Integration with the broader climate change finance discussions and other sectors. Results-based finance should be able to integrate the effects of the alignment of national and international finance discussions and progress (to ensure that emission reduction efforts are not netted out by policies encouraging drivers or looked in isolation)
- Need for continuing financing readiness, and consideration of ex-ante finance. REDD+ countries will need to be able to differentiate between investments that can be funded on results based terms (i.e. ex post) and that would require ex ante funding. REDD+ countries have different capacities to frontload funding and those that have less should be supported by ex-ante funding (including in relation to types of sources of finance for ex-ante and ex-post).

3. What conditions would be needed to scale-up results-based finance for REDD-plus?

- Increase the level of ambition of mitigation commitments and climate finance
- Acknowledge the complexities and time realities of the readiness process that needs continued support for countries to be able to access results-based finance in the future.
- Clarify the links between payments and actions (results)
- Ensure robustness of results-based agreements and issues of liability for the results (especially if the funds are separate legal entities and especially if there major gaps in REDD+ country legal systems)
- Consider the difficulty in measuring shorter term results and longer term impacts
- Challenges of short term plans/projects to support countries versus long terms needs:
 1. Donors often lack procedures for signing multi-year contracts (related to the predictability of funding), which require the earmarking of reserve fund of unknown amounts – how to do this
 2. Performance may have to be evaluated over a longer period of time than the current tranche-based system
- Ensure that windfall profits and perverse incentives are avoided to the extent possible
- Political risks including unforeseen changes that could result in breaches of contract
- Finally we need to make sure REDD financing is competitive as compared to other competitive land uses both in the short and on the long run.