

Linkages between the Forest Investment Programme and REDD+ performance-based mechanisms

Commissioned by the CIF Administrative Unit

Meeting of the FIP Sub-Committee

November 19, 2014

Charlie Parker

Director, Climate Focus

c.parker@climatefocus.com



CLIMATEFOCUS

Overview

- Objective of the study
- Overview of the phased approach and international REDD+ finance
- Landscape of REDD+ finance in FIP pilot countries
- Simplified example for discussion
- Further input and guidance from FIP Sub-Committee

1. What is the objective of the study?

Background to the study

- Study already completed on linkages between **REDD+ readiness and the FIP** (June 2014)
- Five FIP pilot countries (**DRC, Ghana, Indonesia, Mexico, Peru**) aim to receive performance-based payments under the FCPF Carbon Fund
- Recognizing overlaps between FIP and Carbon Fund **FIP SC requested a study** to clarify linkages between FIP and performance-based mechanisms
- Both studies **clarify role of FIP** in phased approach

Objective and Methodology of the Study

5

- Assess, clarify and summarize the linkages between FIP investments and performance-based payments
 - What happens when the **sustainability of FIP activities** depend on carbon payments that may or may not materialize?
 - Can GHG emission reductions achieved with FIP finance also receive payments from other performance-based mechanisms – “**double funding**”?
 - Is it acceptable for results achieved under the FIP to be reported and accounted for under other performance-based mechanisms – “**double counting**” or “**double results reporting**”?

Timeline

Phase	Task / Title	Date
Inception	Approach Paper and Work Plan	Sep 2014
	Questionnaire sent to Stakeholders	Oct – Nov 2014
Data Collection	Interviews	Oct – Nov 2014
	Update to FIP SC to receive further guidance	Nov 2014
Data Analysis and Report Writing	Reporting writing	Nov - Dec 2014
	First Draft	Jan 2015
Review	Review	Jan 2015
	Final Draft	Feb 2015
	Discussion of results in FIP SC meeting	Spring 2015

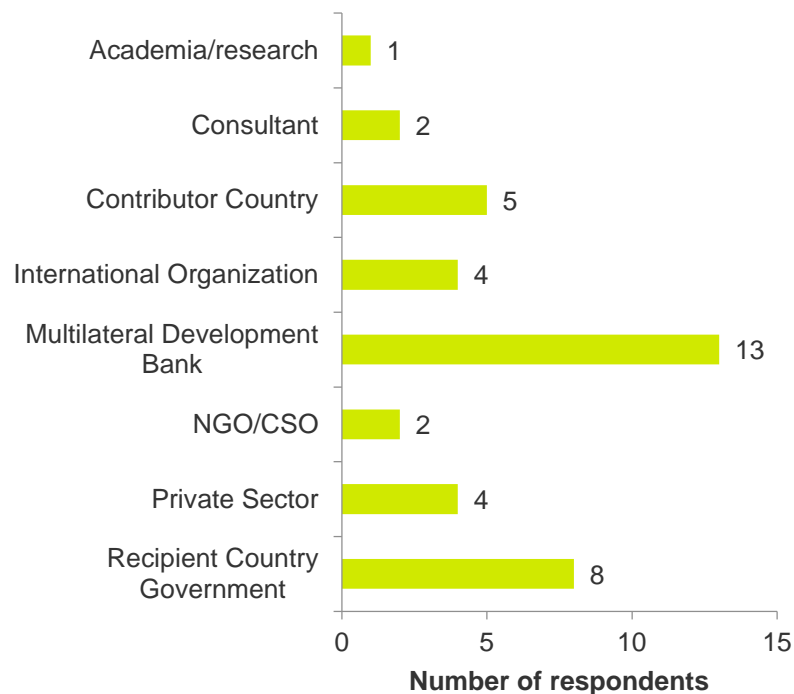
Questionnaire and interviews

7

Inception	Approach Paper and Work Plan	Sep 2014
Data Collection	Questionnaire sent to Stakeholders	Oct – Nov 2014
	Interviews	Oct – Nov 2014
	Update to FIP SC to receive further guidance	Nov 2014
	Reporting writing	Nov - Dec 2014
Data analysis and Review Phase	First Draft	Jan 2015
	Review	Jan 2015
	Final Draft	Feb 2015
	Discussion of results in FIP SC meeting	Spring 2015

