Business Case Summary Sheet

Title: Enhancing climate ambition, transparency and impact in the forests and land use sector through Article 5 of the Paris Agreement		
Programme Purpose: The programme aims to enhance the ambition, transparency and impact of forest-based climate mitigation action by supporting the successful implementation of Article 5.2 of the Paris Agreement which seeks to deliver transformational change in the forests and land use sector through performance-based measures.		
Programme Value: £3.02m RDEL		**Country/Region: Global**
Senior Responsible Owner:		
Programme Code: GB-GOV-25-ICF-0054-UNFCCC	**Start Date: FY 2024/25**	**End Date: FY 2028/29**

Specialist	Comments	Date signed-off
PMO:		27/08/24
Economist:	The political and strategic benefits of this spend will need to be judged against the RDEL spend at PC. There was no monetised VfM possible.	30/08/24
M&E:		27/08/24
Commercial:	Commercial comments addressed	29/08/2024
Corporate Finance: N/A		N/A
Legal:		04/09/2024
Finance:		16/08/24
Strategy:		20/08/24
Embassy Team/DESNZ Country Lead: N/A		N/A
Team G6:		27/08/24
Team DD:		3/09/24
SRO (for PIC only): N/A		N/A

INTERVENTION SUMMARY

What support will the UK provide?

This business case seeks approval for £3.02m contribution of ICF RDEL over four years from FY24/25 to the UNFCCC's Agriculture, Forestry and Other Land Use (AFOLU) Unit, based in Bonn, Germany to support the successful implementation of Article 5 of the Paris Agreement. The AFOLU Unit plays a vital role in supporting the implementation of Article 5 of the Paris Agreement, which includes the international REDD+ architecture agreed by Parties after a decade of negotiations. The geographic scope of the programme is global with a focus on developing forest countries. Our contribution represents an additional voluntary contribution to the UNFCCC's supplementary resources in addition to existing mandatory and voluntary contributions to support other priorities. There will be no on the ground implementation of activities beyond travel for workshops and meetings.

What are the main programme activities?

Our contribution will support the delivery of two programme outcomes. Outcome 1 aims to increase alignment of countries' forest-based mitigation action with Article 5 of the Paris Agreement (REDD+) and to enhance transparency on REDD+ results and payments. Under this Outcome, the AFOLU unit will deliver time-critical support functions that allow developing country Parties to access results-based payments from UNFCCC-aligned funding sources such as the Green Climate Fund. It will also include upgrading the REDD+ Web Platform and the Lima REDD+ Information Hub to enhance transparency on countries' Article 5-aligned REDD+ activities and results-based payments and knowledge exchange and learning between Parties. Activities under Outcome 2 are also designed to increase policy coherence and complementarity across the jurisdictional REDD+ financing and implementation landscape, strengthen cooperation between developing and developed countries and increase forest country capacity in known challenging areas such as monitoring and reporting on environmental and social safeguards and better integration of gender considerations.

This programme is in line with the ICF 3.0 Umbrella Business Case's objectives to raise global climate ambition and accelerate mitigation and decarbonisation activities by increasing transparency and ambition on the role of forests in meeting Nationally Determined Contributions (NDCs). As a global programme, it will not work directly in any one country, but is likely to support a number of ICF priority countries over its lifetime.

Why is UK support needed

The world's forests play a critical role in climate change mitigation[1] as both a source and sink of greenhouse gases and in providing additional atmospheric cooling. There is no pathway to 1.5 degrees that does not include massively reducing deforestation, particularly in tropical rainforests. Forests also provide other vital ecosystem services such as rainfall regulation and harbour up to 80% of terrestrial biodiversity. The IPCC AR6 Synthesis report highlighted that the window for keeping global warming to below 1.5 degrees is closing rapidly and identified the high mitigation potential of forests and other natural ecosystems in the short to medium term. The importance of forests and REDD+ for achieving global climate goals was recently reaffirmed in the decision on the Outcome of the First Global Stocktake at COP28.

