

~ A Funding Prospectus ~

The Governors' Climate & Forest Fund (GCF-F)

Supporting State & Provincial Forest Carbon Initiatives Through
Transparent, Rapid, Strategic, Scalable & Measurable REDD+ Interventions

Target Amount: \$5,500,000
Target Amount by Start Date: \$2,000,000
Target Operational Dates: January 1, 2011 → December 31, 2012

Contents

Rationale	P. 2
Principles	P. 5
Governance	P. 6
Funding Priorities	P. 7

Rationale

Since Copenhagen, donor governments have pledged up to US \$4.0 billion to REDD+ for the three-year period 2010 to 2012. This unprecedented enthusiasm to fund reductions in deforestation presents exciting possibilities as well as some challenges. Pledged REDD+ commitments will fund more efforts, initiatives and ideas to stem deforestation in the coming few years.

Donor and recipient governments have self-organized in an Interim REDD+ Partnership (IRP) – informally the Paris-Oslo Process, which operates alongside, but separate from the United Nations Framework Convention on Climate Change (UNFCCC) process. Initial operation of the Interim REDD+ Partnership has been slow and disorganized. Efforts by the IRP to involve stakeholders resulted in widespread disappointment by civil society, and even boycotts of key meetings. The key primary deliverable of the IRP, the development of a database of REDD+ funding sources and funding needs has not been published or disseminated. In addition, most donor governments – with the exception of Norway - have only begun to develop comprehensive new REDD+ programs.

Many large multi-lateral REDD+ funds such as the World Bank’s Forest and Carbon Partnership Facility (FCPF), the Amazon Fund, or the Congo Basin Forest Fund (CBFF) have only granted relatively small amounts of money. According to World Bank FCPF 2009 Annual Report, the FCPF has received an estimated US \$53.9 million of \$110 million in pledges and had spent only \$ 4.5 million. The FCPF has noted that it has notionally committed to \$73 million in grants but has only \$2 million in formally committed grants for ten countries¹. The latest information for the CBFF (started in 2008) shows the fund has only committed €15 million to projects while holding €118 million in assets². Since October 2008 when the Amazon Fund was created until today, only half of the 2009 budget from Norway (\$ 64 million) has been committed although only 2 projects are under contract. The Amazon Fund has taken a long time to approve projects and has mainly favored non-governmental sectors – there have been no approved funds going to state REDD+ initiatives³.

The UN-REDD program has been more successful in funding approved programs. It has approved nearly US \$61 million and transferred \$38 million of its \$87 million fund⁴. It is

¹ Forest Carbon Partnership Facility 2009 Annual Report. http://www.forestcarbonpartnership.org/fcp/sites/forestcarbonpartnership.org/files/Documents/PDF/Dec2009/FCPF_FY09_Annual_Report_12-08-09.pdf. Viewed September 5, 2010. These numbers reflect only the information from the latest publicly available (2009) Annual Report.

² Latest Information on Expenditures. http://www.cbf-fund.org/cn/proposals/current_call.php. Viewed September 5, 2010. These numbers reflect only the information from the latest publicly available figures (the 2009 Annual Report was not available, only information on the “Current call for proposals website noted above).

³ <http://www.fundoamazonia.gov.br/> and <http://deolhonofundoamazonia.ning.com>.

⁴ Multi-Donor Trust Fund Offie Gateway. <http://mdtf.undp.org/factsheet/fund/CCF00>. Viewed September 5, 2010.

unclear how much of the money transferred by UN-REDD has been passed from the 8 recipient federal governments (and 2 UN agencies) to projects on the ground.

There are many good reasons why large funds are slow to mobilize resources to on-the-ground REDD+ programs. Funds such as these simply take time to get started. Governance and bureaucratic procedures must ensure fair participation and oversight. However, there is clear evidence that large international REDD+ funds have difficulty rapidly moving funds to worthy recipients. It is also unclear how many of these public dollars will lead to measureable changes. This is unfortunate given the publicity surrounding REDD+ and public finance; there are many urgent REDD+ needs and opportunities to be funded. And there is some expectation that REDD+ funds will be something “different” and entail elements of performance-based payments.

