

**Proposal on REDD-plus financing under the
G77 and China proposal on
Financial Mechanism for Meeting Financial Commitments under the Convention**

Objective

This proposal seeks to define a framework for the delivery of financial resources for REDD-plus actions under para 1(b)(iii) of the Bali Action Plan, consistent with and under the G77 and China Financial Mechanism proposal (referred to as 'the proposed mechanism'), which seeks to operationalise an effective financial mechanism under the COP.

The proposed mechanism is one example on how to fund the agreed full incremental costs for the implementation of developing countries' commitments under Article 4.1 which includes mitigation activities, and in particular, Article 4.1 (d) - that deals with the commitment of all Parties to promote sustainable management; and promote and cooperate in the conservation and enhancement of sinks and reservoirs of all greenhouse gases, including forests ecosystems.

Accordingly, the principles, elements and design and structure of the proposed mechanism will apply to the REDD-plus actions.

Rationale:

1. A fund based mechanism allows for equitable distribution of funds.
2. It will not allow for off-set mechanisms.
3. Is more likely to ensure environmental integrity.
4. Is able to protect the rights of indigenous peoples and local communities as there is no transfer of rights of carbon ownership to the market.
5. Ensures sovereignty and national as well as local control over REDD-plus activities.
6. Forest conservation can be funded, including adaptation activities related to forests.

Elaboration of the design and structure

As stated under the proposed mechanism, the COP is to decide on the policies, programme priorities and eligibility criteria for financing and the COP and Board (established under the proposed mechanism) shall establish specialized funds, and funding windows under its governance, and a mechanism to link various funds. Further, each of the separate funds may be advised by an expert group or committee, which could also be supported by a technical panel or panels addressing specific issues addressed by the fund.

Consequently,

- a funding window or specialised fund can be established for REDD-plus activities as set out under para 1(b)(iii) of the BAP.
- In addition, an expert group or committee can be established to facilitate the implementation of such activities supported by a technical panel if needed.
- The establishment of such a funding window or specialised fund supported by an expert group or committee as above must ensure the predictable, adequate and timely access to financial resources for developing countries for the implementation of Article 4.1(d) of the Convention.

Elaboration of eligibility criteria

Some eligibility criteria for consideration should include the following:

1. Support for proposals that address the underlying causes of forest loss, including actions within but not limited to the forest sector.
2. Proposals that guarantee lasting protection of natural forests and reduction of deforestation and degradation, including policy, institutional and legislative reforms, enhanced forest law enforcement and improved forest governance, and strengthened recognition of Indigenous Peoples' and community rights, regardless of whether the impact of these measures can be immediately quantified in terms of carbon emission units.
3. Proposals that do not allow industrial-scale logging to benefit from financing for REDD-plus activities.
4. Proposals that do not encourage or finance conversion of natural forests to plantations.
5. Lasting reduction of emissions from deforestation and forest degradation is not possible without the full and effective participation of forest-dependent Indigenous Peoples and local communities. There is increasing scientific evidence that forest areas controlled by the local communities that live in and depend on them are less susceptible to deforestation and degradation. Hence, measures must respect and promote the rights and interests of Indigenous Peoples and local communities, including the right to free, prior and informed consent (FPIC), in its design and implementation, in full compliance with relevant international human rights conventions and applicable national laws, including *inter alia*, the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and the Convention on Biological Diversity (CBD), as well as other relevant international, customary and national law
6. Proposals are developed and implemented with the active involvement of particularly Indigenous Peoples, local communities and civil society in every step of the process;
7. Proposals and activities that promote good governance, in particular with respect to forest policies and law enforcement;
8. Proposals and activities that promote and/or ensure transparent and participatory mechanisms to prevent or resolve conflicts over access, use, and ownership rights that could arise during the development and/or implementation of REDD-plus related activities.