The Warsaw Framework for REDD+ (WFR), embedded within Article 5.2 of the Paris Agreement, offers a unique opportunity for international cooperation between developing and developed countries to increase

[1] Climate change mitigation refers to reducing the sources or enhancing the sinks of greenhouse gases (GHGs)

the transparency, ambition and impact forest and other land-based mitigation action. Over 60 developing countries participate in REDD+, and there is on-going demand for the UNFCCC Secretariat's AFOLU Unit's support functions, which enable countries to comply with WFR requirements, access UNFCCC-aligned finance for RBPs and undertake stepwise improvements in their implementation of REDD+ activities.

Recent shortfalls in voluntary contributions by developed country Parties is threatening the AFOLU Unit's ability to meet demand from countries for the technical assessments and analyses of forest baselines and REDD+ results needed to access UNFCCC-aligned REDD+ RBPs and to maintain transparency on REDD+ results and payments through a centralised, open database. The Unit's work is primarily funded through voluntary contributions as only between 20-30% of its Article 5 support functions is funded through the UNFCCC's core budget from Parties' mandatory contributions. Additionally, since COP negotiations on REDD+ ended in 2015 with the inclusion of REDD+ in Article 5, REDD+ government actors from forest countries no longer have an international forum for discussion and technical exchange. Previously, REDD+ actors met regularly through the UNFCCC COPs and intersessionals. Meanwhile, the REDD+ financing and governance landscape has become increasingly complex and fragmented with the proliferation of REDD+ initiatives and private standards targeting carbon markets.

While market-based financing is slowly increasing as a result of various UK-supported multilateral programmes and initiatives, Article 5.2 RBPs and the technical assistance provided through the UNFCCC serve as an invaluable stepping stone to developing the enabling environment, capacity, systems and infrastructure needed by countries to continue incentivising forest protection and maintain their forest monitoring and management infrastructure, and also to participate in carbon markets if they so wish. This support is especially crucial for lower-capacity countries to enable them to implement the stepwise improvements envisaged under Article 5.2 and the WFR. Contributions have also been provided by Germany and Switzerland to address recent funding shortfalls.

What are the expected results?

The programme aim is to support transformational change in the forests and land use sector to halt and reverse deforestation by 2030 and keep global warming below 1.5^{0}C through the following objectives: successful implementation of Article 5 of the Paris Agreement and enhanced ambition, transparency and impact of forest and other land-based climate mitigation action through inclusion in the Nationally Determined Contributions of forest countries. Our contribution will enable the Unit to meet c. 60-70% of demand for Warsaw Framework-related technical support (based on demand over last five years) and deliver other functions mandated by the Parties. It will also address gaps for additional support communicated to the AFOLU unit by forest countries and other important stakeholders such as groups representing Indigenous Peoples and Local Communities. It will also enable the delivery of additional benefits including actions to increase policy coherence and complementarity across the landscape of REDD+ results-based financing and governance, strengthen cooperation between developing and developed countries and increase forest country capacity on challenging areas of the different phases of REDD+, including implementing effective safeguards systems and reporting on progress to the UNFCCC. The UK will encourage other developed country Parties active on REDD+ to also provide contributions to support the remainder of demand for the AFOLU Unit's WFR-related technical support functions.

Key risks to the programme

As a relatively small programme, the risk profile is manageable, and risks and mitigations are set out in the Risk Register at Annex B.

CONTENTS

1 STRATEGIC CASE

1.1 STRATEGIC ASSESSMENT

1.1.1 FORESTS, CLIMATE MITIGATION AND THE UNFCCC

The world's forests play a critical role in climate change mitigation[2] as both a source and sink of greenhouse gases. Between 2010–2019, the Agriculture, Forestry and Other Land Use (AFOLU) sector accounted for an estimated 13-21% of total global anthropogenic greenhouse gas (GHG) emissions on average. About half of this was driven by land use change, largely deforestation.[3] The IPCC estimates that the AFOLU sector has the potential to provide 20-30% of the global mitigation needed by 2050 to stay within the 1.5°C-2°C threshold. Mitigation measures in forests and other natural ecosystems provide the largest share of the AFOLU mitigation potential. It is especially critical to protect and sustainably manage the world's tropical forests which represent 45% of global forest area[4] and collectively sequester more carbon from the atmosphere than temperate or boreal forests.[5]

