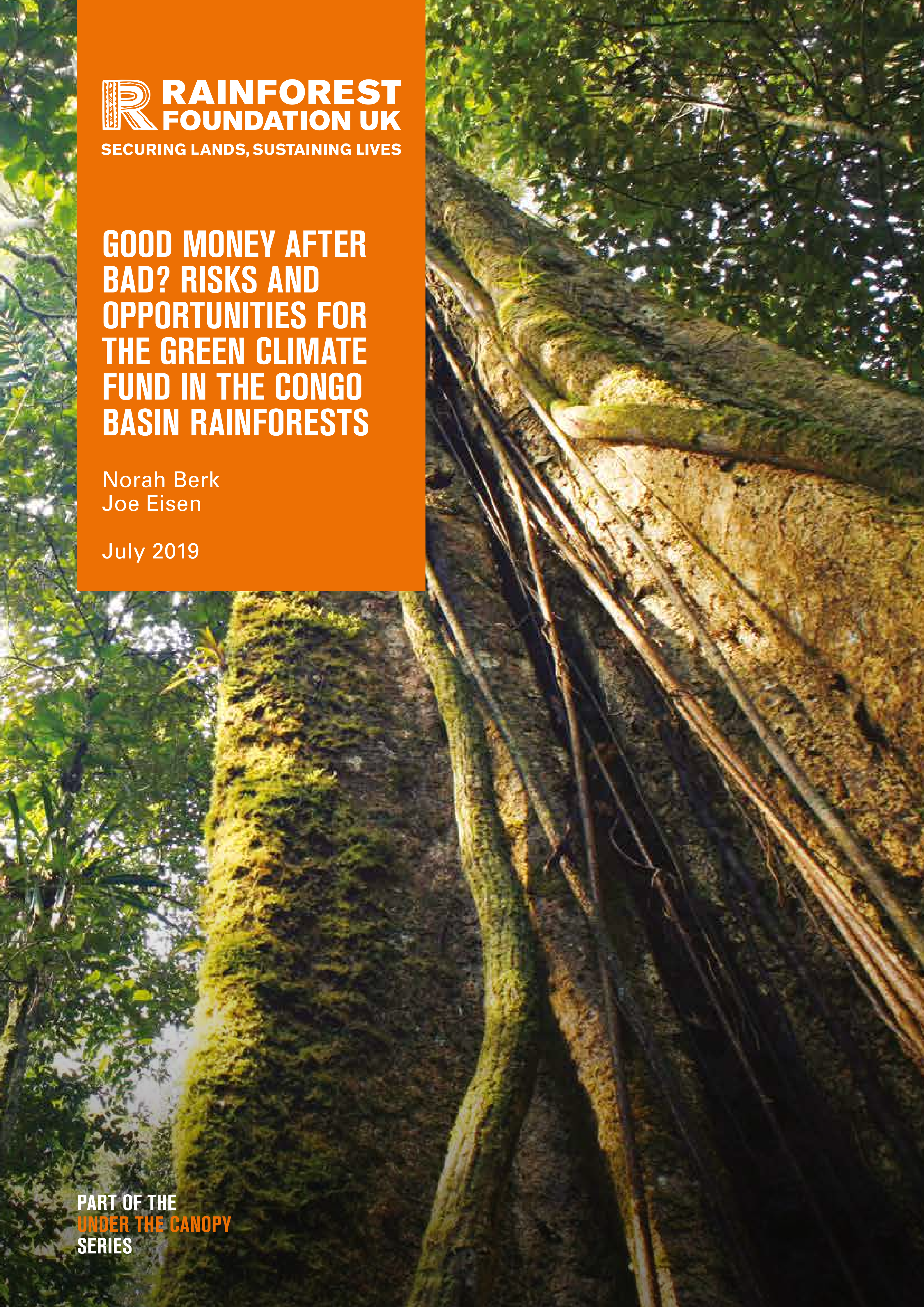

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GOOD MONEY AFTER BAD? RISKS AND OPPORTUNITIES FOR THE GREEN CLIMATE FUND IN THE CONGO BASIN RAINFORESTS

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CONTENTS

EXECUTIVE SUMMARY

The Green Climate Fund (GCF) is a United Nations financial instrument for funding climate change adaptation and mitigation in developing countries, with a focus on those that are particularly vulnerable to the catastrophic effects of global warming. Its stated goal is to create a paradigm shift towards low-carbon and climate-resilient development. This presents an opportunity to greatly improve the lives of people – if investments are done in a way that empowers them and strengthens their rights.

In the Congo Basin, home to the world's second largest tropical forest, the GCF is shaping up to be the next major source of funding for programmes to reduce emissions from deforestation and degradation (REDD+) – with project concept notes already submitted by the Democratic Republic of Congo (DRC), the Republic of Congo and Equatorial Guinea.

In order to assess the possible impact of the GCF on the rights of forest-dependent communities in the region, this briefing looks at some of the early experiences of the fund in other parts of the world, assesses its institutional structure and social safeguards policies, and explores challenges that are specific to the Congo Basin context. It finds that the potential of the fund to deliver its stated intention of inducing a "paradigm shift to low-emission and climate-resilient development" in tropical forests can only be met if the fund addresses certain institutional weaknesses, integrates lessons learnt from previous REDD+ interventions and emphasises investments rooted within local communities over complex and unproven carbon market based instruments.

This briefing identifies a number of challenges and sets out corresponding recommendations if the GCF is to deliver tangible benefits to local people most vulnerable to the adverse effects of climate change. Detailed recommendations are given from page 22. In summary of these:

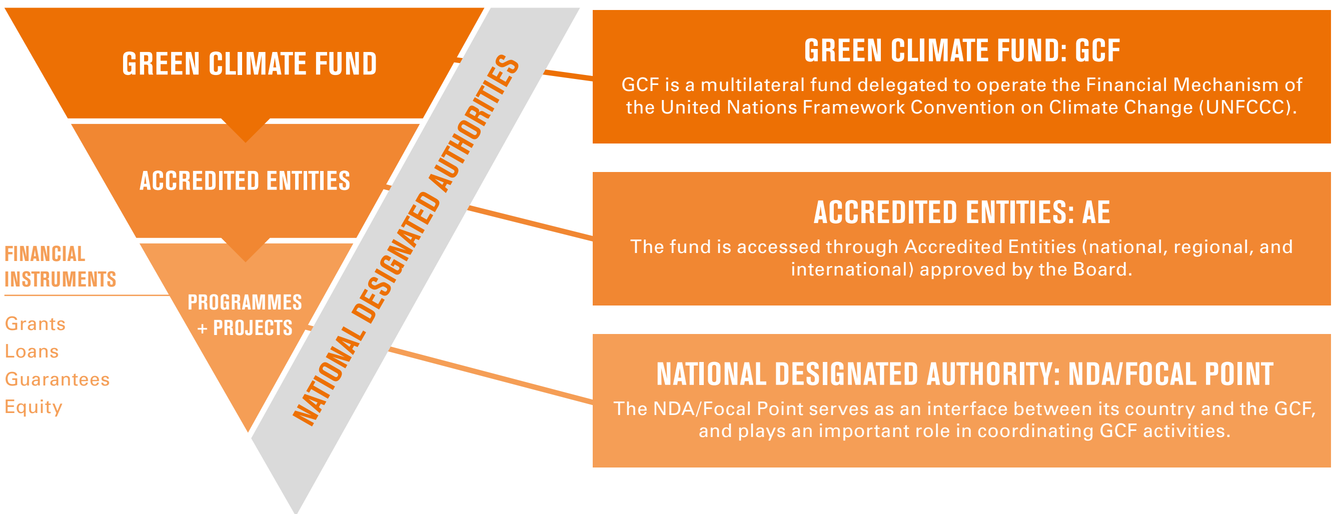
- **GCF board members** should reinforce safeguard systems to remove loopholes and strengthen due diligence and oversight of projects to ensure appropriateness of the intervention.
- **Accredited Entities (AE)**, the organisations or bodies mandated to develop, manage and monitor GCF projects and programmes, should prioritise enabling investments in areas such as land and forest governance reform and should be selected on their ability to deliver targeted programmes in partnership with local beneficiaries and stakeholders.
- **National Designated Authorities (NDAs)** could be structured as a more inclusive body composed of representatives from implicated communities, civil society organisations (CSOs), different sectors, across regions, and ministerial bodies to better represent the knowledge and interests of all national stakeholders.
- **NDAs and equally Focal Points should also** seek to better inform all national stakeholders of GCF developments within recipient countries and encourage national CSOs and other organisations to apply for GCF funding and accreditation to prevent multilateral development banks (MDBs) from absorbing most of the existing resources.
- The stronger participation of **national CSOs** is essential to improve transparency and accountability in GCF investments and to prevent the further marginalisation of forest communities' characteristic in many of the ongoing programmes to reduce deforestation in the Congo Basin. CSOs must be proactive in setting the agenda for potential GCF investments and demanding a seat within deliberative processes.

