

An Indigenous Peoples' Guide to REDD+ Results-Based Payments

OPPORTUNITIES and
CHALLENGES



**An Indigenous Peoples' Guide
to REDD+ Results-Based Payments:
Opportunities and Challenges**

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Introduction

Much has been said and discussed in the years about the possible benefits and impacts of REDD+¹, a topic that has been at the center of indigenous peoples' analyses, elaborations and activities from community level all the way up to international fora. Tebtebba, together with Asia Indigenous Peoples Pact (AIPP), the International Work Group for Indigenous Affairs (IWGIA) and the Forest Peoples Programme (FPP), produced a very useful guide on REDD+ for Indigenous Peoples that still represents a valid companion to this guide.

Nevertheless, since the publication of that guide, some key developments took place, both as regards the way Results-Based Payments (RBP) and Finance are conceived and put in practice, and internationally, as regards the institutions that are taking a lead on this, mainly the Carbon Fund of the Forest Carbon Partnership Facility and the Green Climate Fund.

This guide seeks to offer therefore an analysis of how these institutions work with respect to REDD+ and Results-

¹ Reducing Emissions from Deforestation and forest Degradation in developing countries, and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries.

Based Payments, and also unpack some of the critical and still outstanding matters, such as the issues of carbon rights and non-carbon benefits.

In a world that is still striving to find a proper match between the urgency to tackle climate change, limit the Earth's temperature increase, and the concurrent dominant concern—and impossible endeavor—of maintaining the current consumption and growth patterns, REDD+ and Results-Based Payments might become crucial.

As a matter of fact, REDD+ is considered as one of the key solutions to climate change, in the conviction that in protecting tropical rainforests and ensuring that they capture carbon, two results would be achieved. On the one hand the offsetting of carbon emissions, (i.e., compensating for the emissions produced somewhere with the purchase of carbon credit generated in a forest elsewhere), on the other, the generation of financial resources needed to ensure mitigation effects on a protracted period of time.

At the same time, this approach needs to be assessed not only in respect to their “technical,” but also political and cultural implications. It should also be assessed on how it might affect indigenous peoples and comply with indigenous peoples' rights while offering opportunities for engagement, opening a space for dialogue with governments for the advancement of indigenous peoples' rights, and providing a positive contribution to climate change mitigation.

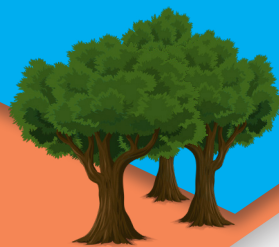
Key questions arise about whether Results-Based Payments and the possible option of selling carbon credits (whose value in dollars is calculated by the amount of CO₂ that will not be emitted or will be stored in protected

or managed forests) would in fact contribute to the end goal of mitigating climate change and reducing emissions from deforestation. Or rather they would represent a disincentive for the acknowledged need to immediately stop the expansion of fossil fuels extraction frontier—that inevitably would end up in jeopardizing the survival of indigenous communities and the ecosystems they depend on. Additional concerns relate to whether it is just or not to attach a financial value to Nature and ecosystem services, such as climate mitigation and carbon storage in protected or intact forests.

As it stands now, current Results-Based Payment schemes seem to only partly take into account these broad concerns. However, unless clear commitments on land rights, carbon rights, Free, Prior and Informed Consent (FPIC) and benefit-sharing are fully ensured, these programs might result in additional pressure on indigenous lands and indigenous peoples' livelihoods. It is therefore the purpose of this guide to stake out the risks and opportunities deriving from Results-Based Payments for indigenous peoples, as well as providing a guidance into the intricate processes of institutions, such as the Carbon Fund and the Green Climate Fund.

Our journey into Results-Based Payments starts with a simple question...

What are Results-Based Payments (RBP)?



Broadly speaking, Results-Based Payments (RBP) are a new approach to development aid and development assistance that has been adopted in the past years for various areas, from health care, to education, biodiversity conservation and more specifically—in our case—for REDD+. REDD+ stands for “Reducing Emissions from Deforestation and forest Degradation in developing countries, and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries.”

The idea behind Results-Based Payments is simple: why should donor agencies and governments provide finance upfront and hence possibly create a situation in which accountability is lower and ensuring results might be just on the shoulders of who gives the money, rather than on those that receive the money?

Hence, what is suggested is that before paying a given sum or providing a given financial support, those that are seeking that support should be able to prove and provide clear evidence that the results they propose to achieve are actually achieved.

For instance, a country wants to improve its schooling system, and rather than presenting a program to be paid upfront with outcomes and results to be assessed at the end, it commits to ensure some quantitative and qualitative results, such as for instance number of schools built, number of children that complete their courses, contribution to decrease in illiteracy, and agree on a system of monitoring and assessment of these. Only when these results are accomplished, independently verified and documented will the money be disbursed. Not before. What counts then is the result and how this is connected to the payment of funds.

An important element to take into account when talking about results is that these can also be meant to be steps towards important policy reforms and/or improvements that support these changes, in particular, as regards participatory reforms and stakeholder engagement. This is an important point when we look at how RBP relate to forests, and to REDD+.

One of the important risks to take into account in RBP is that it means transferring the burden of implementation and compliance on to the partner that implements the program or project. This is something that indigenous peoples need to be fully aware of, since it might mean that if you engage then you will have a very heavy burden on you, from changing behaviors that are considered negative while they are part of your traditional culture and livelihood, to showing that you are doing the right thing. And ensure and commit to results.

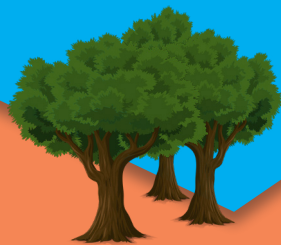
Given the complex requirements in terms of assessing and reporting that RBP implies, you might also need to resort to the external technical support of private advisors

or big conservation NGOs if you do not dispose of the technical capacity required for complicated assessment and verification procedures. Furthermore, if results are assessed only in terms of keeping forest standing and protected from all kinds of activities including your traditional activities; or if you engage in a RBP project and commit to deliver results and hence commit to ensure that everybody contributes to the result agreed. The risk of creating a bit split in the communities and conflicts among them is around the corner.

So, keep your eyes open, and understand well what you are asked to do—and first and foremost what you might gain at the end of the day—if you want to engage in such a project or program.



How do Results-Based Payments and Results-Based Finance relate to forests?



In the case of forests, the payment is conditional on a specific result, notably the reduction of greenhouse gas emissions (GHGs) from forests. In other words, no deforestation or forest degradation.

What is meant here by forests is an issue: Are we talking about native, primary, old-growth or secondary forests? Or plantations? And when we talk about forest degradation: Is it also meant to be caused by traditional indigenous peoples' management systems such as shifting agriculture or slash-and-burn?

Usually the first to benefit from carbon credit programs would be who implements the program, in other words, those that have decided to stop a certain activity that has been considered as destructive for forests and the environment (as we said already in technical terms those that incur in "opportunity costs"). And finally those that are defined as those that will enjoy the profits of the scheme.

In our case, indigenous communities.

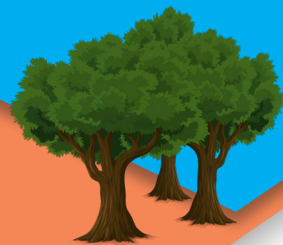
As a matter of fact, the payment is not given—as it usually happens with traditional development aid, and hence to directly support activities that contribute to

reduce emissions—but only afterwards, when it has been independently assessed that the specific activity/ies has/have contributed to the reduction of greenhouse gas emissions.

RBP is not considered as a compensation for “opportunity costs,” i.e., the profits that you lose when you decide not to undertake a given activity, for instance, if you stop using some sort of shift and burn practices and you would then be compensated for the revenue loss deriving from the fact that you do not produce products to sell. Rather this is considered as an incentive and reward for results.

As regards REDD+, all disbursements are focused on gross deforestation results, but some provide finance for interim results, mostly governance reforms that would then create the necessary framework needed to achieve the results.

A step back: How does REDD+ work?



Let's take a step back now before getting back into RBPs and recap how REDD+ works and, in particular, how RBP is embedded in REDD+ process.

In general terms, REDD+ is a mechanism that envisages compensating tropical forest nation-states and companies or owners of forests in developing countries not to cut their carbon-rich forests or to reduce their deforestation and forest degradation rates, thus avoiding GHG emissions.

The United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties held in Cancun in 2010 (COP16) adopted a decision on REDD+ that specifies that REDD+ is carried out in three phases. REDD+ activities

should be implemented in phases, beginning with the development of national strategies or action plans... followed by the implementation of national policies and measures...and results-based demonstration activities, and evolving into results-based actions that should be fully measured, reported and verified.

However, it is further clarified that these phases are not necessarily subsequent, meaning that countries are left with the freedom of deciding which phase to implement, without necessarily implementing the others. This can create serious problems for indigenous peoples especially if countries decide to start supporting and implementing Results-Based Payments projects without having completed the requirements on institutional reform needed to ensure respect of indigenous peoples' rights.