Forests also provide other vital ecosystem services, including regulation of over 75% of the world's accessible freshwater supply[6] and providing habitats for up to 80% of terrestrial biodiversity. Rainfall created by forests can impact agricultural yields and freshwater supplies over large distances e.g. deforestation-linked declines in rainfall in the Amazon have been projected to cause agricultural losses as far as the US, valued at over USD $1bn per year.[7] Forests also contribute to global cooling through evapotranspiration, which could significantly increase their contribution to climate mitigation beyond their known carbon sequestration and storage effects.[8] Other recent evidence suggests that forests may also sequester methane, a more potent greenhouse gas (GHG) than carbon dioxide (CO_2).[9] In tropical regions over 800m people, including 60m indigenous peoples, live in or near forests, with many relying on these for subsistence and income. These characteristics of forests contribute to local and regional food security and wider climate resilience. Forest loss and degradation and climate change disproportionately impact such populations, including the more vulnerable, such as women, the elderly and the very young.[10] Forests are thus key to achieving many of the Sustainable Development Goals (SDGs), contributing directly and indirectly to goals on climate mitigation and adaptation (SDG 13), nature conservation (SDG 15), poverty reduction (SDG 1), combating hunger (SDG 2), supporting good health and wellbeing (SDG 3), promoting gender equality (SDG 5) and maintaining freshwater (SDG 6).[11]

UNFCCC Parties formally recognised the role of forests in addressing climate change with the inclusion of Article 4 in the UNFCCC in 1992[12], increasing their attention on mitigation action in the Land Use, Land Use Change and Forestry (LULUCF) sector thereafter. Further COP decisions followed on forest-based emissions reductions and removals and finance to reward and further incentivise action, including important decisions on social and environmental safeguards. These culminated in the adoption of the Warsaw Framework for

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[2] Climate change mitigation refers to reducing the sources or enhancing the sinks of greenhouse gases (GHGs)
[3] https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_Chapter07.pdf
[4] IFU Core Script
[5] https://www.wri.org/insights/forests-absorb-twice-much-carbon-they-emit-each-year#:~:text=Tropical%20rainforests%20collectively%20sequester%20more,increasingly%20destroyed%20for%20agricultural%20expansion.
6 https://www.worldbank.org/en/news/feature/2016/03/18/why-forests-are-key-to-climate-water-health-and-livelihoods#:~:text=Forested%20watersheds%20and%20wetlands%20supply,natural%20filters%20for%20our%20air.
[7] https://www.nature.com/articles/s41586-022-05690-1
[8] https://www.wri.org/research/not-just-carbon-capturing-benefits-forests-climate
[9] https://www.nature.com/articles/s41586-024-07592-w
[10] World Bank (2008). Poverty and Forest Linkages: A Synthesis and Six Case Studies. World Bank, Washington. Available from: http://www.profor.info/Documents/pdf/livelihoods/PovertyForestsLinkagesCaseStudiesSynthesis.pdf
[11] https://sdgs.un.org/goals
[12] Article 4 Commitments 1a, c and d are relevant to forests, (d) being most comprehensive. Art.4 1(d) states: "*Parties…shall: (d) Promote sustainable management, and promote and cooperate in the conservation and enhancement, as appropriate, of sinks and reservoirs of all greenhouse gases not controlled by the Montreal Protocol, including biomass, forests and oceans as well as other terrestrial, coastal and marine ecosystems;*"

Reducing Emissions from Deforestation and Forest Degradation (REDD+) in 2013 at COP19[13] and its inclusion in Article 5.2 of the 2015 Paris Agreement at COP21.

The importance of halting and reversing deforestation and forest degradation by 2030 and the role of REDD+ has been reiterated by Parties to the Paris Agreement in its recent decision on the Outcome of the First Global Stocktake at COP28, which also includes references to Article 5 and results-based payments.[14]

1.1.2 THE POLICY CONTEXT: THE WARSAW FRAMEWORK FOR REDD+, THE PARIS AGREEMENT AND THE IMPLICATIONS OF THE FIRST GLOBAL STOCKTAKE

