

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

Commissioned by the CIF Administrative Unit

Meeting of the FIP Sub-Committee

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Charlie Parker

Director, Climate Focus

c.parker@climatefocus.com



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Overview

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- 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

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- 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

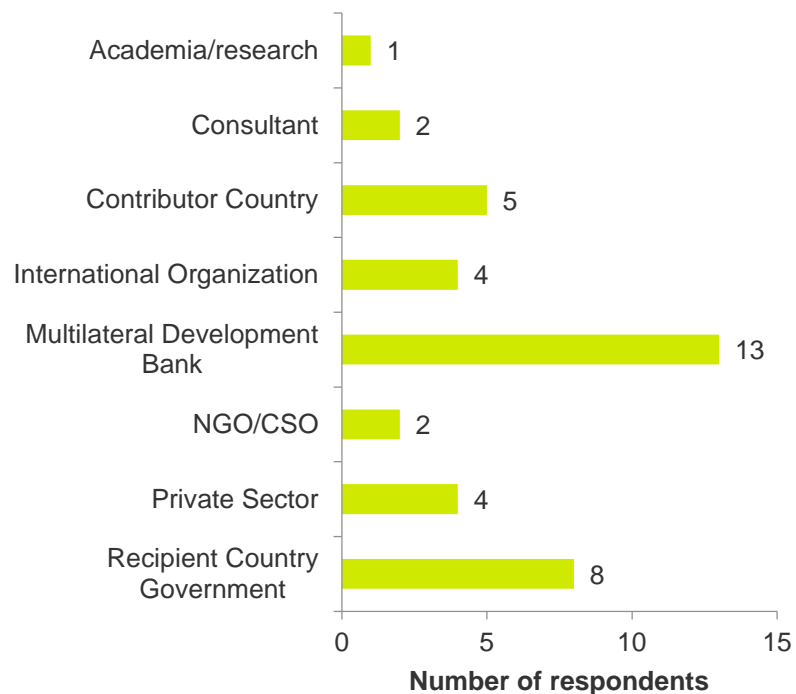
Questionnaire and interviews

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Questionnaire overview

Type of organization



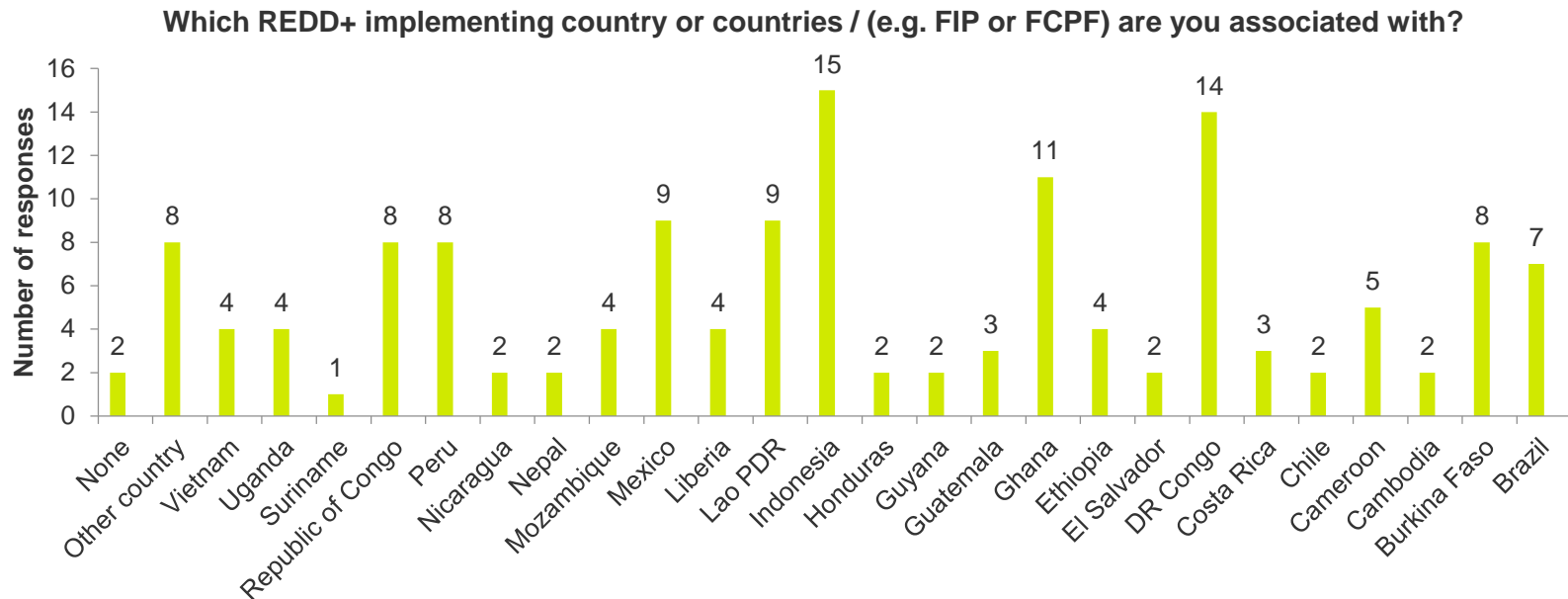
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Total response to survey