1. GCF BACKGROUND

The Green Climate Fund is considered a critical structure for countries with developed economies to channel funds towards climate change adaptation and mitigation in those with developing economies. It was created in 2010 by the 194 countries partaking in the United Nations Framework Convention on Climate Change (UNFCCC)[1] and is one of the financial mechanisms, along with the Global Environment Facility and the Adaptation Fund, for implementing the Paris Agreement.[2] The commitment to climate action from countries with developed economies is often measured in terms of their financial contributions to the GCF. To date, US$ 10.3 billion has been committed to the GCF. The Fund aspires to be a key contributor in mobilizing and channelling the US$100 billion USD per year by 2020 that developed countries have agreed to commit during the United Nations (UN) climate change conference in Copenhagen in 2009. However, this goal appears to be increasingly unattainable, while the financial needs to achieve climate change adaptation are fast increasing.

Projects approved for GCF investment must meet six criteria: impact potential, paradigm shift potential, sustainable development potential, needs of the recipient, country ownership and efficiency and effectiveness.[3] In theory, the fund imparts an opportunity to support local and indigenous communities on the front line of climate change. Relative to other international financial mechanisms, the GCF aims to accord significant space for civil society and other relevant stakeholders' engagement, has comprehensive safeguard policies on gender and indigenous peoples' rights and emphasises national ownership over investments through its direct access modality for instance. However, in order to ensure investments are implemented in a way that genuinely empowers local communities and strengthens their rights, the fund will have to address a number of challenges, including weaknesses of its safeguard policies, non-adherence to international standards, flaws in its institutional design, political and geostrategic pressures to hastily approve projects and programmes as well as an overemphasis on attracting private sector finance.

GCF ARCHITECTURE



Source: GCF website

1 "About the Fund - Green Climate Fund." Accessed August 29, 2018. https://www.greenclimate.fund/who-we-are/about-the-fund.

2 *Green Climate Fund and the Paris Agreement*. Climate Focus Client Brief on the Paris Agreement. Climate Focus, 2016. https://climatefocus.com/sites/default/files/GCF%20and%20Paris%20Brief%202016.new_.pdf.

3 *Terms of reference for the pilot programme for REDD+ results-based payments*. GCF documentation. N.p.: Green Climate Fund, 2017.

CHALLENGES OF THE GCF

Problems with safeguard policies and enforcement of international standards

In order to ensure the social and environmental sustainability of its investments, the GCF developed a suite of safeguards including an Indigenous Peoples Policy (IPP) and Environmental and Social Safeguards (ESS). On paper, the IPP, adopted in February 2018 with inputs from 105 indigenous peoples' organisations,[4] provides a relatively strong set of safeguards for both indigenous peoples and local communities[5] with a focus on ensuring non-carbon benefits as well as obtaining the free, prior and informed consent (FPIC) of project beneficiaries.

However, there are a number of gaps and loopholes in GCF safeguards that could be detrimental to the rights of forest peoples. The ESS at first appear comprehensive in their consideration of consultation, benefit-sharing, inclusion of marginalised groups, respect of communal land rights, etc. However, these are critically weakened in that remedies for non-compliance often focus on *procedural* fixes rather than enforcement.[6] For example, in regards to involuntary resettlement, under paragraph 46 the ESS states:

> *"GCF-financed activities will be designed and implemented in a way that avoids or minimizes the need for involuntary resettlement. When limited involuntary resettlement cannot be avoided, GCF will require through informed consultations and participation of the people or communities affected by the activities, the preparation of a resettlement action plan or, if specific activities or locations have not yet been determined, a resettlement policy framework proportional to the extent of physical and economic displacement and the vulnerability of the people and communities."*

In other words, as long as there is a policy framework in place that claims to have been informed by local communities, limited involuntary resettlement can occur. This provision would appear to be inconsistent with the GCF's own IPP, which states "In exceptional circumstances where resettlement or displacement is unavoidable to achieve the project or programme objective, they will only be permitted if they meet the following criteria: (a) free, prior and informed consent has been obtained."[7]

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[4] "An Indigenous Peoples Policy for the GCF." Accessed January 9, 2019. http://www.indigenousclimate.org/index.php?option=com_content&view=article&id=250%3Aan-indigenous-peoples-policy-for-the-gcf&catid=3%3Anews&lang=en.

[5] Nera, Paul. "Indigenous Peoples and the Green Climate Fund (GCF)." Tebtebba. Accessed August 29, 2018. http://www.tebtebba.org/index.php/content/391-indigenous-peoples-and-the-green-climate-fund-gcf.

[6] "Environment and Social Safeguards." Green Climate Fund. Accessed August 29, 2018. https://www.greenclimate.fund/safeguards/environment-social.

[7] "An Indigenous Peoples Policy for the GCF." Accessed January 9, 2019. http://www.indigenousclimate.org/index.php?option=com_content&view=article&id=250%3Aan-indigenous-peoples-policy-for-the-gcf&catid=3%3Anews&lang=en.

An analysis by the Rights and Resources Initiative (RRI) of eleven GCF-funded projects with a high probability of impacting indigenous peoples and local communities located across Asia Pacific, Africa, Latin America and Small Island Developing States (SIDS) found that GCF safeguards and international standards were not routinely enforced.[8] The study noted several reasons for this. First, projects are frequently miscategorised as having a lower risk of negatively impacting indigenous peoples and local communities, thereby avoiding the trigger of heavier safeguard systems. Second, there is minimal guidance and monitoring from the GCF to hold Accredited Entities accountable and ensure they are following safeguards. The likelihood that projects will not comply with GCF safeguards increases when AEs get their proposals funded by the GCF through financial intermediaries – these projects are less transparent, and the capacity of FIs to comply with safeguards much more uncertain and questionable.[9]

Institutional flaws, potential for conflicts of interests and transparency

The risks of non-compliance with safeguards are augmented when there is a lack of transparency in how projects are developed, approved and monitored. Although the GCF aspires to become a relatively transparent international climate finance institution (for example, all board meetings are streamed online or can be attended by accredited observers from civil society and the private sector, National Designated Authority contacts are readily available online, and funding proposals and concept notes as well as upcoming board decisions are made publicly available), there nevertheless remains room for improvement.

To illustrate, while the GCF claims to disclose all project documents, the process for approving projects and designating AEs could be more transparent. The Information Disclosure Policy (IDP) begins by claiming that all information will be publicly available, but ends with a section on exceptions that includes most notably "studies, audit reports, assessments, evaluations or analyses" prepared for deliberation processes and "certain financial information".[10] Essentially, this could mean that documents are published online only after decisions are taken and projects approved. Furthermore, documents critical for judging the viability of projects such as budgets, studies and audits do not necessarily have to be published. It thus comes as no surprise that GCF-Watch (www.gcfwatch.org), an online portal grouping civil society organisations monitoring the GCF, states that CSOs are "struggling with finding their way through the GCF jungle, keeping track with developments". Similarly, while the availability of documentation may have improved

[8] Perrault, Anne, and Stephen Leonard. The Green Climate Fund: Accomplishing a Paradigm Shift? Washington D.C.: Rights and Resources Initiative, 2017.

[9] The form of lending through FIs has increased significantly since the RRI report was published.

[10] "Information Disclosure Policy." Green Climate Fund. Accessed August 29, 2018. https://www.greenclimate.fund/disclosure/information-disclosure-policy.

since its publication, the analysis undertaken by RRI also met challenges in monitoring projects' compliance with GCF safeguards due to a lack of project documentation.[11]

Project management, reporting, conflict of interest and 'geo-politicking'

There is no requirement for projects to be externally and independently audited. Instead, the AEs are only required to present reports on project developments to the GCF, which can request more information from the AEs, if desired.[12] Such a system poses an obvious conflict of interest as the AEs receiving funding from the GCF are much more likely to depict the project in an overly favourable light.

In the absence of robust checks and balances in the GCF pipeline it appears that a number of GCF projects are being politically fast-tracked as pressure grows on governments to demonstrate action on climate change. In the run-up to the UN climate change conference (COP21) in Paris in 2015, the GCF reviewed eight funding proposals in just two months.[13] This is in stark contrast to the 12 to 18 month review process that a single project usually undergoes,[14] which is necessary to verify, for example, whether communities were properly consulted and involved in the development of a proposal to be considered for GCF funding.[15]

Weak consultation and due diligence processes

Already there is evidence that the lack of due process has been felt on the ground. GCF-Watch has raised concerns about the inclusion, consultation and respect for land rights of local communities in many projects funded from 2015 to 2017 (GCF only started to approve projects in 2015).[16] The RRI analysis similarly found an inadequate application of FPIC within GCF projects.[17] Many projects RRI analysed did not even mention FPIC and of those that did, its application was deemed to be "partial at best, either because the 'affected people' are not considered indigenous, or because processes for implementing FPIC are not well defined."[18] It should be noted that the RRI analysis was undertaken before the GCF adopted its IPP, which subsequently committed all GCF-financed activities to the principle of FPIC.[19] However, it remains to be seen how strictly the GCF will reinforce the *consent* element of FPIC and ensure AEs are abiding by the GCF's definition of FPIC as well. The International Finance Corporation's (IFC) Forest Bonds proposal (detailed below) could be a first test case as it relies on the FPIC processes of the World Bank's Forest Carbon Partnership Facility (FCPF), which defines the "C" as *consultation* rather than *consent*.

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11 Perrault, Anne, and Stephen Leonard. The Green Climate Fund: Accomplishing a Paradigm Shift? Washington D.C.: Rights and Resources Initiative, 2017.

12 "Environment and Social Safeguards." Green Climate Fund. Accessed August 29, 2018. https://www.greenclimate.fund/safeguards/environment-social.