Small-scale efforts to protect forests through incentive-based approaches by NGOs and others pre-date formal UNFCCC negotiations on REDD+ by well over a decade.[15] Compared to these project-based REDD+ initiatives by non-governmental actors, the Warsaw Framework for REDD+ (WFR) represents a more ambitious approach, centred around creating incentives for the transformational changes needed at scale to protect forests in developing countries, based on national (or on an interim basis subnational) carbon accounting and delivered through voluntary cooperation between developing and developed countries.[16] The inclusion of the WFR in Article 5.2 of the Paris Agreement (PA) in 2015, marked a major milestone. This concluded over a decade of international negotiations by developed and developing countries and gave REDD+ recognition within the Paris Agreement. Altogether 195 Parties have ratified the PA. While participation in REDD+ through Article 5 remains voluntary, this gave a strong political signal on the continuing importance of forests and REDD+ in climate mitigation. Further, the first Global Stocktake of the PA, emphasised the importance of enhanced efforts towards meeting the goal of halting and reversing deforestation and forest degradation by 2030. This is likely to lead to increased inclusion of forest-related measures in subsequent Nationally Determined Contributions (NDCs) from Parties. Additionally, if a Party includes REDD+ in their NDC, they will be required to report on REDD+ for tracking progress towards the implementation and achievement of their NDC in their Biennial Transparency Reports (BTRs).

The WFR provides a structure to guide voluntary cooperation between developed and developing country Parties on forest-based mitigation, including the policies and systems that developing country Parties need to put in place to effectively implement REDD+, generate verified emissions reductions and/or removals and access results-based payments, as well as the contributions of developed country Parties to support their efforts through finance, technical assistance and other means.[17]

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[13] The '+' stands for the additional activities covered by REDD+ (see Section 1.1.2).
[14] CMA: ""*the need for enhanced support and investment, including through financial resources, technology transfer and capacity-building, for efforts towards halting and reversing deforestation and forest degradation by 2030 in the context of sustainable development and poverty eradication, in accordance with Article 5 of the Paris Agreement, including through results-based payments 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 [REDD+]; 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".* The Conference of the Parties, the supreme body of the Convention, also serves as the meeting of the Parties to the Paris Agreement, which is the CMA.
[15] https://www.ecosystemmarketplace.com/articles/shades-of-redd-plus/
[16] PA/Article 5: *1. Parties should take action to conserve and enhance, as appropriate, sinks and reservoirs of greenhouse gases as referred to in Article 4, paragraph 1 (d), of the Convention, including forests. 2. Parties are encouraged 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.*
[17] https://unfccc.int/topics/land-use/workstreams/redd/redd-resources#Warsaw-Framework-for-REDD

Under the WFR, REDD+ covers five activities that either reduce emissions and/or increase removals from forests. These are:

1. reducing emissions from deforestation
2. reducing emissions from forest degradation
3. conservation of forest carbon stocks
4. sustainable management of forests
5. enhancement of forest carbon stocks (e.g. through afforestation, reforestation and restoration)

Activities must be at national scale, or on an interim basis, subnational, (i.e. at a jurisdictional scale). Subnational approaches also require reporting on how any displacement of emissions (i.e. leakage) is being addressed.[18]

In addition to being country-driven, working at scale and through partnership between developing and developed countries, another key feature of the UNFCCC approach to REDD+ is its inclusiveness. Recognising that developing country Parties vary in their ability to participate in REDD+, the WFR enables Parties to implement REDD+ in phases according to their national circumstances, with different starting points and stepwise improvements over time. Phases may overlap, but typically include: a **readiness phase** involving the development of national (or in the interim subnational) strategies and capacities; an **implementation phase** involving the piloting and/or scale-up of activities that generate emission reductions and/or removals; and finally **results-based payments (RBPs)** for emissions reductions and removals that comply with WFR requirements and other relevant COP decisions.

Parties also agreed that developing country Parties should have the following five elements in place to seek and obtain RBPs[19]:

1. A national REDD+ strategy or action plan
2. A technical assessment of the national/subnational forest reference emission level (FREL) and/or forest reference level (FRL).[20] This sets the historical baseline against which REDD+ results will be measured.
3. A national forest monitoring system
4. A system for providing information on how the safeguards are being addressed and respected
5. A technical analysis of REDD+ results submitted to the UNFCCC through the Biennial Transparency Reports[21] against their FREL/FRL

All of these elements rely on the UNFCCC secretariat for technical support, and for verification (see 1.1.3). UNFCCC Parties also recognised that successful implementation of REDD+ and delivery of related climate benefits requires developed country Parties to meet their commitments regarding providing 'adequate and predictable' finance, including for results-based payments,[22] further noting that finance may come from a variety of sources including public, private, bilateral, multilateral and alternative sources.

