



Operational Framework for REDD action with specific reference to means of implementation and finance

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IUCN welcomes the suggestion by many Parties that an **operational framework for REDD-plus** action be developed to deliver effective means of implementation and finance by phases. Such an approach would be useful for building confidence and enabling early action. It would also be useful for consideration how funding could flow to REDD candidate countries and how different sources of funding (including fund-based and market-based) might be combined.

Summary of Recommendations

IUCN calls on Parties to endorse an operational framework for enabling and guiding REDD-plus actions at the country level based on a phased approach.

More specifically, such an operational framework should facilitate:

1. Individual governments make progress at a pace that is suited to their national circumstances
2. Establishment of multi-stakeholder platforms and the systematic incorporation of a gender perspective
3. Clarification and recognition of the rights of indigenous peoples and other forest dependent communities
4. Accountable, performance-based delivery of emissions reductions and removals
5. Building of a portfolio approach to financing that coordinates and aligns funding from a diversity of sources
6. Tailored capacity building actions according to governmental and non-governmental needs for the Implementation of REDD
7. Legal and policy reforms in key government functions necessary for the implementation of REDD, including legislative and regulatory improvements.

Characteristics of an operational framework

Phases of REDD-plus

There is a growing body of opinion from a diversity of stakeholders that REDD-plus will only achieve lasting results if it is able to be adapted to the individual circumstances of tropical countries and can directly meet the needs of local people. In this respect IUCN broadly endorses the conclusions of both the Informal Working Group on Interim Finance for REDD and The Forest Dialogue on Frameworks for financing and implementing REDD¹ and the merits of a phased approach as an operational framework for REDD-plus action. IUCN invites Parties to take note of these recommendations.

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¹ Co-Chairs' Summary Reports, The Forests Dialogue, Dialogue on REDD Finance Mechanisms, April and June 2009.

A phased approach would enable countries with different circumstances to swiftly embark on preparing for piloting and mainstreaming REDD in such a way to meet their immediate and longer terms needs while taking a learning-based approach to addressing the drivers of deforestation and forest degradation. Such an approach also offers a useful framework to consider how funding could flow to REDD candidate countries and how different sources of funding (including fund-based and market-based) might be combined.

IUCN supports the emerging consensus that an operational framework for REDD-plus action could be organized as follows:

Phase One: Preparation and Readiness

- Development of a REDD-plus strategy, including, inter alia, the identification and prioritization of key policy and institutional capacity building measures (for both state and non-state actors), to pave the way for investments in Phase Two through the development of MRV schemes and the identification of required protocols and planning for demonstration activities. This phase could be supported through public and private, multilateral and bilateral grant schemes, such as FCPF and UN-REDD.

Phase Two: Intermediate

--Establishment or strengthening of policies and measures to allow implementation of REDD-plus and, based on performance, encourage scaled-up public and private sector investments in the following areas: (a) institutional capacity, forest governance and information; (b) activities in the forest sector such as land tenure reforms, forest management and restoration of degraded forest landscapes, community-based fire management, etc.; (c) activities outside the forest sector to reduce the pressure on forests (e.g. certified sustainable agriculture, sustainable wood energy supply chains and agro-forestry). Performance-based options for funding could include voluntary contributions from governments, market and transaction-linked international levies, multilateral concessional financing sources, bilateral and private funding, and early market payments, in some circumstances.

Phase Three: Final

-- Mechanisms such as the carbon market and fund-based mechanisms should, by phase three, deliver performance-based payments; verification of emission reductions or carbon stock enhancements with respect to a national reference level should be performed by an independent third party. A market mechanism should be designed with the objectives of creating equitable distribution mechanisms, stabilizing prices, and developing risk-management and credit-management vehicles. Mechanisms may be required to guard against significant price volatility including liability and risk management. As with other phases, entry into this phase would be different for each country on a case-by-case basis.

Tailor-made approaches

Countries should be given the space to develop their capabilities to implement credible and efficient REDD policies. There is not one single blueprint for forest nations to move from REDD Readiness to REDD policy and measures and eventually to measurable, verifiable and credible emissions reductions.

Performance-based delivery

REDD-plus finance would need to be predicated on performance-based delivery throughout all three phases. Phase Three performance would be underpinned through the measurement reporting and third party verification of CO₂ emission reductions that are additional to a national reference level. Phase Two would require performance-based proxies, responding to specific local drivers of deforestation and degradation, such as measures of the overall rate of deforestation, the proven implementation of policies or strengthening in practice of indigenous peoples' and local communities' rights. A good understanding of what lies behind shifts in forest carbon stocks will be

needed to effectively address the drivers of deforestation and forest degradation and this in turn will require effective, participatory nationally-owned processes.