13 "Controversial Climate Fund Scrambles to Fund Its First Projects." InsideClimate News, November 11, 2015. http://insideclimatenews.org/news/10112015/green-climate-fund.

14 "Controversial Climate Fund Scrambles to Fund Its First Projects." InsideClimate News, November 11, 2015. http://insideclimatenews.org/news/10112015/green-climate-fund.

15 Samndong, Raymond A. «The participation illusion: questioning community participation in a REDD+ pilot project in the Democratic Republic of Congo.» International Forestry Review 20, no. 3 (2018).

16 "Projects + Programmes - Green Climate Fund." Accessed August 29, 2018. https://www.greenclimate.fund/what-we-do/projects-programmes.

17 Perrault, Anne, and Stephen Leonard. The Green Climate Fund: Accomplishing a Paradigm Shift? Washington D.C.: Rights and Resources Initiative, 2017.

18 Perrault, Anne, and Stephen Leonard. The Green Climate Fund: Accomplishing a Paradigm Shift? Washington D.C.: Rights and Resources Initiative, 2017.

19 "GCF Indigenous Peoples Policy." Green Climate Fund. Accessed August 29, 2018. https://www.greenclimate.fund/safeguards/indigenous-peoples.

CASE STUDY 1: THE DATEM DEL MARAÑÓN PROJECT IN PERU

In 2015 the GCF approved its first project with relevance for forest-dependent communities.[20] The aims of the Datem del Marañón project are to implement improved management plans, build institutional capacity, promote sustainable bio-businesses, and establish a new environmental conservation area managed by indigenous peoples in Loreto, Peru.[21] Despite the Peruvian indigenous peoples' organisation, AIDESEP, writing to the GCF and warning of their negative experiences with the non-for-profit implementing organisation PROFONANPE funding national parks and conservation in Peru,[22] the GCF approved PROFONANPE's Datem del Marañón project. When progress of the project was reported to the GCF, PROFONANPE "claimed to have the support and endorsement of all affected indigenous communities and organisations."[23] However, it appears affected communities were not fully informed of all of the potential impacts of the project. In fact, the president of the Achuar People affected by the project sent a letter to the project managers explicitly stating that PRONFONANPE had not obtained the FPIC of the Achuar people.[24] Given that the project report claims PROFONANPE consulted "80 communities represented by nearly 500 people and 21 organisations" over just two weeks (June 23 – July 1, 2015), FPIC was likely not obtained for most of the communities impacted by the project.[25]

The GCF's Independent Redress Mechanism (IRM) reviewed the Datem del Marañón project in 2019. They found that while there is evidence the FPIC process was "conducted earnestly," there was a lack of documentation proving that FPIC was actually obtained from communities. In other words, there is "*prima facie* evidence of adverse impacts given that FPIC cannot reasonably be established based on the incomplete consent documentation supplied by Profonanpe to the GCF."[26] They also concluded that the projects' risk factor should be increased and that affected communities would have benefitted from a more rigorous assessment by the Board. The Datem del Marañón project thus serves as an alarming debut to GCF investments in forest-dependent communities and the problems documented in its IRM should hopefully serve as lessons learnt for future GCF projects that implicate forest communities.

[20] Projects + Programmes - Green Climate Fund." Accessed August 29 2018. https://www.greenclimate.fund/what-we-do/projects-programmes.

[21] *Funding Proposal 001: Building the Resilience of Wetlands in the Province of Datem del Marañón, Peru*. Green Climate Fund, 2015. https://www.greenclimate.fund/documents/20182/574760/Funding_proposal_-_FP001_-_Profonanpe_-_Peru.pdf/c2d588e6-882b-47f8-a06d-0645a9a3382c.

[22] "How the Green Climate Fund Approved a Wetlands Project in Peru without a Process of Free, Prior and Informed Consent of Indigenous Peoples | REDD-Monitor." Accessed August 29, 2018. https://redd-monitor.org/2016/01/19/how-the-green-climate-fund-approved-a-wetlands-project-in-peru-without-a-process-of-free-prior-and-informed-consent-of-indigenous-peoples/.

[23] "Briefingpaper-Fpic-Ippolicy_0.Pdf." Accessed August 29, 2018. http://www.forestpeoples.org/sites/fpp/files/publication/2015/12/briefingpaper-fpic-ippolicy_0.pdf.

[24] "Briefingpaper-Fpic-Ippolicy_0.Pdf." Accessed August 29, 2018. http://www.forestpeoples.org/sites/fpp/files/publication/2015/12/briefingpaper-fpic-ippolicy_0.pdf.

[25] "GCF_B.11_04_ADD.01_-_Funding_proposal_package_for_FP001.Pdf." Accessed August 29, 2018. http://gcfwatch.org/wp-content/uploads/2017/03/GCF_B.11_04_ADD.01_-_Funding_proposal_package_for_FP001.pdf.

[26] *IRM Initiated Proceedings: C-002-Peru*. Independent Redress Mechanism. N.p.: Green Climate Fund, 2019.

Too much emphasis on attracting the private sector?

A further criticism of the GCF has been an over-emphasis on attracting private sector finance at the possible expense of ensuring the environmental and social viability of projects. In relation to the forestry sector, the GCF's Private Sector Advisory Group recommends investing in deforestation-free value chains in global commodities, creating a robust carbon market, and implementing integrated financing structures including forest bonds.[27] However, each of these investment areas risks exacerbating deforestation and/or the marginalisation of local communities if implemented prematurely or inappropriately.

Any rush to establish forest carbon markets holds inherent risks to forests and their inhabitants, particularly if this is not preceded by reforms that clarify land tenure and carbon rights or in the absence of robust carbon accounting systems that accurately measure a project's emissions savings in the long-term.[28] No forest carbon projects in the Congo Basin are close to this stage yet. Furthermore, the push for forest bonds could also potentially trap communities in debt if issued before projects are fully developed, have demonstrated benefits to local communities and their surrounding environment, and a return on investment is certain. The issue of forest bonds in the Congo Basin is further discussed below.

27 PSAG recommendations on mobilization of private sector finance to progress the GCF forestry-related results areas. Meeting of the Board. N.p.: Green Climate Fund, 2018.

28 "Who Takes the Credit.Pdf." Accessed June 27, 2019 and replace link with https://www.fern.org/fileadmin/uploads/fern/Documents/Who%20takes%20the%20credit%3F.pdf

2. GCF AND REDD+

Reducing emissions from deforestation and degradation (REDD+)[29] has not proven to be the silver bullet solution some hoped of it when it was first introduced more than a decade ago; forest loss continues largely unabated in many areas, the carbon market has, as foreseen by RFUK and others, proven to be of no help, and there has been at best insipid progress in developing 'enabling policy' and institutional/governmental reforms. Despite this, with the approval of its first REDD+ results-based payments pilot project in the Brazilian Amazon in February 2019, the GCF is shaping up to be the next big source of funding for REDD+.

The Brazil project was submitted to the $US 500 million fund dedicated to *pilot programmes for REDD+ results-based payments* targeting the public sector AEs - one of four specific GCF Requests for Proposals (RfP) linked to REDD.[30] Under the terms of this RfP, the rights to all emission reductions generated as far back as December 31st 2013 are held by the host country and cannot be allocated to any other party.[31] The other RfPs include the US$ 500 million *mobilizing funds at scale* focused on private sector finance (see the IFC's Forest Bonds Programme proposal to this below); the US$ 200 million *Enhancing Direct Access* which seeks to channel funding to national and regional direct access AEs;[32] and the US$ 100 million *Micro, small and medium-sized enterprise pilot programme* for REDD+ proposals that support micro, small and medium enterprises.[33]

The issues highlighted below appear to show that GCF support to REDD+ programmes may focus more on generating tradable emission reductions than on implementing synergistic and rights-based approaches to land use management. This is unlikely to lead to a paradigm shift in forest management, but rather support a system of generating paper emission reduction titles that will be used to legitimise the lack of action to adopt measures that will actually lead to sustainable forest management.

[29] PREDD+ stands for Reducing Emissions from Deforestation and Degradation and is a mechanism developed by the UN Framework Convention on Climate Change (UNFCCC) that seeks to reward or incentivise tropical countries to protect forests through results-based payments.

[30] Kill, Jutta, and Liane Schalatek. *Green Climate Fund and REDD+: Funding the Paradigm Shift or Another Lost Decade for Forests and the Climate?* Washington, DC: Heinrich Boll Stiftung, 2019.

[31] Kill, Jutta, and Liane Schalatek. *Green Climate Fund and REDD+: Funding the Paradigm Shift or Another Lost Decade for Forests and the Climate?* Washington, DC: Heinrich Boll Stiftung, 2019.

[32] *Request for Proposals: Enhancing Direct Access.* N.p.: Green Climate Fund, 2016.

[33] The GCF also allows for REDD+ funding proposals to be funded through the regular funding cycle project and has a Simplified Approvals Process (SAP) whereby AEs can apply for funding for small, low-risk projects; however, it is unlikely a proposal to generate REDD+ ERs would be considered low-risk and approved through this funding window.