[18] UNFCCC Decision 1/CP.16, footnote 7
[19] https://redd.unfccc.int/fact-sheets/redd-mrv-and-results-based-payments.html
[20] A **Forest Reference Emission Level (FREL)** is a benchmark for emissions exclusively from deforestation and forest degradation. A **Forest Reference Level (FRL)** is a benchmark for emissions from deforestation and forest degradation and removals from sustainable management of forests and enhancement of forest carbon stocks (i.e. all 5 REDD+ activities). Reference levels are expressed as tonnes of CO2 equivalent per year for a reference period against which the emissions and removals from a results period will be compared. Reference levels serve as benchmarks for assessing each country's performance in implementing REDD+ activities and must be consistent with countries' greenhouse gas inventory estimates
[21] Previously Biennial Update Reports
[22] Decision 1/CP.21 Para 54 states: *"Recognizes the importance of adequate and predictable financial resources, including for results-based payments, as appropriate, for the implementation of policy approaches and positive incentives for reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks;"*

REDD+ results generated under Article 5 are not broadly considered to be tradeable as offsets due to variations in measuring, reporting and verification (MRV) between countries, particularly in the calculation of historical baselines, including the period and number of years included. This makes it challenging to compare results between countries or to generate a tradeable commodity without further assessment. Parties therefore agreed that results to be traded may be subject to further requirements and verification processes as decided by the COP (Decision 14/CP.19). Results, however, may be used against individual country's NDC targets, which incentivises consistency between NDC target setting and reporting and the Greenhouse Gas Inventory, given that REDD+ reporting has to be consistent with the national Greenhouse Gas Inventory.

Meanwhile, private actors and multilateral REDD+ programmes have developed their own standards for REDD+ carbon crediting for accessing carbon markets. These include project-scale standards such as Verra's Voluntary Carbon Standard (VCS) and standards that are jurisdictional-scale (i.e. national or subnational) such as the Architecture for REDD+ Transaction's (ART) TREES[23] standard or the World Bank Forest Carbon Partnership Facility (FCPF) Methodological Framework. Although informed by UNFCCC processes, project-based standards in particular have come under the spotlight over the last 18 months for inflated baselines, dubious claims and for generally lacking environmental and social integrity. The jurisdictional standards on the other hand are generally consistent with the national/ jurisdictional nature of the WFR and other UNFCCC-decisions on REDD+ and seek to build on these to generate standardised tradeable carbon credits with greater environmental and social integrity. ART-TREES is open to all countries but only countries with higher capacity and prior investment in REDD+ are generally able to fulfil its requirements. The World Bank standard is currently a closed one and only used in the 15 countries participating in the FCPF Carbon Fund.

1.1.3 PARTICIPATION IN REDD+ AND THE ROLE OF THE UNFCCC SECRETARIAT

Many developed and developing country Parties have been engaging in REDD+ since the UNFCCC formal negotiations began in 2005. Some developing countries such as Brazil began implementation before these were concluded, with donors such as Norway pledging large amounts of funding for REDD+ RBPs e.g. through Brazil's Amazon Fund established in 2008, to which the UK has also recently contributed. REDD+ implementation by both governments and non-government actors has expanded further over the last 10-15 years. Over 60 developing countries have reported REDD+ activities to reduce deforestation and forest degradation to the UNFCCC secretariat since the adoption of the WFR in 2013. These represent action over a forest area of c. 1.35b hectares or approximately 62% of the forest area in developing countries. As noted above, Article 5.2 REDD+ results can be used against countries' NDC targets or turned into carbon credits for sale by complying with additional standards.

To date, 17 countries have fulfilled all requirements under the WFR to receive RBPs, with a total reduction in emissions of 11.6 billion tons of CO_2, more than double the emissions of the United States in 2021. More may be able to do so but have not submitted their results formally to the UNFCCC due to lack of financing options for RBPs. Nevertheless, interest in participating in REDD+ through the UNFCCC remains high, with 9 countries[24] submitting their reference levels for assessment in 2024, including three for the first time, while other countries have improved their methodologies and data from previous submissions and updated their reference levels. [25] The mitigation potential and contribution of forests is also increasingly being captured through countries' NDCs with forests and other land use-based mitigation now included in 80% of NDCs and 31% of NDCs referring specifically to REDD+.[26]

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[23] ART is a global initiative with a secretariat hosted by Winrock International. TREES stands for The REDD+ Environmental Excellence Standard.