In short, if they have not yet been able to fully implement and respect the safeguards and ensure the full and effective engagement of indigenous peoples. And this is something that needs to happen **before** you move on to the phase of Results-Based Payments.

So, the REDD+ cycle is divided in three steps: the first one is called Readiness, and this is when countries that want to do REDD+ and then access Results-Based Payments need to carry out institutional reforms, assessments and engage with key stakeholders such as indigenous peoples and show that they are *ready for REDD+*. And hence that they know and commit also to respect relevant safeguards.

In Readiness, countries that want to apply for REDD+ funding need to produce a national strategy and action plan with details of what they intend to do to address land tenure, drivers of deforestation, forest governance, gender, safeguards and full and effective participation and consultations with all stakeholders, including indigenous peoples.

They also are expected to develop a so-called System of Information on Safeguards that explains how they intend to respect safeguards for REDD+ and finally, since as we

said RBP is based on a solid system of verification and monitoring, a robust national level Monitoring, Reporting and Verification system for forests. So, the Readiness phase is meant to lay out the policy and implementing framework for REDD+ and the tools with which the country can implement the conditions required to access RBP, at least in theory.

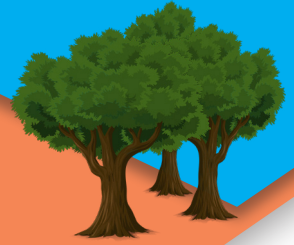
The second phase of REDD+ is the so-called Implementation phase. This is when the policies and programs developed in Readiness are implemented, and some pilot programs for RBP carried out.

In this phase, these pilot programs are meant to test the modalities in which carbon emissions are reduced or prevented as well as the whole system of monitoring and reporting, carbon measurement, and final verification of results.

The third phase is the actual carbon accounting that then will lead to the Results-Based Payments phase. In this phase, REDD+ is fully implemented at national or “subnational” (if the case is) level and when the whole complex system of reporting and verification is in place and operational to create the conditions required to access the payments envisaged and agreed upon.



What are the Cancun Safeguards on REDD+?



After intense pressure from indigenous peoples' organizations and NGOs, the UNFCCC adopted a series of safeguards on REDD+ in the Cancun COP16 (2010), some of which explicitly related to indigenous peoples.

This now represent the minimum benchmark for climate finance for forests (as we will see later, the Green Climate Fund has adopted an Indigenous Peoples Policy that goes further and complements the Cancun Safeguards on REDD+).

As a matter of fact, the Cancun Safeguards contain at least three (3) elements that relate to indigenous peoples, and hence are very important when defining REDD+ programs as well as related Results-Based Payments.

The safeguards are an instrument used to make sure that any initiative on REDD+ in all the three stages (including Results-Based Payments), does not do harm to the environment and to indigenous peoples.

For instance, the Cancun Safeguards stress the need to respect knowledge and rights of indigenous peoples

and members of local communities, taking into account international obligations and national laws, while noting the adoption of the UN Declaration on the Rights of Indigenous Peoples (UNDRIP).

This language was the outcome of negotiations and of the need to ensure consensus among parties, some of whom did not recognize the relevance of UNDRIP.

Still, the reference is very important as it was a foot-holder for other indigenous peoples' policies that were subsequently adopted, such as the Indigenous Peoples Policy of the Green Climate Fund.

So, the UNFCCC recognizes the need to respect indigenous peoples' traditional knowledge and rights, as well as to ensure the full and effective participation of indigenous peoples.

Another important element is the recognition of the interdependence of indigenous peoples and forests, and the importance of ensuring that REDD+ actions are used to “enhance social and environmental benefits of forests, taking into account the need for sustainable livelihoods of indigenous peoples...”

How this has then been translated in practice, in particular in RBP policies and programs, will be dealt with later.

What is important to recall here is that any government that wants to apply for REDD+ finance needs to provide a set of documents to show how it intends to ensure respect of the safeguards, a so-called “summary of information,” and also establish a system of application and monitoring

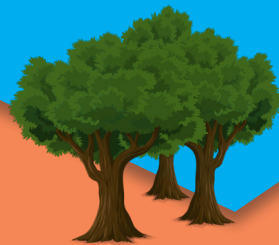
of safeguards (Safeguards Information System/SIS) as two of the preconditions to be able to access Results-Based Finance.

So, countries will have to report on how they are addressing and respecting safeguards in a “summary of information” before payments for emissions reductions can be made. It should be noted that the SIS only informs on “how” the safeguards are respected but has no assessment of whether and the extent to which these are complied with.

Furthermore, while for reference levels for carbon accounting (REL) the UNFCCC will carry out a review, the same does not apply to safeguards and SIS.

Therefore, an important element to consider is the need to have indicators to assess the social and environmental aspects of REDD+ and RBP, since much of the emphasis is mainly put on carbon measurement and only indirectly to social and environmental implications

What is the Warsaw Framework on REDD+? What does the Paris Agreement say about RBP and why are these important for indigenous peoples?



The Warsaw Framework on REDD+, adopted at the Warsaw Conference of the Parties of the UNFCCC in 2013, is a sort of “toolbox” of instruments and conditions to be respected in order to access Results-Based Finance. As said above, results are mainly assessed in terms of greenhouse gas emissions (GHG), and of improvement of carbon stocks and forest cover.

The Framework contains a set of guidelines and ways to implement REDD+ activities and access related payments, offering a framework for fulfilling the criteria for a results-based approach to finance mitigation.²

The Warsaw Framework also reaffirms that funding can come from various sources, public or private, and from different financing institutions. These are advised to ensure

² Results are defined as GHG emissions, while enhancement of carbon stock and forest cover are measured against the so-called Reference Emissions Level (REL), a benchmark that identifies tons of CO₂ equivalent/year that are expected to be saved and then paid in accordance to an agreed price.

an adequate flow of funds for RBP and to increase the number of countries able to receive payments for results-based actions. The key role of the Green Climate Fund (GCF) in supporting REDD+ and RBP is also acknowledged.

In addition, the Warsaw Framework lists the criteria for obtaining Results-Based Finance for REDD+, notably that the country has a National Strategy/Action Plan, has set a National Forest Emission Level (REL/RL), does have a National Forest Monitoring System in place, as well as—as stressed above—a Safeguards Information System, and has provided a Summary of Safeguard Information on how safeguards have been addressed and respected.

The lack of one of these five (5) conditions would mean that the country will never be able to access financing for results since these results can be assessed, verified, monitored and evaluated only if these five conditions are met.

As of mid-2018, Brazil, Ecuador and Malaysia had complied with all the Framework conditions, while the other 36 countries had already sent their Forest Reference Emissions Levels. The Paris Agreement puts a lot of emphasis on the role of REDD+ for the achievement of the climate goals, and deals with RBPs, reaffirming the principles contained in the Warsaw Framework but also recognizing among others, the importance of “non-carbon” values and the key role of the Green Climate Fund.

The Conference of the Parties also invited the Green Climate Fund: “to enhance [its] consideration of local, indigenous and traditional knowledge and practices and their integration into adaptation planning and practices,

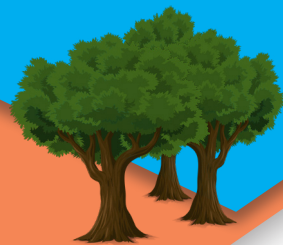
as well as procedures for monitoring, evaluation and reporting.”

Article 5 also encourages Parties:

to take action to implement and support, including through results-based payments, the existing framework as set out in related guidance and decisions already agreed under the Convention for: policy approaches and positive incentives for activities relating to reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries; and alternative policy approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests, while reaffirming the importance of incentivizing, as appropriate, non-carbon benefits associated with such approaches.



How does RBP work in practice?



As we have seen, Results-Based Payments for REDD+ need to be conditioned to the criteria and tools envisaged by the Warsaw Framework. That means that if one of the criteria and instruments in the Framework is not fulfilled or established, then no access to RBP would be possible.

As for any RBP project, measurement of the situation using a reference value is fundamental to then be able to evaluate the result achieved and proceed to disburse the payment.

The process therefore starts with measuring the changes in forest cover using an agreed Forest Reference Level (F/REL) as benchmark, in order to show what the country can achieve in terms of reducing deforestation in comparison to current deforestation rates.

These levels can be based on historical average rates (how much forest disappeared in average in a given period of time), adjusted to take into account projected increase in deforestation (in such case the country is asking for

more flexibility in putting an end to deforestation by a given period of time) or negotiated bilaterally between the country and the entity that will provide the payments. The F/RELS are assessed with the technical support of UNFCCC and these are the key criteria to define RBP.

It should be noted that currently there is no independent review mechanism at the national level, while a lot of emphasis is put on carbon measurement (i.e., on how much carbon is stored in forests) and on accounting and monitoring systems (how much carbon would be saved with REDD+) since MRV/technical assessment of the reference level is very important for the verification process required to seek RBP.

State parties to the UNFCCC are asked to produce an annex in their Biennial Update Report (BURs) to the UNFCCC with summary of information linking REDD+ results to their REL and with information on the methodologies chosen to produce results. The technical report produced by UNFCCC experts would then be published by the UNFCCC secretariat and would include the technical annex on results of REDD+, the analysis by the experts, and advise on next steps.