Questionnaire overview

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

Next steps

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

Phased approach in UNFCCC

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- **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

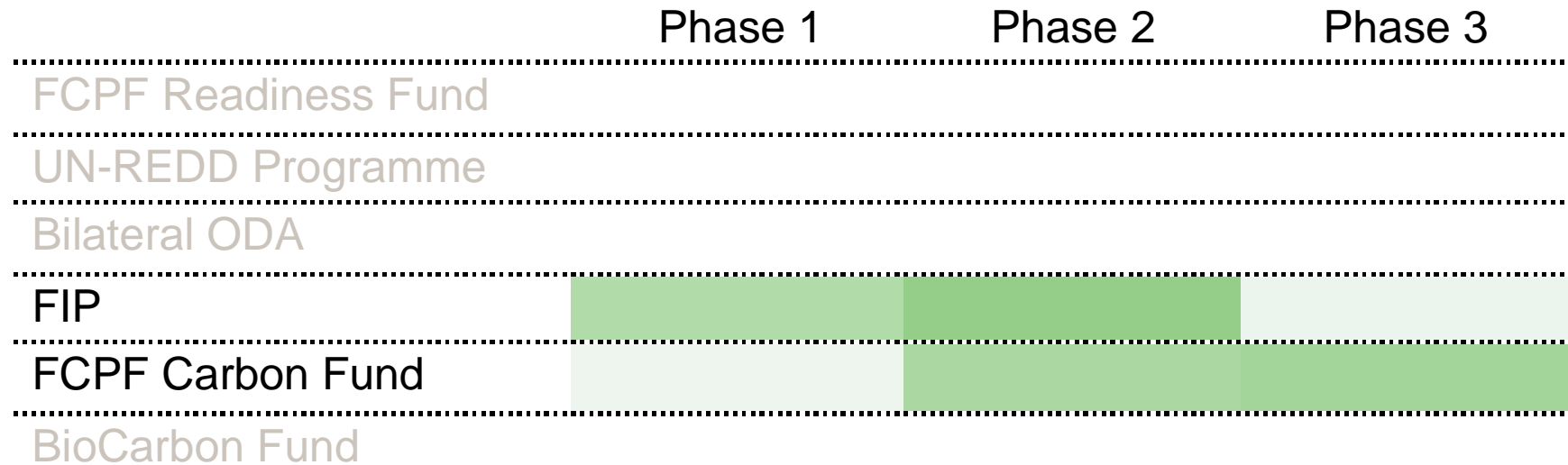
REDD+ funds and the three phases:

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?

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- 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)



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Comparison of FIP and FCPF

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	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