[24] These are: Belize, Colombia, Congo, Côte d'Ivoire, Dominica, Eswatini, Samoa, Suriname and Zimbabwe. Eswatini, Samoa and Zimbabwe submitted their baselines for the first time.

[25] https://unfccc.int/news/protecting-our-forests-collective-progress-and-innovation#:~:text=UN%20Climate%20Change%20News%2C%2021,worst%20effects%20of%20global%20warming.

[26] UNFCCC 2022: Nationally Determined Contributions under the Paris Agreement

The UNFCCC secretariat plays a vital role in supporting countries engaging in REDD+. The Secretariat is the only entity with a standing mandate to coordinate the various reporting and review processes of individual Party submissions on climate actions and greenhouse gas emissions and removal trends, including on REDD+. Within the Secretariat, the Agriculture, Forestry and Other Land Use (AFOLU) unit of the Enhanced Transparency Division delivers all REDD+ support functions, enabling Parties to demonstrate and record their compliance with the WFR requirements for REDD+ RBPs. Notably, the AFOLU Unit is the only sector-specific unit within the UNFCCC Secretariat, reflecting both the importance of forests in climate mitigation and the complexities of the voluntary cooperation processes associated with REDD+ implementation. The Secretariat is also mandated to host and maintain the Lima REDD+ Information Hub on the REDD+ Web Platform as a means to increase transparency on REDD+ activities and results reported by Parties, and corresponding payments for these results. Both platforms are accessible to the general public.

Core functions of the AFOLU Unit include organising and coordinating the technical assessments of REDD+ forest emission reference levels (FREL/FRLs) and technical analysis of REDD+ results submitted by Parties as an annex to their Biennial Transparency Reports (BTRs) to the UNFCCC. These assessments and analyses are technically complex and require considerable logistical coordination throughout the year by the AFOLU Unit to bring together land use, land use change and forestry (LULUCF) experts from both developing and developed countries to undertake them. For example, typically, it takes 43 weeks to complete a technical assessment of a FREL/FRL to allow sufficient time for reviews and exchanges between the experts and with the concerned country including improving their FREL/FRL based on expert feedback. It also includes in-person intensive discussions between experts in Bonn hosted by UNFCCC and country visits. In addition to enabling countries to access REDD+ RBPs, participation in the technical assessment of REDD+ reference levels and results analysis processes also allows developing countries to enhance transparency of their REDD+ efforts as well as build technical capacities in national teams, including in preparation of reporting on the AFOLU sector under the enhanced transparency framework of the Paris Agreement.

The UNFCCC Secretariat, including the AFOLU Unit, relies on Parties' mandatory and voluntary contributions to fund its activities. For example, as a UNFCCC Party the UK provides an annual £1.3m mandatory contribution, which is a non-ringfenced contribution to all of the UNFCCC Secretariat functions. The UK also provides around £1.7m per year in supplementary contributions, although this varies from year to year.[7] Mandatory reporting and review processes are prioritised over voluntary processes such as Article 5 REDD+ reporting in the UNFCCC Secretariat's centralised fundraising and its resource allocation. The AFOLU Unit's support functions are therefore largely funded from Parties' contributions to the Trust Fund for Supplementary Activities rather than UNFCCC's core budget which has funded up to three technical assessments of FRLs/FRELs and three REDD+ results analyses per year. However, as country demand and ambition under Article 5 has exceeded this, further REDD+ support has been provided through supplementary resources from Parties' voluntary contributions. Through this combined budget, the AFOLU Unit was able to meet country demand until recently and undertake between 10-20 technical assessments of forest country FRLs/FRELs and analyses of results per year, depending on demand. The Unit could also continue operating the REDD+ Web Platform and Lima Info Hub, and offer limited capacity-building, technical exchanges, and outreach as part of the technical assessments of baselines and results analyses. However, there has been a shortfall in voluntary contributions to the UNFCCC since COP 27 with consequences for the AFOLU Unit's ability to continue meeting country demand for support. The gap in 2024 has been met through additional funding from Germany and Switzerland. The proposed HMG funding through this business case is expected to fill a significant proportion of the gap as explained later. However, demand is expected to increase towards the end of 2024 as countries submit REDD+ results in their first Biennial Transparency Reports (BTRs) and as greater attention is brought to bear on ratcheting NDC ambition. Should HMG funding be insufficient to meet demand, we will use our support to leverage additional funding from other donors to meet the remaining demand.