As pointed out already, Results-Based Payment is primarily conditional to emission reductions achieved. However, the recipient is left free to decide how to achieve emissions reductions, and therefore possibly engaging and including indigenous peoples from the very beginning also in the elaboration of the program or project and not only in the implementation. The donor, on the other hand, can provide restrictions in use of funds, and define the safeguard standards to be applied.

Therefore, who wants to receive Results-Based Payments needs to commit:

- To apply the Cancun Safeguards;
- To outline how they intend to achieve and manage the results;
- Set up benefit-sharing and financial management systems to define how the money they will receive will be spent.

This is a very important element to take into account for indigenous peoples, both as regards the type of benefit-sharing agreements and the criteria with which the money received with the payment will be spent. Both the Green Climate Fund and the Carbon Fund of the Forest Carbon Partnership Facility (FCPF) have adopted their own sets of standards, related to the social and environmental aspects of Results-Based Payments project and for projects that would then be supported with the money received with those payments.

In both cases, these are relevant for indigenous peoples, as regards the need to ensure that rights are not violated, indigenous peoples' active and positive role in forest conservation are recognized, and benefit-sharing agreements are set up.

The payments are made *only* after the results have been verified, but countries can indeed receive financing for the Readiness phase.

Furthermore, in order to work RBP needs to be additional, notably that the activities to be rewarded with the payment would not have occurred without that payment, and also that without the program, no emission reduction would

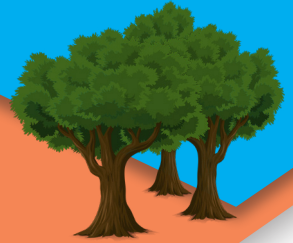
have happened. As to the timing, RBP are made upon verification of results but preliminary activities such as readiness investments might occur.

Another important element to take into account is that the compensation is not only for the prevention of deforestation but also for forests under conservation. Latest data contained in a 2018 report by the Rights and Resources Initiative (RRI) show that carbon stored in forests that are under formal or traditional control of indigenous peoples and local communities amount to 300 million tons, (33 times the volume of energy production emissions from 2017).

This means that the role of indigenous peoples' traditional knowledge and sustainable livelihoods is crucial to conserve forests globally, and therefore capture carbon. It can thus be easily argued that indigenous peoples are directly eligible for compensation and for access to finance. This is not necessarily the case, however, since this possibility mostly depends on who owns the carbon and the extent to which land rights and carbon rights of indigenous peoples are recognized.

And this is still a long struggle.

How much money goes to REDD+ Results-Based Payments programs?



Overall, REDD+ funding in 2006-2015 amounted to US\$8.7 billion, almost half for readiness programs and policies, and is channelled via multilateral funds (Carbon Fund, Green Climate Fund) and bilateral initiatives such as the Norwegian International Climate and Forest Initiative (NICFI) programs in Indonesia, Guyana and Brazil. In occasion of the UNFCCC Conference of the Parties held in Paris in 2014, Norway, UK and Germany announced an additional \$5B, mostly for RBP.

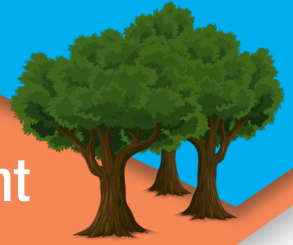
An additional \$1B comes from private sources and is mostly for voluntary offsetting that need to use certification schemes that have been developed separately from the Cancun Safeguards.

In some cases, these go far in recognizing indigenous peoples' rights and well beyond a strict focus on conservation of carbon, acknowledging the importance of so-called "non-carbon benefits." This is the case, for instance, of Social Carbon, CCB standards, Plan Vivo, REDD+ SES.

As you can see, most of the money comes from development aid funds. Initially the idea was that the funds would be provided by profits generated by the sale of carbon credits on a global market, whereas trade in credits would have been allowed. A global carbon market never came into existence, so now much of the RBP are channelled through aid budgets and from bilateral and multilateral initiatives. A smaller share of carbon credits is sold on voluntary markets and agreements between companies and local authorities.



What are the most important programs on REDD+ Results-Based Payments?



Apart from the Carbon Fund and the Green Climate Fund, the most important multilateral and bilateral programs for RBP are the Brazilian Amazon Fund; the programs funded by the Norwegian Climate and Forest Initiative (NCFI); the World Bank's BioCarbon Fund's Initiative for Sustainable Forest Landscapes (ISFL); and the German REDD+ Early Mover program.

The ISFL—which targets emissions in the land sector, including those deriving from production of commodities such as soy, timber, cattle, palm oil—is focused on districts or regional areas rather than nationally (the so-called jurisdictional approach). It has a broad approach that addresses deforestation in conjunction with other economic activities that affect land, such as mining, infrastructure, energy, agriculture in a “landscape” approach.

It brings together public and private actors to attract funds, and is aimed at facilitating reduction of emissions in exchange for payment for results. Payments will come from the ISFL that will buy emission reduction certificates over a period of 10-15 years. The idea is that once the approach works in a region, it can be extended to other regions in

the countries where it is carried out, notably, Colombia, Ethiopia, Indonesia, Mexico, and Zambia.

The REDD+ Early Movers was launched in 2012 at the Rio +20 Conference and is run by the German development aid for a period from 2012 to 2019 with the purpose of supporting countries that have committed to protect forests for climate mitigation. This is based on the idea of supporting small-scale farmers and forest peoples with benefit-sharing agreements, in accordance with the Cancun Safeguards.

It is composed of a program of support and capacity building to implement REDD+ strategies and of a carbon finance section funded by the German Bank for Reconstruction (KfW) that pays for emission reduction from “early movers” that have been verified by an independent authority.

The program is connected to other initiatives by the United Kingdom and Norway, and is active in the state of Acre in Brazil, Colombian Amazon and Ecuador. More recently, at the Global Climate Action Summit in September 2018, the government of Norway committed to support the Amazon Fund with RBP. The Amazon Fund has thus far allocated \$422M also to indigenous peoples' communities and to protect forest areas.

What are Non-Carbon Benefits and why are these important for indigenous peoples?



The UNFCCC Cancun Agreements adopted in 2010 formally incorporated key Non-Carbon Benefits (NCB) within the framework of safeguards that “should be promoted and supported” when undertaking REDD+ activities.

Although the Cancun text did not explicitly use the term “non-carbon benefits,” it established the expectation that all REDD+ activities should enhance social and environmental benefits, incentivize the conservation of natural forests and their ecosystem services, and promote effective forest governance mechanisms.

The relevance of non-carbon benefits has then reaffirmed in the Warsaw Framework and related COP decision, that “Recognizes the importance of incentivizing non-carbon benefits for the long-term sustainability of the implementation” of REDD+.

Non-carbon benefits are therefore a crucial component of REDD+ and should also be clearly identified and included in the assessment of the results that would then trigger the disbursement of payments.

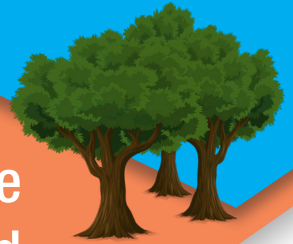
The important aspect of NCB to take into account is that, differently from the safeguards that are only meant to prevent risk or harm, these actually provide an incentive and indication for positive action, meant to deliver co-benefits to indigenous peoples and local communities.

They are an integral element of REDD+, whose complexity in terms of drivers of deforestation and multiple solutions cannot be limited to carbon and carbon values.

Therefore, NCB will also have to be considered when assessing and monitoring results.

Forests are more than carbon for indigenous peoples. There is therefore a clear need for indigenous peoples to engage with national authorities (in this case REDD+ national authorities or focal points) to discuss how to possibly complement these criteria with others that capture the non-carbon values and benefits of forest that are so crucial for indigenous peoples' rights and livelihoods.

How does the Green Climate Fund support Results-Based Payments and REDD+?



The role of the Green Climate Fund (GCF) in Results-Based Payments was already recognized in the Warsaw Framework for REDD+ and is further stressed in the GCF governing instrument.

The governing instrument specifies that “results based approach will be an important criterion for allocating resources. And that the Fund may employ results-based financing approaches including in particular incentivizing mitigation actions, payment for verified results, where appropriate.”

The Governing Instrument of the GCF also acknowledges that REDD+ is eligible for GCF support:

Results-based approach will be an important criterion for allocating resources... The Fund may employ results-based financing approaches for incentivizing mitigation actions, payment for verified results, where appropriate.

GCF can provide support to all the three phases of REDD+: Readiness, Implementation and Payment for

Results. As to the Implementation phase, GCF can deliver Readiness funds to improve the capacity of countries to implement REDD+ and also support the private sector. It can also assist in the preparation of proposals through its Project Preparation Facility.

REDD+ and Results-Based Payment projects that are seeking GCF support will have to be compliant with the requirements contained in the Warsaw Framework. The GCF REDD+ Pilot Program would have a maximum amount of \$500M.