So while there are strong public commitments to REDD+, and funds have been pledged and allocated, very few funds have reached their potential in terms of operation. **A nimble and transparent REDD+ Fund is needed to immediately help resolve critical needs (gaps) identified by states and provinces at the forefront of REDD, and to fund proof-of-concept proposals at the scale that is best poised to link projects with national climate change programs.** Rapid deployment of targeted REDD+ funds to states and provinces will help answer some of the questions that the larger federal-to-federal REDD agreements will eventually need to tackle. In this regard, a GCF-F can help make the larger and slower funds be more effective.

GCF members have been at the forefront of implementing large jurisdictional efforts to reduce emissions from deforestation and degradation, and support sustainable terrestrial land use. The 11 developing country members of the GCF harbor more than 20% of total tropical forests. These states need additional resources to enter a “proof of concept” stage, including performance-based payments. The GCF has developed an initial REDD+ Knowledge Database that it will discuss and refine in September 2010⁵. This database identified the most urgent needs of GCF members:

- REDD program design and capacity
- Land tenure, rights recognition, benefit sharing
- Deforestation monitoring, carbon stock estimations, baseline projections
- Legal and policy issues

Many of the needs identified by individual states are common to several other states. Other needs are unique to individual states or provinces. Most of the identified needs can be rapidly met with additional resources. Many of the funding gaps highlighted have components that can be implemented, and then measured, reported and verified (MRV) for quantitative improvements.

⁵ *Note. After Santarem meeting, this section can be filled in with Task #1 & #3 outcomes.*

The GCF has also collaborated on a rulebook which will encourage states to use common methodologies and practices as they evolve their own REDD programs and initiatives. The GCF has also a strong stakeholder process. While not perfect, the GCF has increasingly engaged stakeholders throughout its work, both at the level of the GCF (the secretariat and GCF-related work products) and at the individual level of GCF member states. **Given their global leadership and the sheer size of their forest holdings, GCF members represent a key opportunity to make immediate and measureable REDD+ progress at significant scales.**

Principles for a Governors Forest & Climate Fund (GCF-F)

The GCF-F will differentiate itself from other REDD+ funds by using a principled approach to achieving rapid and measureable success. The GCF-F will pursue the following core principles, building on it's history and experience as a nimble, transparent and efficient collaboration:

Transparent

A commitment to a grant-making process that is democratic and transparent.

Rapid

A commitment to making funds operational as fast as practical and funding immediate technical and policy gaps through a streamlined funding process.

Strategic

A commitment to funding strategic gaps and funding priorities identified through the collaborative development of the GCF Knowledge Database.

Measurable

A commitment to funding efforts that have clearly measureable results.

Scalable

A commitment to shared learning throughout the GCF that results in REDD programs being scaled to all GCF members and the broader international community through outreach.

Governance

An Implementation Board comprised of one member and one substitute member from each state will oversee the GCF-F. Each GCF state, through their appointed GCF representatives, will announce their states' nominations to the GCF-F Implementation Board at the December 2010 (Cancun, COP16 meetings). The new Implementation Board will democratically elect a chair and co-chair, agree on operational rules, and make other arrangements. These arrangements may be developed in consultation with the GCF Secretariat and stakeholders as appropriate. The GCF-F Implementation Board may also elect to include stakeholders and other representatives (e.g., from the private sector, from governments, from other REDD+ funds).

The Implementation Board chair and co-chair will be offered (they may refuse) a reasonable compensation from the fund to carry out their responsibilities. The GCF-F Implementation Board shall approve all projects by (**consensus or other process?**). A first task of the GCF-F Implementation Board would be to establish clear rules for operation and funding criteria.