CASE STUDY 2: FUNDING PROPOSAL 100: BRAZIL REDD-PLUS RESULTS-BASED PAYMENTS FOR RESULTS PERIOD 2014-2015

The GCF approved its first investment into a REDD+ programme in February, 2019.[34] The project was approved under the REDD+ results-based payments pilot programme for US$ 96 million to reimburse Brazil for 'emission reductions' generated from 2014 to 2015 for efforts in the Brazilian Amazon.[35] The project sets a dangerous precedent for how GCF funding could be used to 'reduce deforestation'.

First, there is an extremely high risk of reversal and no guarantee that forests will be left standing from which emission reductions have been sold. The project is rewarding the environmentally-hostile Bolsonaro regime for emissions that were reduced four to five years previously. Bolsonaro has threatened to withdraw from the Paris Agreement, and has made derogatory statements against indigenous peoples and forest conservation.[36] He has also slashed the budget of the Environment Ministry, extinguished its secretariat for Brazil's National REDD+ Committee, and transferred powers to the Ministry of Agriculture – a body closely tied to the interests of the agribusiness industry. Bolsonaro is also trying to move the principal duties of the National Foundation for Indigenous Affairs (FUNAI), responsible for the demarcation of indigenous lands, to the Ministry of Agriculture.

Second, the emission reductions paid for by the GCF are almost certainly based on an overestimation of how much deforestation was averted due to REDD+ measures, as the proposal claims payment for reductions calculated in the past (2014-2015) against an inflated baseline. The declared forest reference emission level is based on the average deforestation level from 1996 – 2010 when deforestation was peaking in Brazil at 19,000 km^2 per year. However, today deforestation in Brazil averages at 8,000 km^2 per year. If the GCF had required the proposal demonstrate its potential to create a "paradigm shift", the REDD+ funding request should have been based on the average of the most recent ten years, or shown that the deforestation trend in the country is progressing towards the targets in Brazil's Nationally Determined Contribution[37] - the "results" of which would have been much lower. As a consequence, based on the reference level, the deforestation rate in Brazil can more than double and the country would still be eligible to receive funds aimed at helping countries reduce deforestation and fund paradigm-shifting action.

Third, there are significant concerns about the inclusion of local and national stakeholders in the conceptualization and implementation of the project. Brazilian civil society organisations decry that they were not properly consulted on the pilot programme and there is no outline in the proposal on how their engagement will be enhanced. Brazil has no national policy on how to obtain the Free, Prior and Informed Consent (FPIC) of local communities and it is highly unlikely FPIC was obtained for all the communities in the area that delivered the results and the activities that were undertaken to achieve these results (e.g. prohibiting shifting cultivation practices was one such action for which FPIC was almost certainly not obtained from those affected). It is also unclear what benefits will be distributed to indigenous peoples and local communities through activities funded by results-based payments. Lastly, there are five potential feedback and grievance redress mechanisms listed in the proposal, but no clear explanation of their hierarchy or who will be responsible for managing grievances submitted.

34 Green Climate Fund. "Project FP100." Green Climate Fund. Last modified March 11, 2019. https://www.greenclimate.fund/projects/fp100?inheritRedirect=true&redirect=%2Fwhat-we-do%2Fprojects-programmes.

35 Green Climate Fund. "Project FP100." Green Climate Fund. Last modified March 11, 2019. https://www.greenclimate.fund/projects/fp100?inheritRedirect=true&redirect=%2Fwhat-we-do%2Fprojects-programmes.

36 Brazil's Bolsonaro scraps pledge to quit Paris climate deal, 2018. Reuters.

37 Nationally determined contributions (NDCs) "embody efforts by each country under the UNFCCC's Paris Agreement to reduce national emissions and adapt to the impacts of climate change. The Agreement (Article 4, paragraph 2) requires each Party to prepare, communicate and maintain successive NDCs that it intends to achieve." Source (accessed in June 2019): https://unfccc.int/focus/indc_portal/items/8766.php

Despite these issues being raised to the GCF board, the project was approved. Part of the decision to approve the funding proposal may have been due to Prime Minister Erna Solberg promising an increase in Norwegian funding to the GCF if the fund approved payments for emission reductions. Indeed, following the approval of FP100, Norway doubled its contribution to the GCF from NOK 1.6 billion (2015-2018) to NOK 3.2 billion in the context of the ongoing replenishment process of the GCF resources.[38]

Inflated reference levels and miscalculation of emission reductions

There is a significant risk that emission reductions from REDD+ interventions will be over-estimated. Most forest reference levels that prescribe how much deforestation was avoided due to REDD+ programmes, and thus the quantity of emission reductions generated, are inflated. Forest reference levels are usually calculated either on the average of past deforestation or based on estimates of future deforestation. These calculations can be easily manipulated, for example by using reference years when deforestation was abnormally high or excluding recent trends of decreased deforestation. This approach is apparent for Brazil's REDD+ pilot project (see case study) where the forest reference level was based on years when deforestation in Brazil was high and did not account for the recent decrease in deforestation. Consequently, deforestation could have more than doubled and Brazil would still be eligible for REDD+ payments.[39]

Furthermore, important sources of carbon emissions are often not included in the calculation of emission reductions under REDD+ programmes. To illustrate, in February 2019 Norway agreed to make a first emission reductions payment of US$ 1 billion to Indonesia[40] based on a calculation that omitted emissions from degraded peatlands, which can store up to ten times more carbon than other ecosystems,[41] due principally to their conversion to palm oil plantations.[42]

Non-permanence of emission reductions

There are no stipulations in the GCF RfPs that require carbon to remain locked up in forests past the lifetime of GCF investments. There is thus no assurance that tradable emission reductions, which have cost millions of dollars to generate, will be linked to a permanent reduction in deforestation. Unforeseen events, such as droughts and forest fires, which are becoming increasingly frequent with the combined pressures of climate change and habitat fragmentation,[43] or fluctuations in markets for commodities linked to deforestation like oil palm and soy, can catalyse a wave of deforestation and release the carbon accounted and sold under emission reductions. Similarly, prohibiting deforestation in one area can often shift deforestation into neighbouring areas. Such leakage can easily reverse any supposed emission reductions as well.

The GCF does not require that a certain amount of emission reductions be pledged to a buffer account in case forests are destroyed due to unforeseen circumstances (e.g. fires, war, discovery of minerals, etc.) or to address possible leakage of deforestation into neighbouring areas. In other words, there is no insurance for emission reductions in case the ones sold end up not being linked to permanent sources of carbon removals.

[38] Usher, Ann Danaiya. "Brazil receives first Green Climate Fund grant for REDD+. Critics warn of 'paper reductions' with no real climate benefits." Development Today, March 15, 2019.

[39] Kill, Jutta, and Liane Schalatek. *Green Climate Fund and REDD+: Funding the Paradigm Shift or Another Lost Decade for Forests and the Climate?* Washington, DC: Heinrich Boll Stiftung, 2019.

[40] Jong, Hans Nicholas. "Indonesia to get first payment from Norway under $1b REDD+ scheme." Mongabay, February 20, 2019. https://news.mongabay.com/2019/02/indonesia-to-get-first-payment-from-norway-under-1b-redd-scheme/.

[41] "How the Loss of Peat Lands Affects Greenhouse Gas Buildup." Scientific American. https://www.scientificamerican.com/article/peat-lands-and-greenhouse-gasses/.

[42] Lang, Chris. "Norway is planning to pay Indonesia for fudging its REDD carbon accounting." REDD Monitor. Last modified March 12, 2019. https://redd-monitor.org/2019/03/27/norway-pays-indonesia-for-fudging-its-redd-carbon-accounting/.

[43] Yale School of Forestry and Environmental Studies. "Climate Change and Tropical Forests." Global Forest Atlas. https://globalforestatlas.yale.edu/climate-change/climate-change-and-tropical-forests.

Risk of double-counting emission reductions

One of the ways that policy makers have tried to address the leakage question is to integrate private emission reduction projects within wider jurisdictional programmes. The theory that if the calculation of emission reductions is based on a jurisdictional level, rather than specific geographical project areas, any increase in deforestation in the entire jurisdiction will be accounted for. However, the more private REDD+ projects there are nested within a jurisdictional programme, the greater the risk of double-counting carbon credits. Beginning in 2020, all countries will have to report their national carbon accounts to the UNFCCC as part of their NDCs. This becomes an issue if there are multiple private REDD+ projects that are selling emission reductions - as the host country, purchasing country and private entity might all count the emission reductions within their carbon accounts. Article 6 of the Paris Agreement addresses the transfer of emission reductions between countries and prevention of double-counting within Nationally Determined Contributions; however, it is still under negotiation. The approval of emission reduction trading schemes incorporating REDD+ programmes before Article 6 is finalised is likely to exacerbate the confusion.

On top of this, the GCF's support for REDD+ could induce a capture of carbon rights by private AEs over public AEs. In the GCF's procedures and modalities to support the early phases of REDD+, public AEs are encouraged to submit proposals that would create "enabling conditions" for REDD+ activities.[44] This includes interventions that would, for example, improve land tenure regimes, strengthen law enforcement, reform policies in the forestry sector, or build the capacity of local stakeholders – all pivotal interventions, yet none of which would be rewarded through the sale of emission reductions.[45] By contrast, private sector actors "include those involved in the generation and trading of emission reductions" and would thus reap the profit associated with the generation of emission reductions.[46]

[44] Green Climate Fund support for the early phases of REDD-plus. Songdo: Green Climate Fund, 2017. https://www.greenclimate.fund/documents/20182/751020/GCF_B.17_16_-_Green_Climate_Fund_support_for_the_early_phases_of_REDD_plus.pdf/574e7c22-df75-42f9-811d-98432a2f3bc0.