The price of carbon is fixed at \$5/tCO₂ equivalent—that means that for every ton of carbon saved with the project, \$5 will be paid for a maximum amount of 100 million tons of CO₂ equivalent. Maximum amount of payment will be 30 percent of the total amount.

The Pilot Program of the GCF will consider payment for results achieved between December 2013 and December 2018, after these are accomplished and verified; and projects will be approved on a rolling basis. The first approval can take place before December 2018 for results already submitted. Last approval will take place at the last Board meeting in 2022.

It is expected that roughly 10 countries will participate in the pilot program. Emissions Reduction certificates will not be transferred to the GCF but can be used by countries selling these on carbon markets or in bilateral agreements. These however cannot be use by them to offset their emissions.

What is the Green Climate Fund Indigenous Peoples Policy and why is it so important for indigenous peoples?



The Green Climate Fund (GCF) has adopted an indigenous peoples' policy in 2018 after intense pressure and advocacy by indigenous peoples' organizations, with support from advocates, Civil Society Organizations and friendly states.

The policy encompasses various aspects related to how to prevent harm and damage to indigenous peoples and respect indigenous peoples' rights while developing and implementing climate finance programs, including RBP in REDD+. The policy also deals with possible benefits to indigenous peoples.

The policy still falls short of acknowledging the positive contributions of traditional knowledge and livelihoods of indigenous peoples. However, it is firmly based on a human rights approach that includes specific obligations of the various actors operating within the Green Climate Fund to fully comply with international obligations and standards on the rights of indigenous peoples, inasmuch as these relate to projects and programs financed by the GCF.

In order to understand how the Indigenous Peoples Policy works, you need to know that the GCF, as differentiated

from other financial institutions, puts a lot of importance on the so-called “ownership,” notably the leading role of recipient countries that can define priorities and modalities for use of GCF funds. Recipient countries are represented by National Designated Authorities (NDA), usually hosted in ministries of finance or environment.

These are the authorities that have to develop a national plan on climate that sets the priorities for financing.

This is why is it important for you to find out who is your NDA or focal point in your country and get in touch with them to engage in consultations and participate in the definition of country priorities, including REDD+ and RBP.

NDAs are required by the GCF and also by the Indigenous Peoples Policy to enable the full and effective participation of all stakeholders, including indigenous peoples.

This aspect is important also because it is the NDA that has to provide a letter of “no objection,” or the green light for projects that will be presented to the GCF Board, and in the case of REDD+ and RBP, will have to consult and coordinate with the national REDD+ focal point or authority.

The other actor that is relevant for GCF is the Accredited Entity or Direct Access Entity (AE or DAE) that is the organization, institution or NGO that can apply for GCF funds, and therefore present a project to the Board for consideration.

The AE will also have to comply with the Indigenous Peoples Policy requirements and with its own internal policies. The GCF Secretariat, on the other hand, will have to ensure that projects are in line with GCF policies,

including the Indigenous Peoples Policy, the Cancun Safeguards (in case of REDD+ and RBP projects), the Social and Environmental Management System and other relevant policies and safeguards.

This is another modality for indigenous peoples to engage with the GCF and possibly in REDD+ and RBP. You might in this case have to work with an Accredited Entity that is active in your country to be involved in the definition of the project and its implementation and the AE is required to identify and engage with indigenous peoples.

This is your right. However, you will not be able to access GCF funds directly as the case is with other climate funds, such as the Dedicated Grant Mechanism for Indigenous Peoples of the Forest Investment Facility (FIP) of the World Bank that supports in particular REDD+ projects implementation.

You will always have to go through your government and/or an Accredited Entity. You could try to accredit yourself to directly receive funds but the procedures and requirements are very complex and demanding.

It should also be noted that the GCF has adopted an initial system of safeguards used by the World Bank's private sector arm, the International Finance Corporation (IFC), that has also a specific safeguard on indigenous peoples and free, prior and informed consent (FPIC). However, in this case, the prevalent principles and criteria are those contained in the Indigenous Peoples Policy that as you will see is very relevant also for REDD+ and RBP projects to be funded by the GCF.

For instance, the Policy states that in the lack of FPIC of indigenous peoples, no project that might involve or

impact or affect them can go to the Board for consideration and approval. And this applies also to REDD+.

In some cases, as in the case of Ecuador, the country had presented a national project via the UNDP (United Nations Development Program) as Accredited Entity and had to adopt a government decree on FPIC in accordance to international standards to be able to access GCF funds.

The Indigenous Peoples Policy also envisages the direct engagement of indigenous peoples in GCF governance, with the appointment of an Indigenous Specialist in the Secretariat based in Song-Do, South Korea. The Specialist will be in charge of contributing to the assessment and evaluation of projects that will be presented to the GCF for financing. Hence, the Specialist will be playing an important role in determining if any REDD+ or RBP project presented to the GCF complies with the Indigenous Peoples Policy and other relevant policies and safeguards.

Furthermore, an Indigenous Peoples Advisory Group (IPAG) is also established with four (4) representatives and four (4) alternates from the four (4) developing country regions: Latin America, Asia, Pacific, and Africa. The IPAG members will also engage in the process of elaboration and development of policies and programs.

As to the interim Environmental and Social Safeguards of the Fund, these are in fact the International Finance Corporation's Performance Standards, including the standard on Indigenous Peoples that has reference to FPIC but with a very limited scope. Although these will soon be substituted by safeguards elaborated and finalized by the GCF Secretariat, the Indigenous Peoples Policy is important, because it complements and strengthens other safeguards

and policies that are relevant to indigenous peoples.

The Indigenous Peoples Policy of the GCF needs to be read in conjunction with other relevant policies and instruments such as the Environmental and Social Management System (ESMS) and the Interim Environmental and Social Safeguards, in particular, the one related to indigenous peoples.

The ESMS is a set of criteria and procedures aimed at assessing the possible social and environmental impacts of activities funded by the GCF and mitigate them. It is composed of an Environmental and Social Policy, Interim Environmental and Social Safeguards (ESS), management processes and functions such as Independent Redress Mechanism, information disclosure, supervision, monitoring and reporting, an Environmental and Social Management manual, with additional guidance.

The ESMS also includes guidelines for stakeholder engagement with normative references on stakeholder engagement, including consultations and FPIC.

The ESMS explicitly says that:

All GCF-financed activities will avoid adverse impacts on indigenous peoples, and when avoidance is not possible, will minimize, mitigate and/or compensate appropriately and equitably for such impacts, in a consistent way and improve outcomes over time; promote benefits and opportunities; and respect and preserve indigenous culture, including the indigenous peoples' rights to lands, territories, resources, knowledge systems, and traditional livelihoods and

practices. All GCF-financed activities will support the full and effective participation of indigenous peoples and recognize their contribution to fulfilling the GCF mandate throughout the entire life cycle of the activities. The design and implementation of activities will be guided by the rights and responsibilities set forth in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) including, of particular importance, the right to free, prior and informed consent, which will be required by GCF in applicable circumstances.

It should be pointed out that the ESMS also required the AE to develop plans to mitigate potential impacts on indigenous peoples, such as the Indigenous Peoples Plan (IPP) or Indigenous Peoples Management Framework (IPMF).

The former specifies the activities that will be carried out to minimize or compensate adverse impacts and also ways to ensure potential benefits for indigenous peoples when there are potential impacts on indigenous peoples. The latter will be prepared if specific activities or locations have not yet been identified.

Both the IPP and the IPMF will be informed by the Indigenous Peoples Policy and will be developed in collaboration of and with the full and effective consultations of indigenous peoples, ensuring their right to FPIC, when required.

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How are GCF funds disbursed for REDD+ and RBP projects?