Triggers for different phases

In order to engender sufficient confidence that REDD-plus is capable of delivering durable emissions reductions, the eligibility of countries to move from one phase to the next could be mediated by specific triggers and informed by an independent verification body. Movement through the phases could be based on implementation of specific actions associated with each of the different phases, including particularly:

- a) Transparency and meaningful participation of all key stakeholder groups (improved forest governance)
- b) Long-term viability of the emissions reduction via the promotion of social and environmental co-benefits, including biodiversity conservation and ecosystem services
- c) Establishment of appropriate risk management and compliance regulation

Stakeholder participation

Multi-stakeholder platforms not only contribute to equitable participation, they generate efficient interventions. They also promote better understanding and communication as to the role of each stakeholder group and can therefore help avoid or diminish potential conflicts. Such processes identify areas of agreement and areas of dissension, providing a shortcut to implementation of specific and concrete activities on which there is agreement and a process for addressing others. Where possible, REDD related platforms should be built on the many national experiences of stakeholder involvement in forest law enforcement and governance processes. These participatory processes should have an equitable participation of all stakeholders and special attention should be given the inclusion of women, youth and indigenous peoples. Moreover, the systematic **incorporation of a gender perspective** would ensure that implementation of REDD is more effective, efficient, permanent, and sustainable, and reduces risks.

Indigenous peoples and forest-dependent communities

The key role that forest-dependent communities and indigenous peoples play in optimizing the mitigation potential of REDD-plus would be enhanced through full and effective participation and informed consent processes permitting these stakeholders to agree whether they wish REDD-plus activities to be extended to their lands before the event and can help clarify and strengthen tenure, property and carbon rights. The rights of indigenous peoples and other forest-dependent communities should be safeguarded in accordance with international agreements such as UNDRIP and through locally defined measures and local legal systems, consistent with countries' international obligations.

Secure financial flows within a portfolio of sources

Given the scale of the challenge, there is a need for long term financial flows that are guaranteed, stable and reliable, and are underpinned by strong donor coordination. There is a need for clear, long-term commitments from both developed and developing countries. To move beyond the "markets versus funds" discussion and make optimum and coordinated use of both of these, as well as other sources of funding, a portfolio approach could be accommodated with the necessary up-front investments required during phase I and II being covered by bilateral and multi-lateral loans and grants.

Matrix mapping key outcomes, safeguards, finance mechanisms and triggers².

	Phase one: Preparation and readiness	Phase two: Policies and measures	Phase three: Performance-based payments
Outputs	<ul style="list-style-type: none"> - REDD-plus strategy - Preparation of protocols - Capacity building assessment - Institutional development - Co-relate national and regional development policies, including landscape land-use plans and forest plans 	<ul style="list-style-type: none"> - Capacity building - Development of national REDD-plus portfolios - Benefit sharing and equitable distribution - Pilot projects - Inclusion of small-scale projects - Carbon registry 	<ul style="list-style-type: none"> - CO₂ reduction - Verification - Social and environmental impact assessment
Safeguards	<ul style="list-style-type: none"> - Transparency - Participation and representation 	<ul style="list-style-type: none"> - Stakeholder platforms - Social and environmental audits - Governance and legality audits - Free prior and informed consent of indigenous peoples - MRV system - Transparency 	<ul style="list-style-type: none"> - MRV system - full and effective participation of IPs, subject to free prior and informed consent of indigenous peoples - Social and environmental audit - Financial audit and accounting guidance from the Financial Accounting Standards Board and the International Accounting Standards Board
Finance Mechanisms	<ul style="list-style-type: none"> - Multilateral and bilateral grants - Proposed windows within the UNFCCC - Private funding - Public-sector funding 	<ul style="list-style-type: none"> - A portfolio of finance tools - Underwriting financial, livelihood and political risks - Rules for performance-based payments - Implementation of equitable distribution mechanisms 	<ul style="list-style-type: none"> - Compliance market - Non-market compliance fund - Underwriting risk - Equitable distribution mechanisms
Triggers/ eligibility criteria	<ul style="list-style-type: none"> - Multi-stakeholder endorsement - Plan for overcoming governance and policy gaps 	<ul style="list-style-type: none"> - Adequate legal rights and tenure systems - Endorsement of benefit distributions - National capacity to implement and audit - Carbon registry - Free prior and informed consent of indigenous peoples - MRV system - Proxy indicators 	<ul style="list-style-type: none"> - Forest carbon-pool buffer and forest carbon project insurance

² Taken from the TFD Consensus on frameworks for financing and implementation of REDD-plus