Questionnaire overview

Type of organization



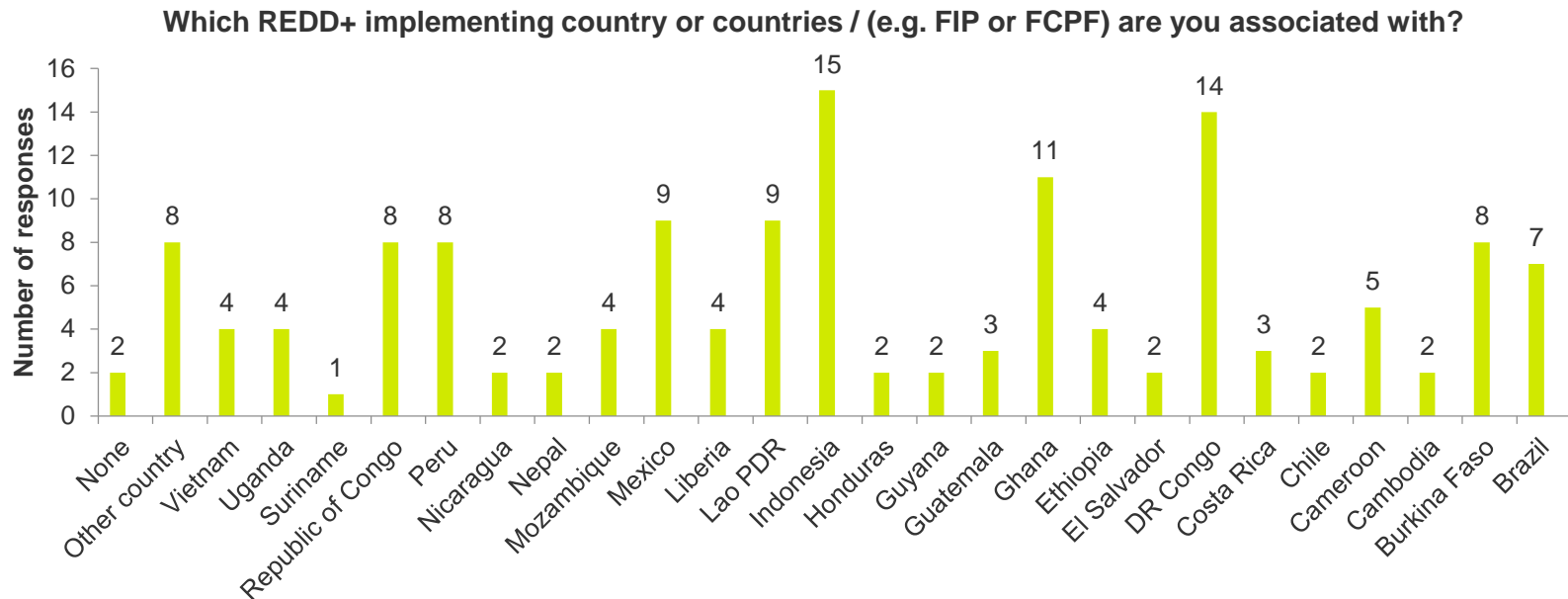
39

Total response to survey



Questionnaire overview

9



- Respondents were involved in a wide range of FCPF and FIP countries

Next steps

10

Inception	Approach Paper and Work Plan	Sep 2014
	Questionnaire sent to Stakeholders	Oct – Nov 2014
Data Collection	Interviews	Oct – Nov 2014
	Update to FIP SC to receive further guidance	Nov 2014
	Reporting writing	Nov - Dec 2014
Data analysis and Review Phase	First Draft	Jan 2015
	Review	Jan 2015
	Final Draft	Feb 2015
	Discussion of results in FIP SC meeting	Spring 2015

2. Overview of the phased approach and international REDD+ finance

Phased approach in UNFCCC

12

- **Phase 1 or ‘readiness’:** *development of national strategies or action plans, policies and measures, and capacity-building.*
- **Phase 2 or ‘implementation’:** *implementation of national policies and measures and national strategies or action plans that could involve further capacity-building, technology development and transfer and results-based demonstration activities*
- **Phase 3 or ‘results-based payments’:** *results-based actions that should be fully measured, reported and verified*