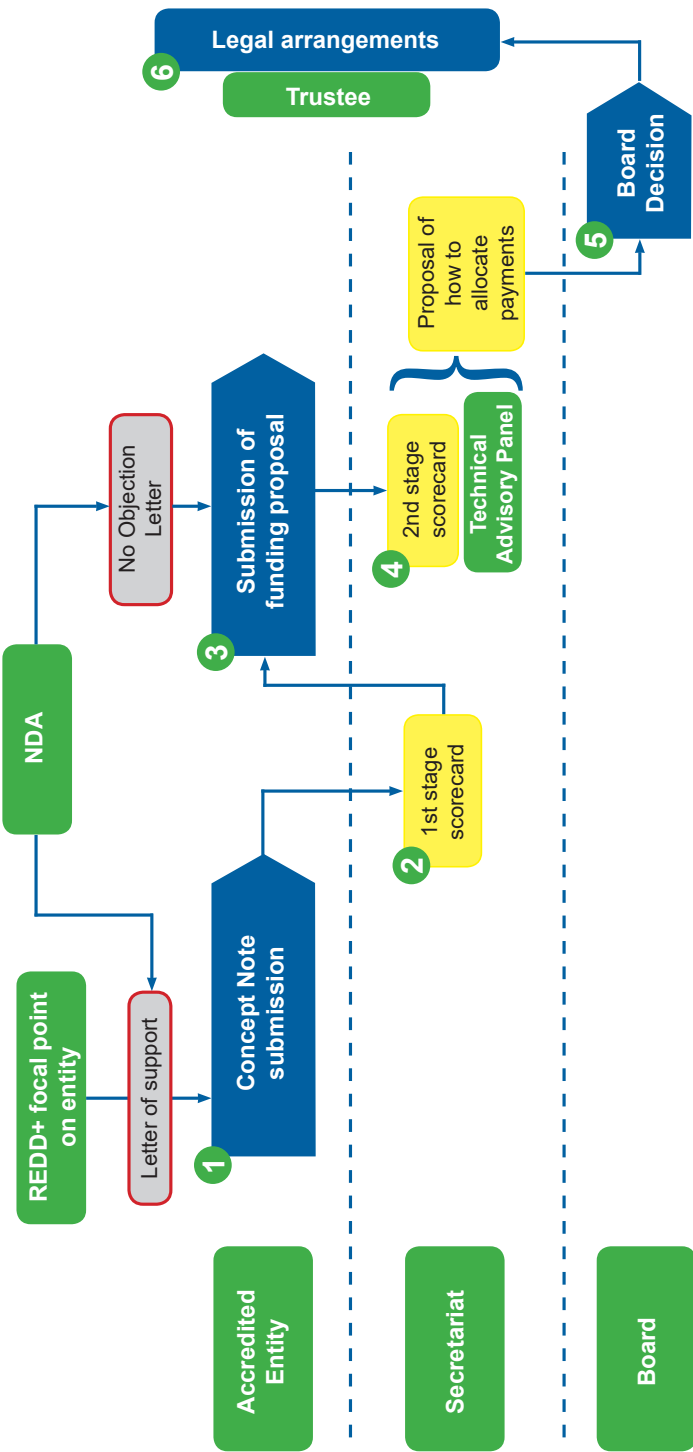


The procedure is the same of any other project to be presented to the GCF Board for approval.

The Accredited Entity, in coordination with the national REDD+ Entity or the Focal Point to the UNFCCC, will have to follow the procedures defined by the NDA, and have a no objection letter from the NDA, as well as a written consent from REDD national entity or focal point to the UNFCCC Secretariat. It is therefore the national government that assumes accountability for REDD+ results. The GCF envisages two stages for the preparation of a request for proposal.

Concept notes to be presented to the GCF by the AE will be subject to the eligibility criteria listed in the so-called REDD+ Scorecard (and as required in the Warsaw Framework), such as information on REL and FREL approved in the UNFCCC technical analysis, evidence that Safeguard Information System (SIS) is in place, and reference to the most recent summary of how safeguards covering the time period for which results were achieved were addressed and respected.

REDD+ RBP Approval Process
Overview



Source: Green Climate Fund

Furthermore, there needs to be a written consent by the REDD+ National Entity or Focal Point, and a no objection letter by the NDA.

The REDD+ Scorecard is a checklist for the assessment of the REDD+ concept note and the funding proposal. In the first case—that of the assessment of the concept note—it lists a series of eligibility criteria. On the other, it contains requests for information on issues such as FRELS, REDD+ results reporting, the Cancun Safeguards, non-carbon benefits, alignment to the GCF Investment Criteria and with GCF policies, including the Indigenous Peoples Policy.

The concept note will therefore be assessed by the GCF Secretariat using the eligibility criteria contained in the scorecard that include information on how the Cancun safeguards are respected, the SIS and non-carbon elements. The Scorecard explicitly mentions the Cancun Safeguards on indigenous peoples' rights and knowledge and that on full and effective participation of stakeholders, including indigenous peoples.

Eligible countries that fulfil the REDD+ scorecard will then be invited to submit a Results-Based Payment funding proposal.

The funding proposal will be submitted by the AE, with additional information such as, for instance, an ESA (Environmental and Social Assessment) to describe how activities undertaken in the past and that will produce results for which payments are sought for, shall respect the interim GCF Environmental and Social Safeguards.

It will also request additional information to demonstrate that the Cancun safeguards were addressed and respected, but at the country's discretion.

Furthermore, the AE will have to provide evidence of the fact that safeguard-related information is made available to domestic and other stakeholders. They also have the option, but not the obligation, to include a description of non-carbon benefits associated with implementation of REDD+ and nature, scale and importance of NCBs for the long-term sustainability of REDD+ activities.

The REDD+ Scorecard for this second stage, when the AE can also propose projects to be funded with the use of RBPs, includes a specific reference to the Indigenous Peoples Policy, although with a very loose and discretionary language.

As a matter of fact, the Scorecard specifies only that “adequate and sufficient information will have to be provided on how activities will meet requirements of the Indigenous Peoples Policy.”

The definition of what is adequate and sufficient is very discretionary. For this reason, it is important that indigenous peoples engage with their competent national authority (both the NDA and the REDD+ focal point) from the very beginning, to ensure that proposed activities are fully aligned with the Indigenous Peoples Policy of the Fund.

Results achieved as identified in submitted proposals will then be considered by the Secretariat and assessed using the Scorecard. As regards future results, an estimate of future payments will be carried out, together with a review of compliance with REDD+ scorecard to be done by the Secretariat and the Technical Advisory Panel of the Fund. Then the proposal can go to the Board for approval.

Once the Board approves, the GCF will transfer funds via the AE to the recipient defined in the funding proposal. The AE will have to produce a yearly report on the use of proceeds and, among others, to inform about compliance with GCF ESS, Gender Policy and Indigenous Peoples Policy, among others.

An important aspect to take into account is that indigenous peoples-related issues are relevant not only in the preparation and implementation of the RBP scheme but also in the subsequent phase, i.e., when the proceeds deriving from the payments are going to be reinvested in activities in recipient countries.

As a matter of fact, the REDD+ Decision agreed by the GCF Board at its 18th meeting clarifies that proceeds will have to be used in line with INDC (Intended Nationally Determined Contributions, or simply the national strategies on climate change that list the activities that the country will undertake to contribute to the UNFCCC goals and commitments) and REDD+ national strategy.

Countries will have to provide a description of the activities to be funded, how stakeholders are engaged, and assessment process for GCF safeguards and for compliance with GCF policies.

Indigenous peoples' organizations and support NGOs have repeatedly conveyed proposals and concerns in the course of the elaboration of the RBP and the REDD+ Scorecard—in a joint letter signed by almost 40 indigenous peoples' organizations and support groups and sent to the GCF in 2017—as an input into the preparation of the RBP guidelines and REDD+ Scorecard.

In particular, indigenous peoples pointed to the narrow approach underlying the RBP and REDD+ Scorecard, in terms of focusing exclusively on carbon and not acknowledging properly the role of non-carbon benefits and the need to respect land rights of indigenous peoples.

Signatories also called for the development and application of performance standards to properly assess the compliance to the Cancun Safeguards and complement the Safeguards Information System with inputs from community-based assessments and evaluation (CBMIS—Community-Based Monitoring and Information Systems).

Particular reference was made to the Convention on Biological Diversity (CBD) and its work on REDD+ safeguards as regards the need to ensure full respect of traditional knowledge and sustainable livelihood systems, as well as access to benefit-sharing and equitable distribution of benefits. Furthermore, the Akwé:Kon guidelines adopted by the CBD were also suggested to be used as additional guidance for the assessment of REDD+ projects and compliance to safeguards

Indigenous peoples' observers at the Green Climate Fund have further pointed to some key concerns in the process of elaboration and adoption of the RBP and REDD+ Scorecard.

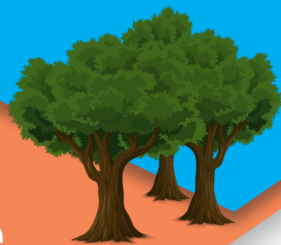
In particular, they called for the alignment of the RBP and REDD+ Scorecard to the GCF's Indigenous Peoples Policy and expressed concern that the Safeguard Information System might not be sufficient to provide solid data on the extent to which the Cancun Safeguards are actually addressed and complied with.

This is why the proposal was made to the Fund to envisage an independent third-party verification, as well as a review of national legislation of the country where the project would be implemented, in order to assess how UNDRIP and relevant indigenous peoples' rights are respected.

Another proposal was to include benefit-sharing plans and land tenure and land reform in the REDD+ scorecard as criteria for the approval or rejection of proposals, as well as to give more relevance to non-carbon benefits.



How is compliance with the GCF policies ensured?



As regards past activities for which payments are requested, the AE will have to implement due diligence to show consistency with GCF safeguards and criteria in section III of the Scorecard (i.e., non-carbon elements: Cancun Safeguards, use of proceeds and non-carbon benefits), gender policy and interim list of prohibited activities.

The AE and host country will also have to prepare an Environmental and Social Assessment report to show consistency with GCF ESS.

The Secretariat will then do a second due diligence against the REDD+ Scorecard criteria that together with the SIS will be the basis for recommending the project for Board approval.

As regards stakeholder engagement, the AE will also have to include summaries of consultations, highlighting concerns and issues raised by stakeholders, and how these have been addressed and dealt with.