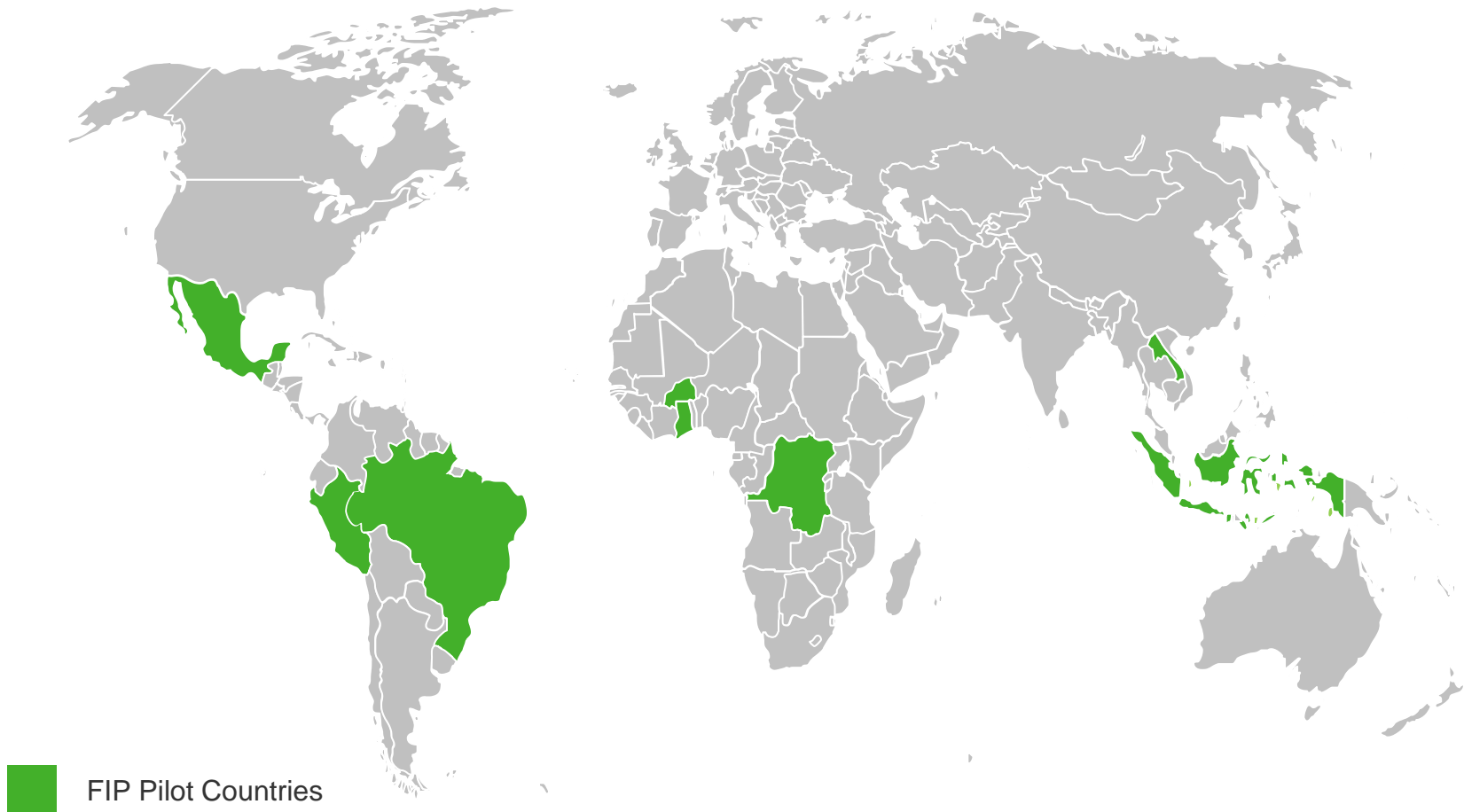
^b Dates may change based on start dates of countries and extensions to sunset clauses of funds



3. Landscape of REDD+ finance in FIP pilot countries

FIP pilot countries

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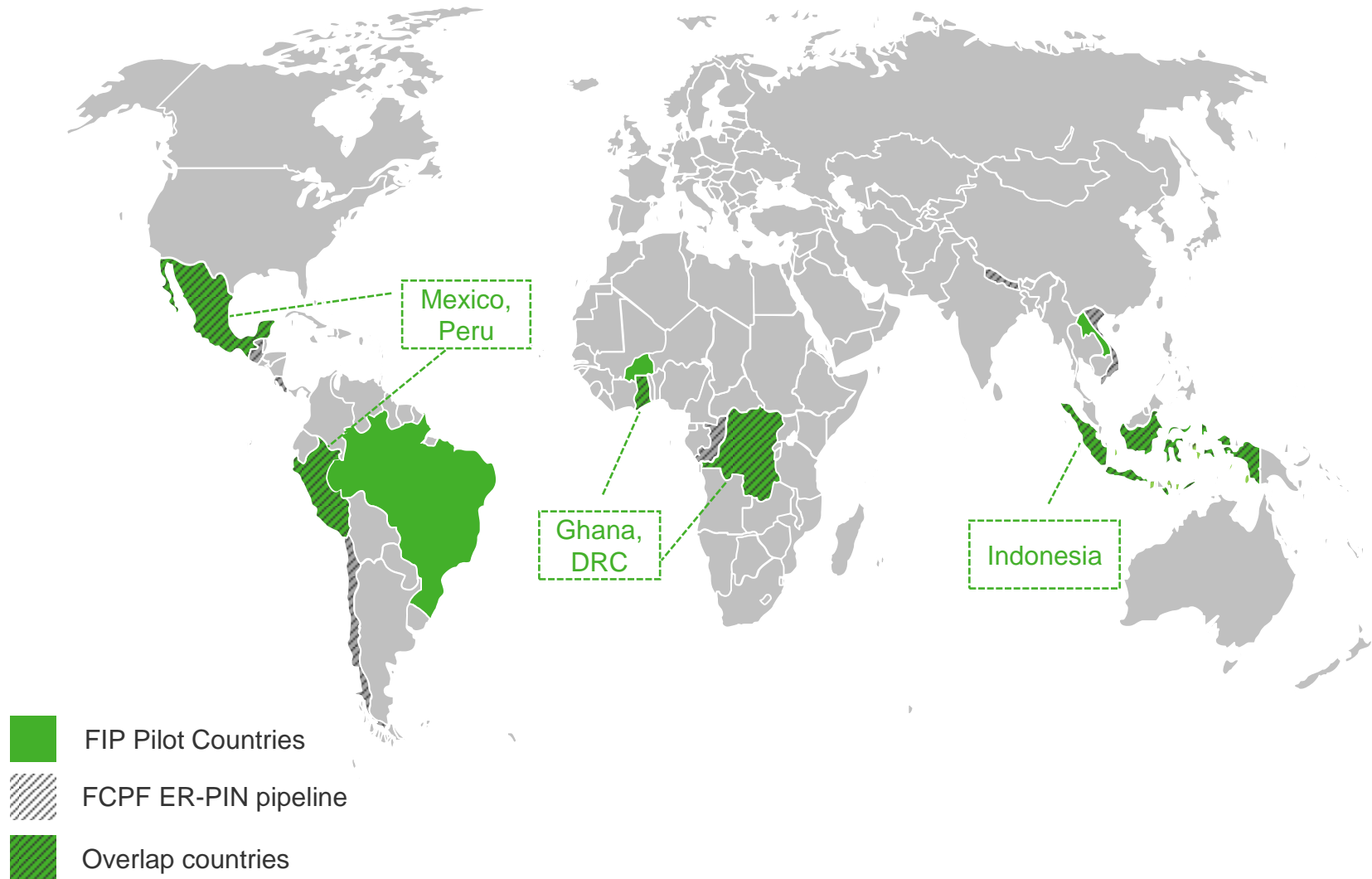
FCPF Carbon Fund pipeline