[45] Green Climate Fund support for the early phases of REDD-plus. Songdo: Green Climate Fund, 2017. https://www.greenclimate.fund/documents/20182/751020/GCF_B.17_16_-_Green_Climate_Fund_support_for_the_early_phases_of_REDD_plus.pdf/574e7c22-df75-42f9-811d-98432a2f3bc0.

[46] Green Climate Fund support for the early phases of REDD-plus. Songdo: Green Climate Fund, 2017. https://www.greenclimate.fund/documents/20182/751020/GCF_B.17_16_-_Green_Climate_Fund_support_for_the_early_phases_of_REDD_plus.pdf/574e7c22-df75-42f9-811d-98432a2f3bc0.

3. GCF DEVELOPMENTS IN THE CONGO BASIN FORESTS

As a carbon store of global significance the GCF's attention is turning to the Congo Basin, a region that is also home to approximately 50 million forest-dependent people including an estimated 700,000 indigenous peoples commonly referred to as 'Pygmies'. Although significant funds have yet to be disbursed, GCF activities are planned in the DRC, Republic of Congo, Cameroon, Gabon, Central African Republic and Equatorial Guinea. The following section takes a first look at the GCF in the Congo Basin and considers to what extent the problems identified during the early experiences of the GCF risk being amplified in a region where more than a decade of REDD+ interventions have not brought the expected improvement in forest governance, support to the rights of forest dwellers, or a reduction in rates of deforestation.

OVERVIEW OF PROPOSED GCF PROJECTS IN THE CONGO BASIN[47]

Country	Project title	Project status	Funding	Comments
Democratic Republic of COngo	Staple Crop Processing Zone (SCPZ)	In progress	$ 93,500,000	The African Development Bank (AfDB) is the Accredited Entity. The project will take place in Togo, Ethiopia, Zambia and the DRC. The aim is to make agro-industrial parks to make countries into global agricultural powers. The project will take place in Bandundu province in the DRC.
	Forest Landscape Improvement, Emission Reduction, Resilience to Climate Change, and the Green Growth Program in Central Kongo Province	In preparation	$ 70,000,000	Funding will be additional US$ 36.9 million from the World Bank's Forest Investment Programme (FIP). The project is extremely wide-ranging, including providing technical assistance for agroforestry plots, disseminating cook stoves, boosting eco-tourism activities, building infrastructure to protect communities against sea-level rise, building capacity on green investment, and supporting the capacity of the administration at the national, provincial and local level to implement activities, in addition to other activities. It is currently paused as there is no Accredited Entity.
	Program of Reduction of Climate Change impact through afforestation and reforestation, improved stove technology, and redistribution of environmental services revenues to communities in the private-public partnership	In preparation	$ 9,950,000	The project has four components comprising (i) implementing agroforestry, reforestation and afforestation projects over 6,200 ha throughout DRC; (ii) disseminating stoves to local communities residing within the 6,200 ha; (iii) integrating carbon credit remuneration mechanisms for the agroforestry, reforestation and afforestation activities; and (iv) investing in capacity building and institutional, transformation, storage, and marketing units. It is currently paused as there is no Accredited Entity.
Republic of Congo	Implementation of the Congo's Nationally Determined Contribution in the land use and forestry sector	In progress	$ 80,000,000	The project has five components: (i) develop a National Land Use Planning Scheme; (ii) establish 20,000 to 30,000 ha of agroforestry systems and distribute cook stoves; (iii) improve forest management and governance; (iv) deploy climate-smart agricultural systems and alternative economic activities in collaboration with the ER-Programme of the World Bank and the FIP as part of CAFI; and (v) support green investments in fuelwood, agricultural products, NTFP and timber from forest concessions. The Ministry of Forest Economy/Ministry of Tourism and Environments is the NDA.

[47] This overview dates from June, 2019 and is based on information provided by NDAs from DRC, Equatorial Guinea and Cameroon. Information for projects underway in Republic of Congo, CAR, and Gabon are based on GCF country profile pages.

Country	Project title	Project status	Funding	Comments
Equatorial Guinea	Elaboration of REDD+ investment plan	In progress	$ 1,000,000	Financed by CAFI with the FAO as the Accredited Entity implementing the project.
	GCF Readiness activities	In progress	$ 900,000	GCF finance with the FAO as the Accredited Entity.
	Sustainable Energy for All (SE4ALL)	In progress	$ 3,500,000	GCF finance to the Global Environment Facility with UNDP as the Accredited Entity.
	Community Forest Management	In preparation	$ 6,000,000	In the development phase. FAO will be the Accredited Entity.
Cameroon	Readiness activities	In progress	$ 3,500,000	No projects are currently underway in Cameroon as the country is undergoing GCF readiness activities. Funding listed is the amount requested by Cameroon. $338,700 has been approved by the GCF for readiness activities.
Central African Republic	Readiness activities	In progress	$ 928,000	No projects are currently underway in CAR as the country is under its GCF readiness phase. Funding listed is the amount requested by CAR. $628,000 has been approved by the GCF for readiness activities.
Gabon	Readiness activities	In progress	$ 1,700,000	No projects are currently underway in Gabon as the country is under its GCF readiness phase. Funding listed is the amount requested by Gabon. $1,300,000 has been approved by the GCF for readiness activities.

Specific challenges for GCF investments in the Congo Basin

While funding for forests in the region is certainly needed, the proposed projects summarised in Figure 1, while very multi-faceted, mostly lack any reference to how forest communities have been engaged or how their rights will be strengthened. There is a real risk that lessons from the failures of existing REDD+ interventions – such as the exclusion of local communities from decision-making processes, insufficient effort to improve communal land tenure rights, lack of independent oversight,[48] and the capture of funding by intermediary organisations - are not being learnt. Rather than continuing to presume REDD+ as the principal solution to deforestation and channelling the bulk of forest finances to REDD+ programmes, the GCF should target alternative initiatives that have demonstrated their support to local communities and their environment.

[48] Bayrak, Mucahid Mustafa, and Lawal Mohammed Marafa. "Ten Years of REDD+: A Critical Review of the Impact of REDD+ on Forest-Dependent Communities." *Sustainability* 8, no. 620 (July 2, 2016).

CASE STUDY 3: THE GCF AND FOREST INVESTMENT PROGRAMME IN DRC – SAVING FORESTS OR ENTRENCHING FAILURE?

The concept note titled "*Forest Landscape Improvement, Emission Reduction, Resilience to Climate Change, and Green Growth Program in Central Kongo Province*" serves to illustrate how the weaknesses identified in the GCF investment process will burgeon during project implementation if they are not remedied. For the moment, the project is currently on hold until an AE is designated.[49]

The US$ 70 million[50] investment is intended to scale up the component of the FIP's US$ 36.9 million Improved Forest Landscape Management Project (IFLMP) which has been taking place in Mai Ndombe, Bas-Congo and Kinshasa provinces in DRC since 2014.[51] Yet investigations by RFUK and other NGOs into the FIP activities in Mai Ndombe have found a number of issues regarding the engagement of communities. Research carried out by RFUK and its local partners in nine villages found local communities were not adequately consulted on the REDD+ project's development, have thus far received minimal benefits from the programme or from agro-forestry activities they have been encouraged to engage in, and most have seen little improvement in land tenure security.[52]

Similar findings were reported from the Congolese organisation LICOCO after they independently investigated FIP's activities in the territories Bolobo, Kwamouth, Mushie and Yumbi in the Mai Ndombe province.[53] Their report documented that WWF (the project implementer commissioned by FIP) had not obtained the FPIC of local communities, customary power structures were not respected but instead replaced mostly by non-representative local development committees (CLDs), and that local administration was unknowledgeable and uninvolved in REDD+ implementation. According to their report, more resources were seemingly devoted to paying for office rent, hotels, and travel of WWF staff than to deliver the infrastructure improvements and other benefits promised to communities.[54]

The Rights and Resources Initiative likewise found many of these themes to be recurrent in REDD+ initiatives throughout the province. Namely, an incomplete governance structure for REDD+, approaches adopted without a prior study on the drivers of deforestation, negligible effort to improve the land rights of communities, lack of inclusion of communities, and the capture of benefits by private actors while the poorest people are left with little to no benefits.[55]

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49 While the AE for the proposal has not yet been assigned, the two front runners are the World Bank and the African Development Bank (AfDB) - neither of which have demonstrated an ability to improve the institutional capacity in the region, particularly the capacity of the Ministry of Environment and Sustainable Development (MEDD) as it hosts the GCF's NDA for DRC. Despite being active in the region since 2011, the World Bank's FIP still does not disburse any funds to MEDD. The Congo Basin Forest Fund (CBFF), administered by AfDB, seriously mismanaged its funds to the point that the UK government took the unusual step of recouping the unspent part of its contribution. The AfDB clearly suffered insurmountable challenges in dealing with projects which involved action at the community level and with non-governmental actors. Its administrative processes were so cumbersome and chaotic that projects funded by the CBFF broke down because of huge gaps in payments.

50 There is a proposition for additional funding of US$ 6.2 million from the Global Environment Facility into the Kongo-Central component of the IFLMP.