The GCF Secretariat may serve as the administrative arm of the GCF-F. It (or another entity) will work for the GCF-F through a cooperative agreement to:

- Solicit and organize calls for proposals
- Arrange and recommend terms of reference for shared needs
- Administer grants directly to states and provinces and others

It should be noted that the GCF Secretariat would continue to manage the current grants for operation of the GCF, including workplans, tasks, meetings, hiring of consultants, outreach and communication, stakeholder engagement, and other functions as necessary. The GCF-F Implementation Board will manage funds specifically given to the GCF-F according to agreed principles, governance structures, and on the noted funding priorities.

The GCF-F may be an independent entity that is incorporated. It should be a separate entity than the GCF itself for various good governance reasons. The GCF-F would develop a consultative process to ensure broad participation and engagement while also allowing the GCF-F to allocate funds rapidly. There would likely need to be some overarching guides for how funds would be distributed and allocated (e.g., each state must receive some funds, and no one state can receive more than a specified percentage of funds).

GCF-F Funding Priorities

The GCF-F would primarily address two key funding priorities: 1) shared collective needs and 2) proof of concept measures at state and province scales. The GCF-F will fund five (5) discrete collective and shared GCF needs (estimated to cost \$2,425,000). The GCF-F would also award approximately \$2,500,000 in competitive performance-based grants for state and province-wide programs. Administrative costs will be kept to less than 10% of total grant making, for a total of approximately \$5,500,000 over the two years of operation (2011 and 2012).

Table 1. Shared Needs, Outcomes and Estimated Costs for GCF REDD+ Programs

IDENTIFIED SHARED, COLLECTIVE NEEDS	OUTCOME (S)	ESTIMATED TWO-YEAR COSTS
Statewide IPCC Tier 2 Forest Carbon Stocks	<ol style="list-style-type: none"> 1. IPCC Tier 2 carbon stock assessments for their state/provinces, including mean estimates and quantitative uncertainty analysis of forest carbon stocks, per relevant forest classes for all 14 GCF states. 2. Maps and digital resources on IPCC Tier 2 carbon stocks peer-reviewed and distributed 3. Specific recommendations for achieving IPCC Tier 3 levels 	\$500,000
Common Projected Baseline Approach	<ol style="list-style-type: none"> 1. Common projected baseline methodology 2. Application of methodology for all 14 GCF states and provinces 	\$500,000
Common State/Province REDD+ Rule-Book	<ol style="list-style-type: none"> 1. Common "GCF REDD+ Rule Book" developed 2. Training programs on the rule-book held in all developing country states and provinces 	\$550,000 (\$50,000 per state/province)
Model Benefit-Sharing Arrangements and Proof of Concepts	<ol style="list-style-type: none"> 1. One model benefit sharing arrangement 2. At least five (5) proof of concept benefit sharing programs in GCF states and provinces 	\$600,000 (\$100,000 for model arrangement & \$100,000 per state to build systems that share benefits with identified stakeholders)
Supported REDD+ Stakeholder Processes in 11 Developing Country States and Provinces	<ol style="list-style-type: none"> 1. Clear evidence of improved stakeholder participation in REDD+ design, implementation, monitoring and evaluation in all 11 developing country states. 2. Measurements and criteria to be developed. 	\$330,000 (\$30,000 per state/province)

These five collective needs will be addressed through a series of technical training programs, shared consulting provisions, and small grants for states to achieve the deliverables, and install enhanced stakeholder processes in their respective states and provinces on REDD+ issues.

In addition to immediately addressing these five shared needs, the GCF-F would award several competitive performance based grants to GCF members for proof-of-concept implementation. These competitive grants, totaling approximately \$2,500,000 would allow GCF members to move beyond the readiness stage into early REDD+ implementation. The GCF-F will need to develop terms of reference and other guidelines for how it would allocate funds.

Disclaimer: This proposal was developed with only limited consultation of GCF members or GCF Task #2 members. This draft prospectus is for discussion only. It is not a formal concept supported by GCF members. Details of this proposed GCF-Fund will be discussed during the Santarem meetings. There is time allocated on the draft agenda for Task #2 members to discuss and refine this proposal (Monday, September 13th) and for Task #2 to present concepts to the GCF (Thursday, September 16th).