Decision 1/CP.16 paragraph 73. FCCC/CP/2010/7/Add.1

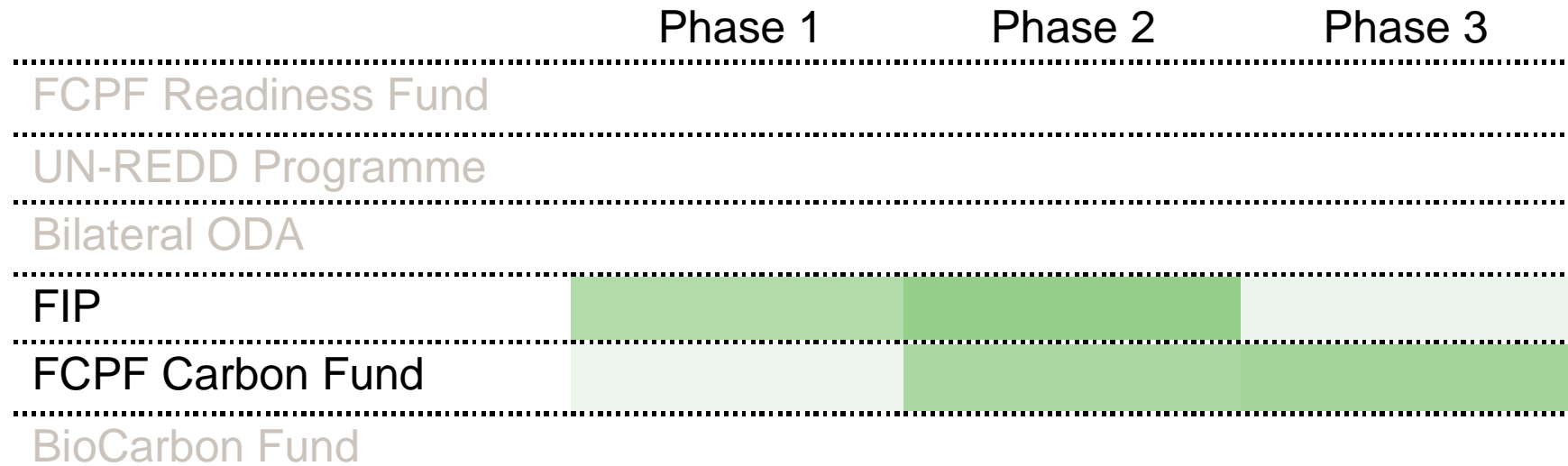


REDD+ funds and the three phases: Responses from questionnaire

	Phase 1	Phase 2	Phase 3
FCPF Readiness Fund			
UN-REDD Programme			
Bilateral ODA			
FIP			
FCPF Carbon Fund			
BioCarbon Fund			

- Unclear how the phases of REDD+ tie in with different funds (specifically phases 2 and 3)

Phased approach and Payments for Performance



- Our study focuses on the overlaps between the FIP and FCPF Carbon Fund (but takes into account other performance based approaches)

What are the goals of the FIP?

- Be “*results-based over time*”, and to “*promote measurable outcomes*”
- But, the FIP “*will not in itself provide the incentives presently necessary to significantly reduce forest-related GHG emissions, but would enable pilot countries to leverage such incentives.*”
- The FIP Results Framework includes as a core objective “*reducing GHG emissions*” and a related indicator to be reported annually



What are the goals of the FCPF Carbon Fund?

16

- A key objective of the FCPF is “*to pilot a performance based payment system for emission reductions generated from REDD activities*”
- The Carbon Fund aims to “*to pilot the implementation of REDD+ programs, via [the] use of positive incentives*”
- Countries sign an ERPA to transfer title of ERs to the Carbon Fund, and ultimately to donors (who may or may not use them)

FCPF Methodological Framework (MF)



CLIMATE FOCUS

Comparison of FIP and FCPF

17

	Forest Investment Programme	FCPF Carbon Fund
Source of payment	ODA	ODA / private
Type of payment	Grants and Loans	Purchase agreement
Generation of emissions reductions	✓	✓
Transfer of title of emissions reductions	✗	✓
Pricing of emissions reductions	N/A	Up to \$5/tonne
Timing of payment	Ex-ante	Ex-post ^a
Reference Levels and MRV systems	Country decides	Fund provides framework
Timeframe of payments	2013 - 2020 ^b	2016 – 2020 ^b
Scale of activities	National/Subnational	National/Subnational