51 The concept note outlines an investment in the IFLMP component taking place in Kongo Central. Only US$ 10.5 million of the US$ 36.9 million of the IFLMP are dedicated towards supporting small-scale community agroforestry projects in Kongo Central, according to the World Bank; yet the GCF concept note mentions co-financing of the total US$ 36.9 million to the GCF's US$ 70 million investment in Kongo Central. The incoherence between funding in project documents is symptomatic of a greater opaqueness in how and to which organisations funds are allocated.

52 "REDD minus: why the Mai Ndombe Emissions Reduction Programme must do better | RFUK." 2019. Publication in preparation.

53 Kassanda, Jarline, and Fabrice Mangbele. *Rapport Mission d'Observation Independande Non-Mandatee du Processus REDD+ dans la Province de Mai-Ndombe, Territoire de Mushie Villages de : (Isali, Mbali, Duama, Kesomi, Mpoko).* Kinshasa: Ligue Congolaise de Lutte Contre la Corruption, 2017.

54 Kassanda, Jarline, and Fabrice Mangbele. *Rapport Mission d'Observation Independande Non-Mandatee du Processus REDD+ dans la Province de Mai-Ndombe, Territoire de Mushie Villages de : (Isali, Mbali, Duama, Kesomi, Mpoko).* Kinshasa: Ligue Congolaise de Lutte Contre la Corruption, 2017.

55 Gauthier, Marine. *Mai-Ndombe: Will the REDD+ laboratory benefit Indigenous Peoples and local communities?* Translated by Stephanie Guico. Washington, DC: Rights and Resources Initiative, 2018.

Despite the myriad of criticisms of the Mai Ndombe component of the IFLMP, there is little evidence in the GCF's concept note to show that lessons have been learnt. First, nowhere is the consultation of local communities even mentioned, nor obtaining their FPIC – which is not consistent with GCF's IPP safeguards.[56]

Second, the intervention is similarly weak on the treatment of land tenure issues. Years after the project started [in 2014] there remains no land tenure assessment for the province - a preliminary step to analyse how communities will be affected by project activities.[57] As prescribed under the GCF's IPP, at a minimum the AE is required to "assess and document indigenous peoples' land and resource use without negatively affecting any indigenous peoples' land claims" if proposed activities will take place on land subject to traditional ownership or tenure.[58]

Lastly, any further investments in the FIP in DRC must address the lack of programme oversight and accountability evident to date. There has been no mandated independent observation of REDD+ activities in Mai Ndombe since the Moabi project monitored the area in 2015.[59] The issues raised above were only revealed from non-mandated monitoring endeavours. Any investment from the GCF, particularly one as substantial as US$ 70 million, should require independent, local monitoring of whether NDAs and AEs are properly managing funds to implement promised activities. The ESS and IPP should be revised to specify this requirement.

[56] *Concept Note: Forest Landscape Improvement, Emission Reduction, Resilience to Climate Change and Green Growth in Central Kongo Province.* N.p.: Green Climate Fund, 2018.

[57] *REDD and Rights in DRC: The Implications of Community Mapping for the Mai-Ndombe Integrated REDD Programme.* Mapping For Rights. Rainforest Foundation UK, 2018. https://www.rainforestfoundationuk.org/media.ashx/redd-and-rights-in-drc-2018.pdf.

[58] "GCF Indigenous Peoples Policy." Green Climate Fund. Accessed August 29, 2018. https://www.greenclimate.fund/safeguards/indigenous-peoples.

[59] Moabi. Last modified 2016. https://moabi.org/reports/monitoring-redd-safeguards-with-communities-in-mai-ndombe-district-drc/.

CASE STUDY 4: THE FORESTS BONDS PROGRAMME

One of the most worrying evolutions of GCF activities in the Congo Basin is the potential scaling up of the International Finance Corporation's (IFC) Forests Bonds programme. In 2016, the GCF approved the IFC, the private sector arm of the World Bank, as an accredited entity[60] and in 2018 shortlisted the IFC's concept note proposing US$ 72 million to fund a Multi-Country Forests Bond Programme for further development.[61] This programme would expand the IFC's forest bonds programme in the REDD+ Kasigau Corridor programme in Kenya to embrace private sector REDD+ projects in three more countries: DRC, Madagascar and Peru.[62]

Under the Multi-Country Forests Bonds Programme, the IFC will provide loans to climate initiatives through the issuance of so-called forests bonds that any person or entity is eligible to purchase. However, while called "forests bonds," the revenue generated does not have to be invested in forest conservation per se, but any climate initiatives the IFC chooses. When project implementers make the annual interest payment on the loans to the IFC, bond holders will receive this annual payment either in cash or they can opt for the interest on their bonds to be paid in carbon credits or a mix of both. The presumption is that the demand for bond holders to receive their annual interest payment in carbon credits will kick-start a carbon market for emission reductions and incentivise new private sector REDD+ projects. The US$ 72 million will be divided between a Debt Finance Facility that will provide upfront debt financing to private sector REDD+ projects (US$ 12 million); a Liquidity Support Facility responsible for propping up the price of emission reductions to remain at least at US$ 5 per ton of carbon sequestered (US$ 52.5 million) even if the REDD+ credits are offered to bond holders at less than US$5; and for capacity building aimed at integrating private sector REDD+ projects into jurisdictional REDD+ programmes (US$ 7.5 million).[63] The IFC's proposal is highly problematic for several reasons.

First, the Multi-Country Forests Bond Programme is geared to the interests of international private-sector actors over local communities and countries where REDD+ programmes are located. The IFC "focuses exclusively on the private sector in developing countries"[64] and as the only private sector actors with REDD+ projects in the DRC are international corporations (e.g. Wildlife Works Carbon, Somicongo, and Novacel), the benefits from this programme will accrue to them. Furthermore, it is unclear whether the payments to private sector actors for their emission reductions would be *additional* to payments they may be entitled to receive through the US$ 55 million Mai Ndombe Emissions Reduction Purchase Agreement (ERPA) with the World Bank's Forest Carbon Partnership Facility (FCPF) - another initiative aimed to kick-start a forest carbon market. Private sector actors could thus potentially receive multiple payments for the same emission reductions.

Second, there is a high risk that emission reductions under the Multi-Country Forests Bond Programme will be double-counted. A private sector REDD+ project implementer may be able to use a REDD+ credit to notionally offset its emissions while the same emission reduction remains in the national carbon account of the host country. Although in theory, carbon credits can only be traded as long as the credits have not been 'cashed in' or 'retired' in a carbon database, private sector REDD+ projects are under no obligation to record all of their carbon credit sales in publically accessible databases. There is as yet no proven way of reliably tracking the carbon credits and ensuring that there are not multiple credits with the same tracking number. Furthermore, because emission reductions can be sold on multiple times rather than being

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[60] "ANNOUNCEMENT: IFC Accredited to Green Climate Fund." Accessed October 2, 2018 https://www.ifc.org/wps/wcm/connect/NEWS_EXT_CONTENT/IFC_External_Corporate_Site/News+and+Events/News/ifc-accredited-to-green-climate-fund.

[61] "Pitch for the Planet - $500 Million to Catalyze Climate Capital - Green Climate Fund." Accessed October 2, 2018. https://www.greenclimate.fund/500m#shortlisted-concept-notes.

[62] IFC (2018). Multi-country forests bonds program [online]. International Finance Corporation World Bank Group.

[63] Schalatek, Liane. *Notes from Meeting with IFC Representatives.* Washington D.C., 2019.

[64] World Bank. "About IFC." International Finance Corporation. https://www.ifc.org/wps/wcm/connect/CORP_EXT_Content/IFC_External_Corporate_Site/About+IFC_New/.

retired, one emission reduction linked to one ton of carbon sequestered (and the associated singular benefit to local communities), could be sold repeatedly between different private actors, continuously generating profit for them while communities receive, at best, one single payment.

Third, the Programme is based on an untested market for emission reductions. Thus far it is reported that no IFC green bond holder has opted to receive their annual interest payment in emission reductions titles, presumably because the value of a carbon credit is less secure than cash in hand. To make up for the lack of demand for REDD+ credits, even at US$5 per credit, the IFC introduced a Liquidity Support Facility to pay the IFC (or an intermediary to carry out this task) the difference between what they bought the carbon credit for (US$ 5) and what they valued it at when transferred to bond holders (e.g. US$ 1). This will remove any risk the IFC (or an intermediary) takes on when selling the carbon credits for less than what they purchased them for. Consequently, US$ 52.5 million of GCF funding will be used to subsidise, through the Liquidity Support Facility, unwanted and likely illegitimate carbon credits.

Fourth, there are potentially significant gaps between GCF safeguard policies and how private sector REDD+ projects are implemented. For example, despite the GCF's IPP stipulating all projects and programmes it funds must obtain the FPIC of local communities, with the "C" in FPIC defined as consent, the World Bank's FCPF only requires this for projects that were approved after the Bank's Environmental and Social Framework completed in October 2018.[65] Private sector project implementers in the FCPF's Mai Ndombe programme, for example, thus merely have to obtain "broad community support" through free, prior and informed consultation - phrasing that has been outright rejected by indigenous people.[66] It is unclear how the GCF intends to reconcile these kinds of discrepancies between safeguard requirements and whether this would disqualify private REDD+ projects from selling carbon credits under the IFC Multi-Country Forests Bonds Programme.