The GCF envisages two stages for RBP projects: one related to the payment of results, and the other, related

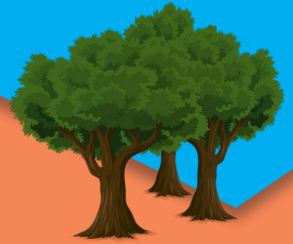
to the use of that money in other projects. As regards the second stage, proponents of projects will have to ensure respect of all GCF policies, including the gender policy and the Indigenous Peoples Policy.

As regards Environmental and Social Safeguards, the Accredited Entity that wishes to access GCF funds will have to provide an Environmental and Social Management Framework (ESMF) to describe how environmental and social risks and impacts will be addressed in compliance with GCF ESS standards. They will also have to provide information on how affected communities have been consulted.

An additional tool to ensure compliance and grievance redress—in case of harm caused as a consequence of neglect or violation of safeguards or other relevant policies—is a recourse or complaint mechanism.

Accredited Entities have to have one internally, and as the case maybe, develop a complaint mechanism specific to the project in consultation with indigenous peoples. The GCF also has its own, that can alternatively be accessed by affected communities—the so-called Independent Redress Mechanism.

What is the Carbon Fund? How does it work and what are the implications for indigenous peoples?



The Carbon Fund is one of the two programs of the Forest Carbon Partnership Facility (FCPF), a World Bank-led institution that supports REDD+ Readiness and Results-Based Payment pilot projects and programs. It was established in 2011 to support large-scale Results-Based Payment projects, experimenting various approaches, including land tenure reform, and provide payments.

The Fund is governed by a Participant's Committee composed of government representatives, NGOs and private sector (EU, Australia, Canada, France, Germany, Norway, Switzerland, United Kingdom, USA, British Petroleum, and the Nature Conservancy).

An interesting element to take into account is that the Carbon Fund's Emission Reduction Programs are not only expected to produce results in terms of avoided emissions of carbon, but also in terms of NCBs, such as improvement of livelihoods, land tenure reform and maintenance of biodiversity.

Countries that have prepared an RPP (Readiness Preparation Program) may apply to the Carbon Fund by submitting an Emission Reductions Program Idea Note

(ER-PIN). The RPP is presented to the FCPF Readiness Facility to seek funding for activities that would make the country eligible to access Results-Based Payments programs.

The ER-PIN—if accepted by the Carbon Fund—can be developed into an Emission Reduction Program (ER), with the financial support of the Fund. The World Bank, that is the trustee of the Carbon Fund, signs a letter of intent to support the preparation of a draft Emissions Reduction Program Document (ER-PD). This can be submitted for Fund's consideration once the Readiness Program (or Package) is adopted by the Participants' Committee of the FCPF.

Once the ER-PD is accepted in the Carbon Fund Portfolio, the World Bank drafts an ERPA (Emissions Reduction Payment Agreement) with which the Emissions Reduction Program is implemented. Progress with implementation will be reported once verifiable emission reductions are generated and verified. The payments are then made to REDD+ national focal point that presented the Emission Reduction Program and signed an Emissions Reduction Payment Agreement with the World Bank. Then the emission reductions certificates (or bonds) are transferred to Carbon Fund participants.

As of 2018, the Carbon Fund has approved Emission Reduction Programs in 11 countries. Costa Rica, Chile, Democratic Republic of Congo and Mexico have just started or have been negotiating the conditions to receive RBPs, once the conditions required to sign the Emission Reductions Payment Agreement are fulfilled and the Agreement is signed (between 2018-2020).

This has not happened at the date of production of this guide because of procedural and technical reasons, while the initial expectation was that at least three countries could sign the agreement by 2018.

The process of elaboration of the Emissions Reduction Proposals is complex and poses some potential risks for indigenous peoples that need to be fully assessed and taken into account.

A report by the Environmental Investigation Agency published in 2016 has shown that the Fund's approach is limited to supporting market-based system of carbon credits, that then would go to the Carbon Fund participants, i.e., those that have contributed in the financing of the Fund and are part of its governance structure. Furthermore, it found out that Readiness activities are far more difficult than expected, that the Emission Reduction Programs do not identify or properly target the drivers of deforestation and that methodologies to account for carbon are not transparent.

Additional reason for concern is represented by the findings of an analysis of ER-PINs by the Rights and Resource Initiative that show a lack of involvement of forest communities in planning and implementation of ER-PINs. The analysis of the ER-PINs showed a limited consideration of land rights. To add to that, ER-PINs can be submitted without the SESA (i.e., the Strategic and Environmental Social Assessment) that is required in the Readiness Phase to show the country's capacity to address social and environmental issues related to REDD+ and list remedial actions, as well as define matters related to land tenure.

Therefore, if countries can present an ER-PIN before the SESAs are completed and land and safeguard-related matters are addressed, there is a risk that indigenous peoples' concerns may not be fully considered by the Carbon Fund. As a matter of fact, the report showed that indigenous peoples had not been adequately engaged in the design and delivery

of the ER-PINs: only in three (3) out of 13 were communities engaged in planning and design stages, and only two (2) showed intention to secure community engagement in the implementation of the Emission Reduction Program.

What happens when the emissions reduction programs are paid for and carbon credits are produced?

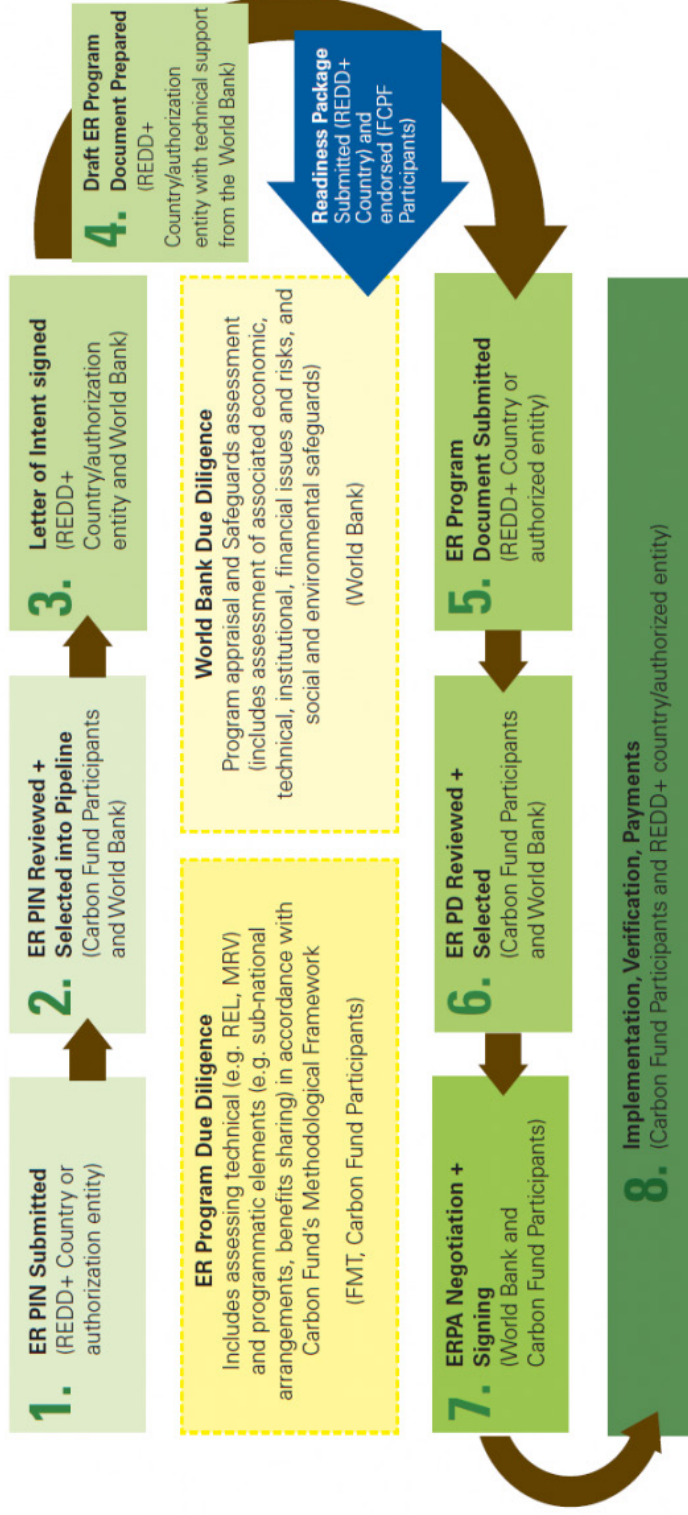
The carbon credits will in part go to the Carbon Fund participants (governments, NGOs, private companies). The participants can sell these credits to companies or other actors that wish to purchase these credits to compensate for their emissions, and therefore show that they are contributing to climate change mitigation.

These can also buy credits directly from developing countries' governments or become a Carbon Fund participant and hence have the right to a share of the credits.

What is the Carbon Fund Methodological Framework and how are indigenous peoples' issues dealt with?

The Methodological Framework was adopted by the Carbon Fund in December 2013 and contains a list of criteria and indicators to be used in assessing the proposals for emission reductions and related payments for results presented by countries. It contains important references to indigenous peoples and related issues such as land rights, carbon rights (that will be explained further down), and the need to respect indigenous peoples' rights.