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Overlaps in FIP and FCPF finance

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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

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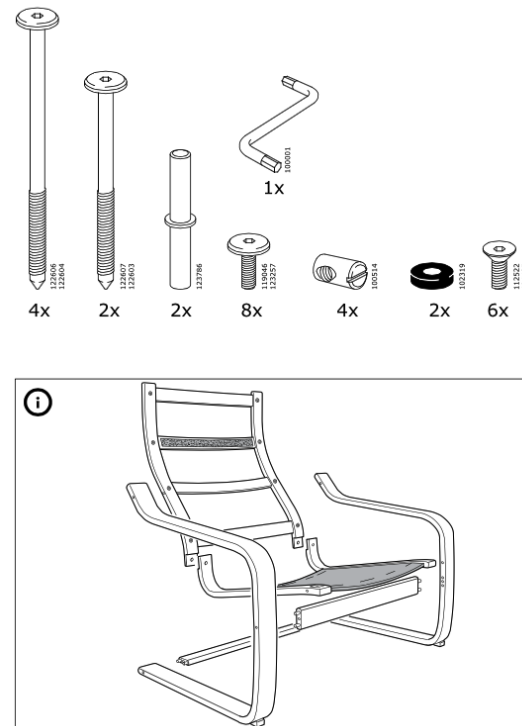
Chair production

- 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

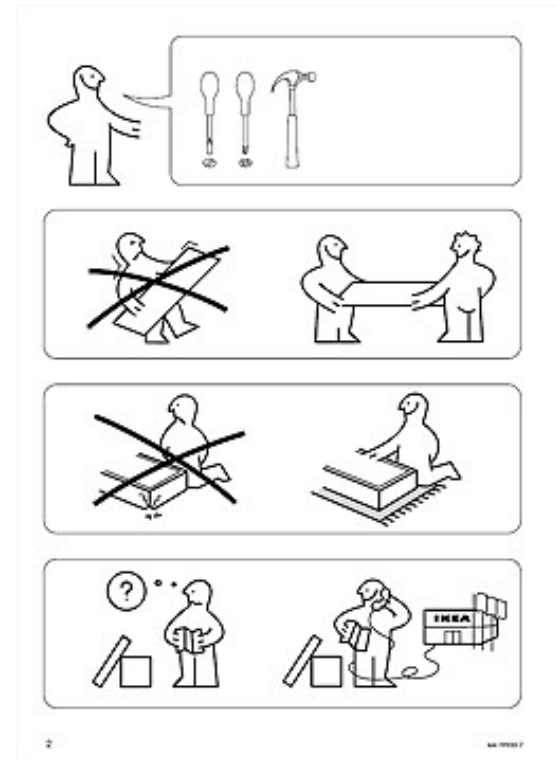
- Start by building the capacity of government and local stakeholders
 - Provide information on how chairs are built
 - Establish who will build the chairs
 - Create a plan for selling chairs to generate additional revenue



Chair production: Implementation

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- 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

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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