Finally, there remains uncertainty as to whether a REDD+ credit is a tradable asset that genuinely represents a reduction in forest-based emissions. The only project where forest bonds are currently being traded - the Kasigau Corridor REDD+ project Kenya - has, according to numerous reports not actually led to a reduction in carbon emissions. As detailed in the box below, the project's deforestation reference level is inflated as it is based on an unrepresentative reference area. This has resulted in an exaggeration of the avoided deforestation and over-issuance of carbon credits by the project. Furthermore, the project has exacerbated historic inequalities by imposing the harshest restrictions on the most marginalised members of the community who contributed least to the climate crisis.[67] If the Kasigau Corridor REDD+ project is the exemplary model for selling forests bonds to fund REDD+ programmes, it is likely that funds from the Multi-Country Forests Bond programme in the DRC, as well as other countries, will neither lead to substantial carbon savings nor greatly improved livelihoods of local communities.

As it stands, the IFC's proposal for its Multi-Country Forests Bonds Programme is incapable of inducing a "paradigm shift to low-emission and climate-resilient development" as is required by the GCF.[68] Rather, the programme will serve to uphold a costly and inefficient system of shifting substantial quantities of GCF funding between forest bond investors, the IFC, and private implementing agencies to transfer potentially fraudulent carbon credits between the very same actors.

65 IBRD. "Environmental and Social Framework." The World Bank. http://www.worldbank.org/en/projects-operations/environmental-and-social-framework.

66 *Effective Participation and Free, Prior and Informed Consent.* N.p.: Forest Peoples Programme, 2016.

67 "Choices Have Consequences: REDD+ and Local Democracy in Kenya Chomba S - Conservat Soc." Accessed October 2, 2018. http://www.conservationandsociety.org/article.asp?issn=0972-4923;year=2017;volume=15;issue=4;spage=400;epage=413;aulast=Chomba.

68 *Concept Note User's Guide.* GCF Documentation. N.p.: Green Climate Fund, n.d.

CASE STUDY 5: THE FIRST FORESTS BONDS REDD+ PROJECT: REDD+ KASIGAU CORRIDOR IN KENYA

The Kasigau Corridor REDD+ Project entered into its first phase in 2008.[69] The Project is run by Wildlife Works Carbon (WWC), a California-based company registered in the tax-haven state of Delaware[70] in the United States.[71] WWC originally planned to extend the Kasigau Corridor REDD+ project into the adjacent 'Taita Hills area' by entering into a US$ 10 million Emissions Reduction Payment Agreement (ERPA) with the Althelia Fund.[72] However, in 2016 it was announced that ERPA negotiations had failed allegedly due to "financial arrangements and repayment terms".[73] This left WWC without a buyer for the carbon credits. IFC and BHP Billiton stepped up to fill the financial void and thus the scheme to sell forests bonds to fund REDD+ programmes began.

IFC and BHP Billiton, a mining giant with a dubious record on environmental protection and human rights (e.g. the Samarco dam disaster),[74] along with Conservation International, developed the scheme that amassed US$ 152 million to fund the Kasigau Corridor REDD+ project. The funding to the REDD+ project was not linked to the bond issuance; rather, investors in the bonds could opt to receive their annual interest (coupon) payment in REDD+ credits instead of cash. To provide these REDD+ credits to interested bond holders, IFC signed a purchase agreement with WWC. Forest bond holders are able to sell the carbon credits on the carbon market for US$ 5 per unit.[75] BHP Billiton committed to be 'buyer of last resort' of the REDD+ credits IFC had purchased from project should not enough bond holders opt for REDD+ credits.

However, reports suggest that the deforestation baseline for the Kasigau Corridor project is highly inflated as it is based on a reference area that is incomparable to the project area. The chosen reference area has a population of 100,000 people, deemed to be the responsible agents of deforestation, and is comprised of different land-uses. This is in contrast to the project area which has almost no people living on it and is comprised entirely of cattle ranches.[76]

Numerous studies have shown that the project is not benefiting the majority of community members, and has likely exacerbated socio-economic inequalities after building upon unequal land tenure systems inherited from the colonial era.[77] Originally, revenue from carbon credits was to be split into equal thirds between WWC for project implementation costs, ranch-owners for management of the ranches, and the broader community for development initiatives. In reality the division of funds benefits individual ranch-owners and private companies over the communities. Ranch-owners are first paid their one third as they have binding 30-year contracts with WWC, then project costs are deducted (e.g. salaries of wildlife guards, costs for monitoring carbon, production of carbon credits, and other costs of the WWC), and the remaining revenue is shared with the community.[78] It has been estimated that communities receive less than one sixth

69 "Choices Have Consequences: REDD+ and Local Democracy in Kenya Chomba S - Conservat Soc." Accessed October 2, 2018. http://www.conservationandsociety.org/article.asp?issn=0972-4923;year=2017;volume=15;issue=4;spage=400;epage=413;aulast=Chomba.

70 Freund, Jeremy T., and Simon C. Bird, comps. *The Kasigau Corridor REDD+ Project Phase I – Rukinga Sanctuary*. N.p.: Wildlife Works, 2016.

71 "Choices Have Consequences: REDD+ and Local Democracy in Kenya Chomba S - Conservat Soc." Accessed October 2, 2018. http://www.conservationandsociety.org/article.asp?issn=0972-4923;year=2017;volume=15;issue=4;spage=400;epage=413;aulast=Chomba.

72 Kill, Jutta. *The Kasigau Corridor REDD+ Project in Kenya: A Crash Dive for Althelia Climate Fund*. N.p.: Re:Common and Counter Balance, 2016.

73 Kill, Jutta. *The Kasigau Corridor REDD+ Project in Kenya: A Crash Dive for Althelia Climate Fund*. N.p.: Re:Common and Counter Balance, 2016.

74 "BHP Billiton Employees Face Criminal Charges on Brazil Dam Disaster | Business | The Guardian." Accessed October 2, 2018. https://www.theguardian.com/business/2016/oct/20/bhp-billiton-employees-face-charges-on-brazil-dam-disaster.

75 IFC (2018). Multi-country forests bonds program [online]. International Finance Corporation World Bank Group.

76 *REDD Plus or REDD "Light"? - Biodiversity, communities and forest carbon certification*. Stockholm: Swedish Society for Nature Conservation, n.d. http://redd-monitor.org/wp-content/uploads/2013/02/REDD-plus-or-REDD-light130121.pdf.

77 "Roots of Inequity: How the Implementation of REDD+ Reinforces Past Injustices - ScienceDirect." Accessed October 2, 2018. https://www.sciencedirect.com/science/article/pii/S0264837715002926.

78 "Roots of Inequity: How the Implementation of REDD+ Reinforces Past Injustices - ScienceDirect." Accessed October 2, 2018. https://www.sciencedirect.com/science/article/pii/S0264837715002926.

of the revenue, ranch-owners one third, and WWC more than half. In other figures, of the US$6.3 million generated from selling carbon credits from 2011-2012, only US$135,000 was shared across five villages.[79] Most community members now also face restrictions on livelihood activities such as hunting, access to land for cultivation, charcoal production and firewood collection.[80] Even though WWC produces and sells about 300 bags of charcoal a week, community members whose livelihoods depend on this activity are no longer allowed to produce it.

The lack of community participation and sequestering of REDD+ funds seems to be a feature of WWC's ventures. An RFUK investigation into WWC's REDD+ project in the Mai Ndombe province in DRC found that the majority of community members were not consulted on the establishment of the project, serious inter-communal conflict has arisen due to suspicion over project aims and initial restrictions on forest access, and the majority of benefits WWC promised to communities (health centres, payments for reforestation activities, improved infrastructure, etc.) have yet to be delivered. Large parts of the 326,636 hectare concession[81] have effectively become 'no-go zones' for WWC staff, due to hostility from local communities, and deforestation has increased substantially since the project was initiated.

Institutional challenges

The complex and convoluted architecture of REDD+ and the GCF assumes an even more troubling complexion in the Congo Basin where countries already face significant challenges in governing forests. For example, despite years of so-called 'REDD readiness' activities and institutional strengthening of the Ministry for Environment and Sustainable Development (MEDD) – the NDA host for DRC - through various World Bank forest and carbon programmes, a 2015 GCF readiness proposal to strengthen the capacity of the ministry found that it "lacks both human and financial capacity. Its staff lacks relevant technical and operational skills as they are new to the job, making it difficult to effectively engage with the Fund."[82]

Although the second phase of this proposal is now underway,[83] there is little indication that progress has been made on improving MEDD's transparency, accountability and institutional capacity to oversee GCF investments. Today most REDD+ activities in DRC, including those of the Central African Forest Initiative (CAFI), currently circumvent MEDD and its associated REDD+ structure, CNREDD, following a number of scandals in the Ministry.[84]

The institutional challenges the GCF faces in the region will no doubt be compounded without stronger engagement of civil society. While there has been some improvement in the involvement of Congolese CSOs in deliberative processes at the national level since the introduction of REDD+, overall the engagement remains tokenistic and even more so with local NGOs and community representatives in target areas.[85]

[79] "Roots of Inequity: How the Implementation of REDD+ Reinforces Past Injustices - ScienceDirect." Accessed October 2, 2018. https://www.sciencedirect.com/science/article/pii/S0264837715002926.