^a with some ex-ante payments allowed as a loan against future payment

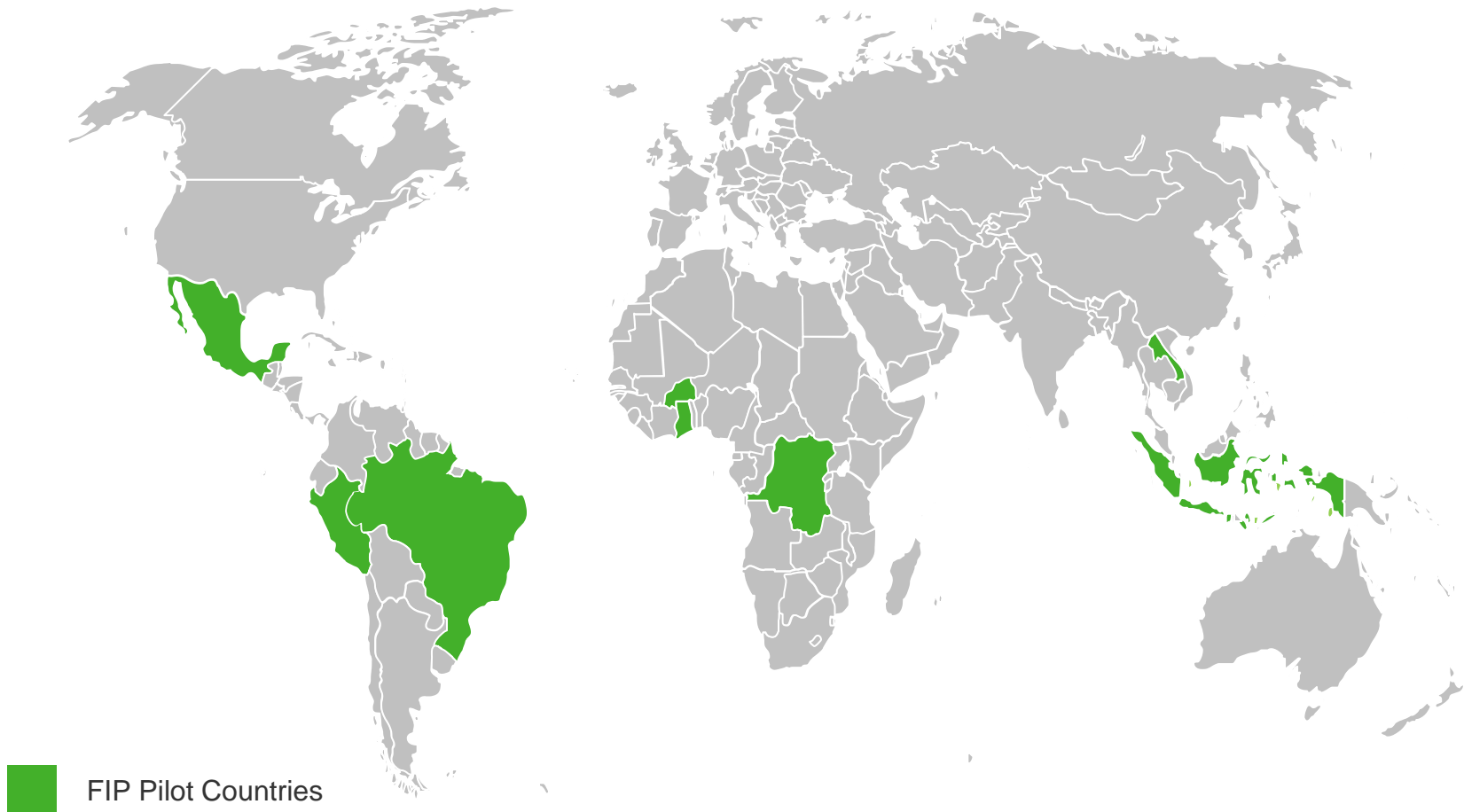
^b Dates may change based on start dates of countries and extensions to sunset clauses of funds