1.1.4 THE EVOLUTION OF THE FINANCING LANDSCAPE FOR JURISDICTIONAL REDD+ RBPS

Ultimately, it is the potential to secure finance that is intended to provide the incentive for action on emissions under REDD+. This in turn relies on support to the lowest capacity countries to meet the demanding requirements of implementing REDD+. So it is important to provide RBPs, but to then back this up through technical assistance and sufficient UNFCCC capacity to support countries to comply with WFR requirements. The UK has always been one of the strongest developed country supporters to REDD+. Financing for REDD+ RBPs may be directed towards small-scale project-based REDD+ results or larger-scale, jurisdictional REDD+ (JREDD) initiatives such as those recognised through PA/Article 5.2 and prioritised by the UK in its REDD+ policy and programming work. To date, public finance, both international and domestic, has provided the largest amount of support to all three phases of REDD+, albeit mostly for readiness and implementation activities. Cumulatively, c. $6bn has been pledged and c. $4bn approved for dedicated REDD+ activities through various multilateral funds, initiatives and bilateral and multi-donor programmes. While rarely mentioned and difficult to measure, significant public finance for REDD+ implementation has come from the domestic budgets of forest countries.[27] Private finance has been channelled mainly towards project-scale initiatives and payments for tradeable carbon credits, generally for offsetting purposes.[28]

Financing sources and actual flows for JREDD+ RBPs has been generally limited and far below demand in terms of the volume of Article 5.2 results produced by forest countries: Only c.3% of results reported to the UNFCCC that have been analysed and recorded in the Lima REDD+ Information Hub have received payments to date.[29] One of the largest financiers of JREDD+ RBPs to date has been the Green Climate Fund (GCF), which disbursed $497m in RBPs for Article 5.2-compliant verified emissions reductions in eight countries[30] between 2017-20 through a pilot programme. As GCF is one of the primary operating entities of the financial mechanism of the UNFCCC that supports delivery of Paris Agreement goals, the UK, which is among the top donors to the GCF, is currently working with other Parties to build on the pilot to provide a longer-term solution for the GCF to continue financing REDD+ RBPs through its regular project and programme activity cycle.

The UK is also a key donor to the other major sources of multilateral and multi-donor public finance for JREDD RBPs, which include:

1. the Brazilian Amazon Fund, a dedicated national fund that accepts payments from donors for verified REDD+ results from the Amazon biome. In 2008, Norway pledged $1.2bn to the Fund. In 2023, the UK committed to investing £115m of its International Climate Finance (ICF) in the Amazon Fund;
2. the World Bank Carbon Fund launched as part of FCPF in 2008 with $874.5m for REDD+ RBPs[31] including $141.5m from UK ICF;[32]
3. the multi-donor REDD+ Early Movers Programme (REM 1 and 2) in two Brazilian states, Colombia and Ecuador; and
4. the World Bank's BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL) with $217.8m for RBPs.

The UK has been actively engaged in FCPF and ISFL since the beginning of both programmes, as a donor and as member of the multistakeholder steering committees, and is also a major donor and partner in REM. These programmes have increased financing for JREDD RBPs, but are limited to a relatively small number of countries: 15 in the FCPF Carbon Fund; 5 in the BioCarbon Fund and 3 in REM. Accessing RBPs through these