[80] "Roots of Inequity: How the Implementation of REDD+ Reinforces Past Injustices - ScienceDirect." Accessed October 2, 2018. https://www.sciencedirect.com/science/article/pii/S0264837715002926.

[81] "Interactive Maps." Atlas Forestier de la République Démocratique du Congo. https://cod.forest-atlas.org/map?l=en.

[82] *Readiness Proposal with Le Centre De Suivi Ecologique (CSE) for the Democratic Republic of Congo.* NDA Strengthening and Country Proposal. Green Climate Fund, 2015. https://www.greenclimate.fund/countries/dr-congo.

[83] *Readiness Proposal with Le Centre De Suivi Ecologique (CSE) for the Democratic Republic of Congo.* NDA Strengthening and Country Proposal. Green Climate Fund, 2015. https://www.greenclimate.fund/countries/dr-congo.

[84] To name a few of the scandals, the Minister of MEDD in 2017 and 2018 repeatedly attempted to lift the logging moratorium that has been in place since 2002 (numerous violations were committed by forest ministers between 2002 and 2008), allocated numerous illegal logging concessions, unilaterally revised DRC's national forest code, suspended forest activities, and enabled the sale of endangered species to China.

[85] Samndong, Raymond A. "The participation illusion: questioning community participation in a REDD+ pilot project in the Democratic Republic of Congo." *International Forestry Review* 20, no. 3 (2018).

4. RECOMMENDATIONS

The Green Climate Fund offers the potential to catalyse positive change for tropical forests and forest peoples. Yet this briefing shows that fulfilling this potential is being impeded by a number of flaws in its institutional design, gaps in its safeguards systems and the pursuit of unproven market-based (as well as methodologically unsound) approaches to forest conservation.

If the GCF is to achieve its vision of helping "developing countries limit or reduce their greenhouse gas (GHG) emissions and adapt to climate change" and "promote a paradigm shift to low-emission and climate-resilient development"[86] in the Congo Basin region, it must ensure local communities are the primary beneficiaries of its investments or projects.

In order for the GCF to catalyse positive change for tropical forests and forest peoples, the following recommendations are made:

Recommendations for the GCF:

Although typically far removed from the communities GCF projects target, the Board members and Secretariat can adopt far-reaching measures to safeguard their rights. As such, they should:

- Clarify and strengthen safeguard requirements and the information disclosure policy to close loopholes and ensure alignment and compliance of accredited entities and other implementing agencies and actors.
- Put in place more stringent due diligence requirements to guard against hasty approval of poorly designed projects which do not adequately engage intended beneficiaries and civil society organisations.
- Improve efficiency and effectiveness of GCF investments by promoting more nationally-based organisations as accredited entities - transitioning away from an overreliance on international intermediaries and bureaucracies.
- Require stronger external monitoring and evaluation of projects as well as robust stakeholder participation.
- Use an evidenced-based approach to assess the efficacy of proposed REDD+ projects to reduce deforestation and improve the livelihoods of local communities in the Congo Basin.

Recommendations for the Accredited Entities:

There is no rapid, one-size-fits-all solution to reducing deforestation and forest degradation in the Congo Basin and any such projects offered by AEs should be treated with great caution. AEs should be responsible for channelling investments to interventions that will improve the livelihoods of communities, secure and enhance their land tenure, and protect their surrounding environment. To achieve these aims, AEs should:

- Prioritise projects and programmes which can demonstrably strengthen forest governance and the rights of targeted communities over those with a disproportionate and premature focus on establishing complex financial instruments.
- Focus initially on pilot projects and programmes in order to develop best practices. Only once sustainable impacts are evident should investments be scaled up.
- Develop partnerships with national CSOs, which usually have more knowledge about the political systems, social customs and the terrain and will tend to better represent the interests of the communities they are working with. Working directly with national CSOs will also reduce intermediary costs (direct access), help build in-country capacity and ownership, and promote sustainability after the project's lifetime. Particularly at a time when international conservation NGOs in the region are facing serious allegations of human rights abuses, project implementation by national CSOs should be reinforced and strengthened.
- Learning from the shortcomings of previous REDD+ interventions, allocate sufficient resources in local institutions and national CSOs who regularly engage with indigenous people and local communities in order to improve transparency, downward accountability, and to reduce the risk that funding will be captured along the way.

[86] "About the Fund." Green Climate Fund. Accessed October 2, 2018. https://www.greenclimate.fund/who-we-are/about-the-fund.

Recommendations for the National Designated Authorities:

NDAs and focal points are the GCF's "point of communication"[87] for countries. They are the intermediaries between the GCF secretariat, AEs, and national stakeholders. While the role of NDAs is well-defined in documents, there is no assurance they are adequately representing the positions of all national stakeholders. The NDAs should therefore:

- Ensure adequate representation of targeted communities in deliberative processes on investments that will impact their livelihoods and land rights. This would also establish a channel of communication directly between the GCF and communities implicated in GCF-financed projects.
- Seek input from established national and local CSOs on where and how to direct investments and propose relevant options to AEs for project proposals.
- Ensure there is an even geographical spread of CSO representatives in the NDA to avoid certain regions from capturing a majority of GCF investments.
- Establish cross-ministerial NDAs to capitalise on diverse expertise and ensure there is significant knowledge of climate issues within the NDA.
- Actively inform national stakeholders of ongoing GCF developments and the rights and roles of CSOs to engage with the GCF.
- Explore how the roles of national CSOs and other relevant stakeholders can be strengthened and accompanied, including through readiness activities.

Recommendations for National Civil Society:

As the GCF prepares to ramp up its investments in the Congo Basin, CSOs have an increasingly important role in setting the agenda for where and how GCF investments should be used, to highlight lessons learnt from past international interventions, particularly REDD+ programmes, and to provide oversight of GCF processes.

The following recommendations apply to national CSOs for how to best assert themselves into national GCF processes:

- Set up a task-force of CSOs following GCF investments to be consulted by the NDA and AEs, and which can foster collaboration and interactions with these actors.
- Develop position papers to setting out where and how the GCF should be deployed. This proactive approach will hopefully prevent GCF investments from following a non-participatory approach as is the case with investments in REDD+ programmes.[88]
- Identify communities and projects ideas that would benefit from GCF investments and notify AEs of their existence and potential to receive such investments.
- Establish a channel of communication directly with NDA coordinators – or focal points – to stay up-to-date with national developments of GCF investments and to present potential projects ideas or raise any concerns, also on behalf of the communities benefiting or being impacted by GCF-financed activities.
- Monitor the value chain of GCF investments to ensure investments are being employed as project documents claim and that local communities are the primary beneficiaries of these investments.
- Strengthen links with civil society active at the level of the GCF board discussions, which has proven to be very supportive of local communities affected by GCF financed activities.[89]

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[87] *Engaging with the Green Climate Fund*. Incheon, Republic of Korea: Green Climate Fund, 2015.

[88] *Sondage sur les dix ans du processus REDD+ en République Démocratique du Congo*. Kinshasa, RDC: Collectif des Défenseurs de l'Environnement, 2018.

[89] CSOs have for instance successfully stopped the approval of the funding proposal "Biomass Energy Programme in the South Pacific" submitted by the Korea Development Bank (KDB) at the twentieth meeting of the board in July 2018. CSOs conducted an analysis of the project and found a number of deeply problematic issues, including the baseline calculation which rather than reducing CO2 emissions would have actually increased them. They strongly voiced their concerns to some Board members through lobbying them, and publicly disseminated a joint letter opposing approval of the project. Ultimately, the KDB withdrew the proposal during the meeting.

ANNEX 1: LIST OF GCF ACCREDITED ENTITIES ACTIVE IN SUB-SAHARAN AFRICA

Acumen Fund, Inc.
Africa Finance Corporation (AFC)
African Development Bank (AfDB)
Agence Française de Développement (AFD)
Austrian Development Agency (ADA Austria)
Banque Ouest Africaine de Développement (BOAD)
BNP Paribas (BNP)
Centre de Suivi Ecologique (CSE)
CGIAR System Organisation (CGIAR)
Conservation International Foundation (CI)
Deutsche Bank AktienGessellschaft (Deutsche Bank AG)
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
Development Bank of Southern Africa (DBSA)
Environmental Investment Fund (EIF)
Food and Agriculture Organization of the United Nations (FAO)
Foreign Economic Cooperation Office (FECO)
HSBC Holdings PLC and its subsidiaries (HSBC)
International Bank for Reconstruction and Development and International Development Association (IBRD and IDA, World Bank)
International Finance Corporation (IFC)
International Union for Conservation of Nature (IUCN)
Japan International Cooperation Agency (JICA)
Kreditanstalt für Wiederaufbau (KfW)
Ministry of Environment of Rwanda (MOE)
Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia (MOFEC)
MUFG Bank
National Environment Management Authority of Kenya (NEMA)
National Fund for Environment and Climate of Benin (FNEC)
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)
Nordic Environment Finance Corporation (NEFCO)
Pegasus Capital Advisors (PCA)
Société de Promotion et de Participation pour la Coopération (PROPARCO)
South African National Biodiversity Institute (SANBI)
United Nations Development Programme (UNDP)
United Nations Environment Programme (UNEP)
World Food Programme (WFP)
World Meteorological Organization (WMO)
World Wildlife Fund, Inc. (WWF)

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