3. Landscape of REDD+ finance in FIP pilot countries

FIP pilot countries

19

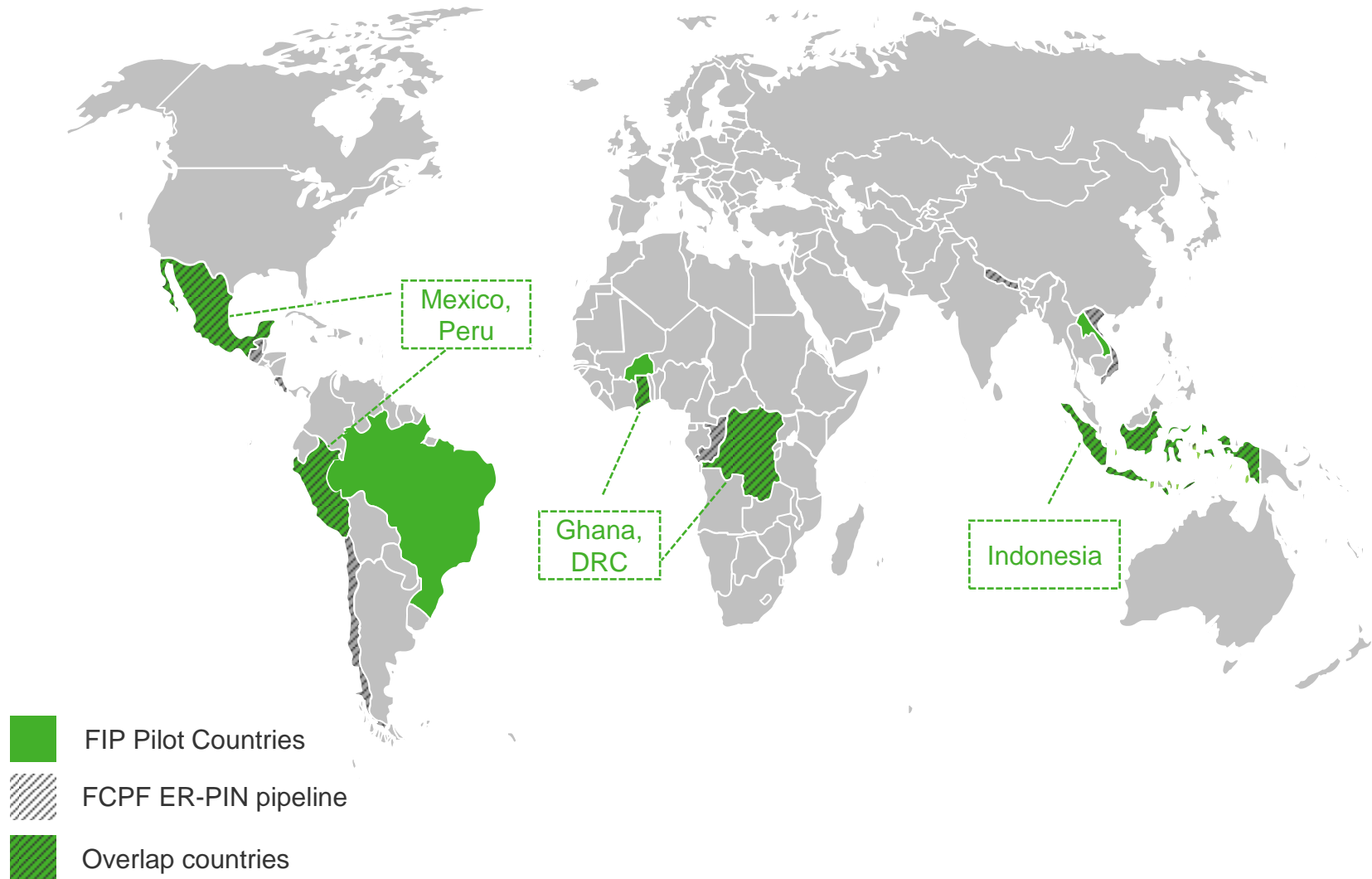


FCPF Carbon Fund pipeline



Overlaps in FIP and FCPF finance

21



19 November 2014

Overlaps: geography

- Of the five FIP countries all five countries overlap geographically at the regional level.
 - Regions are selected according to similar criteria (e.g. emissions reduction potential or social and environmental co-benefits, consistency with national REDD+ strategies)
 - Site-specific overlaps are harder to determine

Overlaps: timing

- Only Mexico has an activity that doesn't overlap in terms of timing.
 - According to the ER-PIN, “*FIP resources [provided 2012 to 2016] will be supplemented by Carbon Fund resources [provided 2016 to 2020] for capacity-building and experimentation in the early action areas for the REDD+ pilot phase*”.

Overlaps: activities

- In all five FIP countries there are overlaps in suggested activities
 - Sustainable charcoal production and efficient cookstove distribution in the Mai Ndombe region/Kinshasa supply area
 - Ghana's project Reducing pressure on natural forest through an integrated landscape approach, 68% of FIP funds for which will be 'leveraged' by the ER Program.