As you will see, however, the devil still is in the detail.



Source: The Carbon Fund

In this case, the detail is in the procedures and in the Carbon Fund's strict focus on payment for reductions of carbon emissions, while putting other social, environmental and human rights consideration at a lower level of relevance.

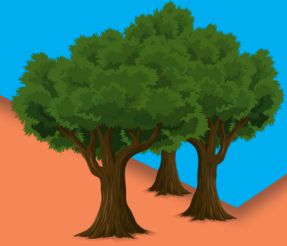
Take the relationship between carbon rights and land rights as an example. This is crucial because it determines also who receives the payments and benefits from the payment. While the Framework recognizes that there is a need to assess land tenure, it does not clearly affirm that the right to land needs to be recognized and respected but simply taken into "account."³

The problem is that safeguard implementation is not guaranteed. As a matter of fact, while the Framework requires that advanced drafts of safeguard plans are shared before the ERPAs are signed, the commercial terms of ERPA allow for a postponement of submission of final safeguard and benefit-sharing plans, until after the ERPA is signed. Hence, safeguard plans would not be part of legally-binding agreements. Furthermore, countries can keep ERPAs and related documents confidential, thereby affecting transparency and access to information to indigenous peoples.

Lastly, the Fund calls on the creation of carbon rights delinking them from land rights, thereby possibly ending up undermining customary rights of indigenous peoples and the possibility of equitable benefit-sharing, as you will learn further down.

³ Criterion 28: "assessments need to take into account customary land tenure, conflicts, competing claims need to be made publicly available and to have taken stakeholders' views into account, and be taken into account in the ER program" and "if the ER Program involves activities that are contingent on establishing legally recognized rights to lands and territories that indigenous peoples have traditionally owned or customarily used or occupied, the relevant safeguards plans set forth an action plan for the legal recognition of such ownership, occupation usage."





Who owns the carbon? Why is it important that indigenous peoples' right to land is accompanied by the recognition of carbon rights?

In order to ensure that the payment of results is based on solid assessments and verification, it is fundamental for carbon credits to be traceable back to a specific forest area within a given location or country. Hence ownership, control, use of trees, land and carbon associated to these forests are fundamental for RBPs. As regards indigenous peoples, if carbon rights are attributed to the state, and are delinked from land rights, (as for instance the case seems to be with the GCF approach to RBP) and not to communities (in the sense of recognizing indigenous peoples' right to resources in their lands), this would undermine efforts towards recognition of land rights as well, as the two are very connected.

Ownership of carbon rights and of land are therefore crucial for indigenous peoples to be able to directly and equitably access benefits deriving from payments or sale of carbon credits on the voluntary markets. This is also to ensure that the non-carbon benefits of RBPs are delivered to communities. However, as stressed in a report by the

RRI,⁴ of 20 countries analyzed in the study, 79 percent still do not have a legal framework establishing and regulating carbon markets. Only 4 countries have defined carbon rights (Brazil, Costa Rica, Guatemala and Peru). Only 3 (Chile, Costa Rica, Mexico) have designed benefit-sharing agreements and grievance mechanisms.

The report further specifies that:

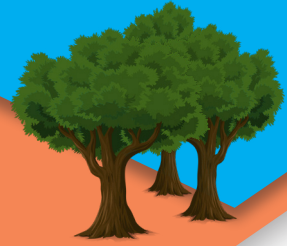
Where unclear and uncontested tenure rights are identified as key drivers of deforestation attributing carbon rights without first clarifying and securing land and resource rights is likely to exacerbate existing trends and tensions.

In the case of indigenous peoples, the lack of proper recognition of land rights would also affect the possibility of access to benefit-sharing. Look at the case of the Democratic Republic of Congo (DRC), for instance, where the government has nationalized ownership of carbon. This means that the potential benefits that would go to indigenous peoples and local communities will depend on the discretion of the government that will receive the payments. Furthermore, there is no plan to sign agreements with indigenous peoples to ensure sharing of revenues from Emission Reductions sales.

It should however be noted that, differently from Africa, in some Latin American countries the carbon rights are linked to land and forest rights, and therefore, there is more space to negotiate and design programs that could ensure direct access to benefits.

⁴ Uncertainty and Opportunity: The status of forest carbon rights and governance frameworks in over half of the world's tropical rainforests.

How does this all work for indigenous peoples?



We are almost at the end of this journey, where you have learned about carbon, carbon trading, credits, emission reduction agreements, payments for results. You might have felt a bit lost in all those technical terms and acronyms.

We have looked at how international institutions work on RBPs and what are the opportunities and risks for indigenous peoples. A complex matter!

So, let's recap how indigenous peoples might benefit or be affected by these projects and programs.

First of all, it all begins when the government of a country decides to apply for RBPs for REDD+. In order to do so (and go, for instance, to the Carbon Fund or the Green Climate Fund), it will have to have their house in order, notably fulfill the Warsaw Platform requirements for REDD+, and set up a set of criteria to measure emissions and forest situation, as well as safeguards.

In order to do so, they also might apply for some funds to become "ready," notably to "readiness funds." In order

to access Results-Based Finance and receive payments, the government has to show what kind of results it can achieve and for which it can seek payments. Once these results are verified and assessed independently, the payment can be made.

The key issue here is that the strong focus of RBPs on financial returns could end up by sidelining indigenous peoples' vision of forests and Nature that does not necessarily translate into money gains. Rather, this vision is based on the recognition of the complex spiritual, cultural and material interaction and interdependence between indigenous peoples and the ecosystems they live in since time immemorial.

Furthermore, the introduction of systems to manage and distribute the financial benefits deriving from payments risks undermining the traditional livelihoods, knowledge systems and governance systems, unless proper benefit-sharing agreements are in place. Effective and proper benefit-sharing agreements—anchored on the recognition of land rights for indigenous peoples and an accessible complaint or grievance mechanism to settle any dispute arising from the program or the project—are therefore essential to ensure that the interests of REDD+ proponents and potential beneficiaries do not undermine the interests and rights of participating indigenous communities.

Another problem to be aware of is related to the way REDD+ works, and whether the three phases (Readiness, Implementation, and Results-Based Payments) are connected or not. In fact, countries are left with the freedom of deciding which phase to implement, without necessarily implementing the others.

This can create serious problems for indigenous peoples specially if countries decide to start supporting and implementing RBP projects without having completed the requirements on institutional reform needed to ensure respect of indigenous peoples' rights. Simply put, if they have not yet been able to fully implement and respect the safeguards and ensure the full and effective engagement of indigenous peoples. And this is something that needs to happen **before** you move on to the phase of Results-Based Payments.

It should also be noted that the existence of different sets of safeguards on REDD+, for instance in the FCPF's Carbon Fund and the GCF, or other multilateral and bilateral REDD+ initiatives, might cause serious problems. Those who want to do business with RBP without having to be obliged to adopt strong standards could look for institutions with weaker safeguards or at least with those that are less stringent.

As regards indigenous peoples, a key issue is related to the correct interpretation and application of FPIC, to name one. The adoption of an Indigenous Peoples Policy at the Green Climate Fund has therefore been welcomed by indigenous peoples, since it captures the highest standards as reflected in international conventions and instruments related to indigenous peoples, such as the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), and hence represents a solid and strong benchmark for all climate finance. This is even more important, if you consider that some countries have decided to develop their own "interpretation" of REDD+ safeguards, called "country approaches."

The whole point is that the role of national governments is still crucial, either whether the payments are reinvested in programs and projects—in this case it is important that indigenous peoples participate actively in the definition of priorities for climate policies and programs at the national level—or if the carbon is sold as carbon credit on the international voluntary market. The ones who gain from the sale of the carbon credit are those who have the legal ownership of carbon, and in most of the cases, these are governments to whom payments are made.

As regards indigenous peoples, if carbon rights are attributed to the state—and are delinked from land rights (as for instance the case seems to be with the GCF's approach to RBP)—and not to communities (in the sense of recognizing indigenous peoples' right to resources in their lands), this would undermine efforts towards recognition of land rights as well, as the two are very connected.

Ownership of carbon rights and of land are therefore essential for indigenous peoples to be able to directly and equitably access benefits deriving from payments or sale of carbon credits on the voluntary markets and also to ensure that the non-carbon benefits of RBP are delivered to communities. If carbon rights or land rights of indigenous peoples are not recognized legally, the possible ways for indigenous peoples to participate are through clear benefit-sharing agreements, accessing dedicated (if any) funds established by the government, or by engaging in the project that is expected to deliver results to be paid. If, however, your country recognizes carbon ownership to indigenous peoples and you decide to engage in a carbon scheme, most of the time you may need to rely on a conservation NGO or consultancy firm, since they have the technical capacity to carry out carbon accounting.

In any case, there are risks that need to be anticipated.

For instance, how will the money go to communities? How will it be managed by the communities? Will it benefit everyone, while not affecting internal balances, or change power relations? And even if everything will work, would it be convenient to take a commitment for a long period of time (RBP project usually last up to 30 years) in a situation where the price of carbon is not stable and can drop, thereby reducing the possible gains that indigenous peoples expected?