4. A simplified example for discussion

25

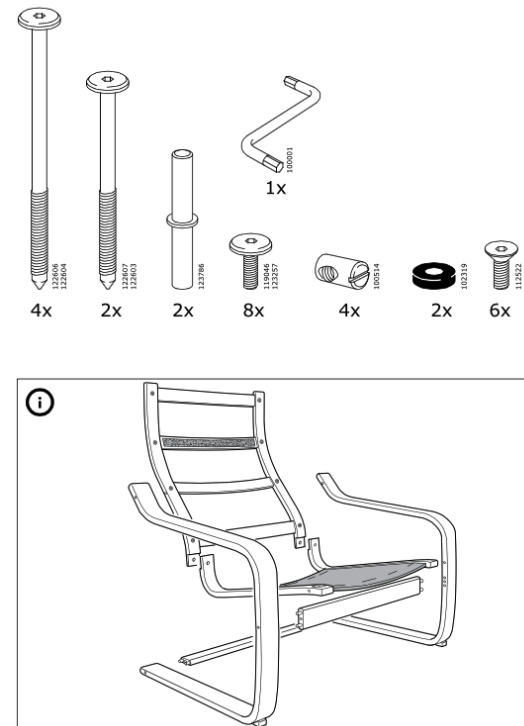
Chair production

- We would like to invest (and create a market) in chair production
- (a very nice chair that's not too difficult to make)



Chair production: Readiness

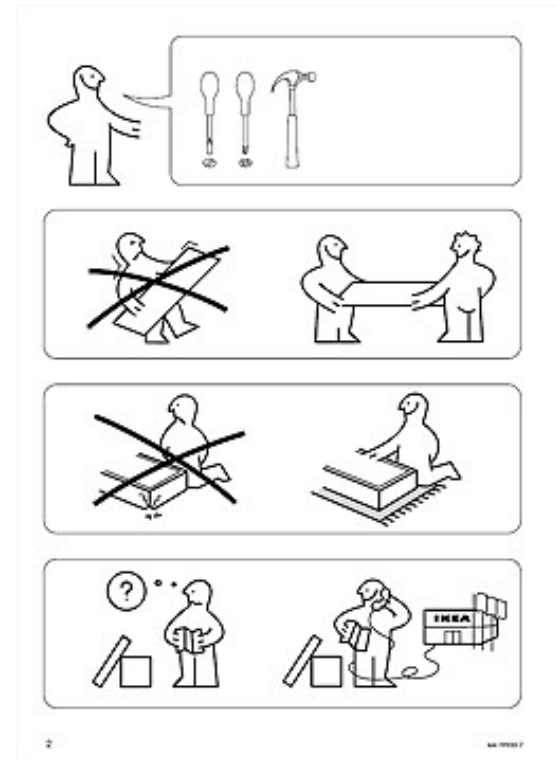
- Start by building the capacity of government and local stakeholders
 - Provide information on how chairs are built
 - Establish who will build the chairs
 - Create a plan for selling chairs to generate additional revenue



Chair production: Implementation

28

- Next, build chairs
 - Provide up-front investments to buy chair material
 - Provide technical assistance and training
 - Ensure that workers are treated fairly and material is sourced sustainably



Chair production: Performance-based payments

- Finally, sell the chair
 - Selling the chair provides a steady income
 - Chair builder may reinvest income to produce more chairs ...
 - ... and tell his friends to start making chairs
 - Chairs get shipped to buying countries



5. Questions for our study

30

Sustainability of FIP results

- When investing in countries to transform the chair making sector – how important is a future market for those chairs?
 - Investments may be provided for chair *co-benefits* (i.e. alternative livelihoods, promoting women's rights) and therefore chair sales are not the only goal of investing
 - How do you ensure that once support is removed a sustainable chair industry exists?

Double funding of activities

- If investments are made to build a chair industry (including technical support, local infrastructure and know-how) as well as produce actual chairs, is it then OK for the chairs to be sold (either to someone else or the same investor)?
 - If someone does buy the chair (which was already paid for) how should that revenue be used?
 - Should chairs be sold at the same time as someone else is investing in chair production?
 - If chairs are sold should initial investors be repaid or should chairs be sold at a discount to reflect initial investments?



Double counting of emissions reductions

- If a country reports on the number of chairs produced should they also be able to report on the number of chairs sold?
 - Should an indication be made that the chair was supported by other investments?
 - Should countries report that ODA was used to buy chairs?

Thank you!

Charlie Parker