As you have learned, there are various opportunities but also risks for indigenous peoples, regardless of whether they decide to engage or not.

In particular, the way forests are considered and the goal of keeping them standing might significantly affect your traditional livelihoods and the way to relate to the ecosystems. This is why one of the key challenges for indigenous peoples is that of engaging to ensure that when assessing the “results” that would then be rewarded with the payment, these are not only considered in terms of the carbon that is kept in or that can be absorbed by the forest. Rather, these should include non-carbon benefits and values, of recognition of land rights, and establishment of legislation that respects the rights of indigenous peoples, among others.

The proper consideration of non-carbon benefits would be extremely positive for indigenous peoples for various reasons. First, because these include issues such as the conservation of biodiversity, the protection of traditional sustainable livelihoods and traditional knowledge systems, food security and poverty alleviation, as well as land tenure

and land reform—all aspects that are fundamental in the affirmation and respect of indigenous peoples' rights. So, the proper consideration of NCBs in both the assessment of proposed projects and of consequent results is an important tool for indigenous peoples.

Secondly, because community-based monitoring systems, such as Community-Based Monitoring and Information Systems (CBMIS), are proven to be the most effective approach to fully evaluate, assess and monitor NCBs at the community and ground level, thereby providing indigenous peoples with an additional opportunity to participate and directly engage.

These are very important elements to take into account for indigenous peoples, both as regards the type of benefit-sharing agreements and the criteria with which the money received with the payment will be spent. Both the Green Climate Fund and the Carbon Fund have adopted their own sets of standards, related to the social and environmental aspects of results-based payment project and for projects that would then be supported with the money received with those payments. In both cases, these are relevant for indigenous peoples, as regards the need to ensure that rights are not violated, indigenous peoples' active and positive role in forest conservation are recognized, and benefit-sharing agreements set up.

And then, is it acceptable to put a money value to Mother Earth?

A current and recurrent critique of this scheme is that RBP ends up by putting money value to Nature and to Mother Earth's natural cycles, such as carbon sequestration of trees, while offering those that buy credits the pretext to

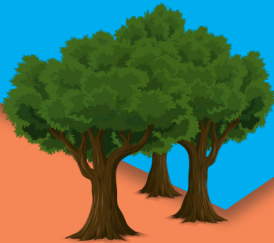
delay deep and urgently needed changes in their behavior based on dependence on fossil fuel extraction and use. For indigenous peoples, this might mean that you risk ending up “externalizing” the environmental destruction you avoid in your land to other indigenous peoples’ lands, while oil companies that purchase the credits would continue to explore for fossil fuels.

Another concern is that RBP schemes do not address the real causes of deforestation, most notably the expansion of agribusiness or extractive activities and the impact from related infrastructures. Incidentally, these are also the key causes of the increasing attack against indigenous defenders of the land and of indigenous human rights defenders. This is an important point that needs to be taken into due account in dialogue with governments and international institutions also when discussing Results-Based Payment schemes and indigenous peoples’ rights. In many cases indigenous peoples that contribute or wish to contribute to protection of land and forests and therefore climate change mitigation, are being criminalized, prosecuted or even killed for their commitment to defend land and uphold indigenous peoples’ rights.

Therefore, on the one hand, any RBP program needs to be accompanied by a clear commitment to address the root causes of deforestation, driven by demand for commodities and to reduce fossil fuels use and emissions and not to compensate or “offset” carbon emissions. As a matter of fact, in scientific terms the carbon emissions produced by fossil fuels cannot be considered as equal to the carbon stored in forests and it would take years and years to absorb little amounts of those.

On the other, states and international institutions will have to commit to respect, protect, and support leaders and communities that protect land and forests and that for this reason risk their lives and fundamental freedoms and rights. Interestingly enough, experience in various countries has demonstrated that the intention of those governments to access REDD+ and RBP has contributed in opening a space of dialogue with indigenous peoples that was not possible in the past. The conditions required to access funds, in particular as regards the safeguards and rights for indigenous peoples, has created a situation where indigenous peoples' organizations could push for important reforms and adoption of important legislation. A particular case in point is Indonesia, but the same has happened also in other countries where indigenous peoples have traditionally been marginalized or whose rights have been violated or not fully recognized.

However, much still needs to be done to ensure that governments comply with international standards and commitments to protect human rights defenders and defenders of land. In Latin America, a protocol has been adopted on the matter, the so called Escazù protocol that will now have to be signed by governments. The UN Environment has also adopted a guidance for states and institutions on the protection and recognition of the key role of environmental defenders. The UN Special Rapporteur on the rights of indigenous peoples Victoria Tauli-Corpuz has also produced a report on criminalization of indigenous rights defenders. In her report, she made a series of recommendations that can be taken up to governments and institutions also with reference to climate change-related policies and programs, and in discussions on how to address and target key drivers of deforestation.

Three green trees with brown trunks are positioned on a stylized orange hill. The background is split into green, orange, and blue sections.

What do you need to know
in order to assess whether RBP
is good for you, whether it is
worth engaging or whether
there is a need to prevent
potential damage?

When you look at a Results-Based Payments and assess whether it can be good for you, you might want to ask yourself the following questions:

Project information

Where is the project? How big an area does it cover? What are the names and number of affected people(s) or communities?

What kind of land rights do your people or community hold over your lands and territories? Are your rights customary and untitled, customary and titled, individual and titled, individual and untitled, communal and titled or communal and untitled, or some other form of right? Is there a recognition of your right to land and ensuing right to carbon?

Are you being proposed as a party to the contract selling the carbon credits? If yes, who is the named seller? If no, what company, agency or other entity is the named seller?

What is the length of time that the project covers? What are the different stages of the project and their respective duration?

If the project is funded by a fund (i.e., the Carbon Fund, or the Green Climate Fund, for instance)

Have you been able to engage with your REDD+ national authority or contact point in the development of the specific project from the very beginning? And in case of projects presented to the Green Climate Fund and also with the NDA, have you been engaged in both the preparation of the concept note and the funding proposal?

Were you consulted by the Accredited Entity or project proponent, and were these consultations and related outcomes reported in a summary to be attached to the project proposal?

As regards the Carbon Fund, were you fully and effectively consulted and engaged in the preparation of the ER-PINs? In the ensuing ERPA, does it contain information on how to comply with safeguards as well as benefit-sharing agreements before it is approved?

Are the ERPA and other relevant documents made available to indigenous peoples in a timely and culturally-appropriate manner?

As regards the compilation of the summary of information on how the Cancun Safeguards have been complied with, does the report contain information of the extent to which

these are complied with and not only “how”? Was it drafted with the full and effective participation of indigenous peoples, and will it be subject to third party verification?

Does the proposal contain details of how the funds received with RBP will be used and instruments to ensure compliance to international standards on indigenous peoples' rights, and in the case of GCF, with the Indigenous Peoples Policy requirements? Was this process transparent and participatory?

In the development of project proposals, did you have the possibility of proposing inclusion of non-carbon benefits in the definition of results? Is there an accessible complaint mechanism? At which level? Project level or implementing entity level?

Does the proposal for RBP contain a clearly defined benefit-sharing arrangement for indigenous communities and modalities to prevent any potential negative impact on the community?

Do the Monitoring, Reporting and Verification activities envisaged in the project include non-carbon criteria, such as livelihoods, biodiversity, food security, land tenure? And do they also envisage the direct participation of indigenous peoples through Community-Based Monitoring and Information Systems?

Does the project envisage an Indigenous Peoples Plan or Indigenous Peoples Management Framework developed with your full and effective participation?

Have you been engaged in the preparation of the Social and Environmental Impact Assessments that have to be carried out and included in the project proposal? In the case of the GCF, was an Environmental and Social Management System put in place? If so, were you involved

in its development and implementation?

Has the government adopted reforms and legislation that implements international obligations and standards such as the rights to land, territories and resources, FPIC, benefit-sharing, full and effective participation or traditional knowledge, to name a few?

If the project is funded by the sale of carbon credits

If the project is funded by the sale of carbon offset credits, what kind of information has been provided to you pro-actively?

What information has been requested by the community during project and contract negotiations on:

Who is the buyer? Who pays for the carbon rights which the community is considering to sell and at what average price? What are the prices for comparable projects?

What are the possible legal implications of signing a carbon offset contract? What is the possible impact of such a (long-term) contract on ownership rights over the carbon in the forest, both for present and future generations?

What are the possible implications of both decreasing and increasing carbon prices for the specific project? For example, will the community benefit if carbon prices go up or do they receive a fixed sum payment irrespective of the price for which offset credits are traded? With regard to falling prices, will payments to the community be linked to the price of carbon on an international carbon market?

Are contractual obligations linked to payments agreed on in the carbon contract signed?

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Much has been said and discussed in the years about the possible benefits and impacts of REDD+, a topic that has been at the center of indigenous peoples' analyses, elaborations and activities from community level all the way up to international fora.

This guide seeks to offer therefore an analysis of how some key institutions taking a lead on Results-Based Payments (RBP) and Finance work with respect to REDD+. The guide will also unpack some of the critical and still outstanding matters, such as the issues of carbon rights and non-carbon benefits.