[27] CFU Update 2023: add ref.
[28] https://cbmjournal.biomedcentral.com/articles/10.1186/s13021-023-00228-y
[29] Nemitz et al. 2024. ADD REF & Lima REDD+ Information Hub
[30] GCF REDD+ RBPs went to: Argentina, Brazil, and Indonesia
[31] The 15 FCPF Carbon Fund countries are: Costa Rica, Cote D'Ivoire, Dominican Republic, DR Congo, Fiji, Ghana, Guatemala, Indonesia, Lao PDR, Madagascar, Mexico, Mozambique, Nepal, Republic of Congo, Vietnam
[32] When launched in 2008 with $1.3bn in funding, the FCPF has two funding mechanisms: the Readiness Fund (now closed) with $470m and the Carbon Fund with $873m. The former provided support for the early stages of country engagement in REDD+ (i.e. Phase 1), while the Carbon Fund, provides RBPs for verified emissions reductions. The UK also contributed $3.5m to the Readiness Fund.

programmes also requires countries to comply with further requirements set by donors and delivery partners that go beyond Article 5.2 requirements for REDD+ RBPs, including lengthy MRV processes and complex price-setting negotiations, contractual arrangements and benefit-sharing agreements in the case of the two World Bank programmes. As a result, actual delivery of RBPs through these programmes has been relatively slow compared with the GCF pilot programme, which disbursed $497m for REDD+ RBPs between 2017-20. The latter involved a simpler set of requirements, including compliance with Article 5.2 requirements and the GCF's rules and policies. To date, the Carbon Fund has disbursed $90.4m of its $874.5m allocation for RBPs, with payments to five countries[33] while the Biocarbon Fund is yet to disburse any RBPs. Meanwhile REM has disbursed Euro 141.79m, for verified emissions reductions from Brazilian jurisdictions and Colombia.

The UK has also been championing market-based carbon finance for REDD+ RBPs and was instrumental in developing and launching the public-private LEAF Coalition in 2021. LEAF seeks to bring together forest countries and corporate buyers to provide the former with a market and better price for their REDD+ results and the latter with a supply of higher-integrity carbon credits. LEAF is open to any country that can comply with LEAF's requirements which includes applying the TREES standard. While there is great interest in LEAF, only countries and jurisdictions with existing REDD+ implementation experience have generally been able to meet LEAF's requirements. Currently, 26 national or subnational governments from 18 forest countries have submitted eligible concepts[34], many of which are also FCPF, ISFL or REM countries or jurisdictions. However, LEAF too is yet to make any payments for emissions reductions due to the complexities of complying with TREES and other processes to ensure high supply-side and demand-side integrity and the challenges for a delivery partner to work with multiple subnational jurisdictions.

As a result of the various UK-supported multilateral programmes and initiatives, financing options for REDD+ RBPs have expanded, and market-based financing flows are also increasing although still far from the 'adequate and predictable' levels of finance highlighted in the PA. Access to such finance and the technical assistance provided through the UNFCCC remains especially crucial for lower-capacity countries to enable them to implement the stepwise improvements envisaged under Article 5.2 and the WFR. RBPs for Article 5.2 results serve as an invaluable stepping stone to developing the enabling environment, capacity, systems and infrastructure needed by countries to continue incentivising forest protection and maintain their forest monitoring and management infrastructure, and also to participate in carbon markets if they so wish. Even among higher capacity countries, the lack of adequate and predictable finance for Article 5.2 is sometimes seen as developed country Parties failing to fulfil their finance commitments.

While programmes such as FCPF, ISFL and REM ask countries to comply with UNFCCC processes, this is not a condition for receiving RBPs through the respective programmes. As major donors and stakeholders in these programmes, we intend to work through the AFOLU Unit, our GN2U partners and with forest countries (e.g. through FCLP) to demonstrate the value of strengthening alignment with UNFCCC processes going forward in both existing and new REDD+ programmes, while also finding ways to reduce undue reporting burden on countries. Our approach is reflected in a new business case for a major ICF contribution towards the World Bank's new multi-donor trust fund SCALE (Scaling Climate Action for Lowering Emissions) which will provide end-to-end support to countries to decarbonise in line with the PA. Our contribution will be targeted towards SCALE's Natural Climate Solutions pillar which will include support for all phases of jurisdictional REDD+ including RBPs for verified emissions reductions and removals. The UK would encourage countries participating in REDD+ through the World Bank's new SCALE programme to also comply PA Article 5.2 and other relevant UNFCCC decisions on REDD+.

33 Costa Rica, Ghana, Indonesia, Mozambique and Vietnam have received RBPs through the Carbon Fund to date.
34 https://www.leafcoalition.org/forest-governments

1.1.5 SUCCESSFUL IMPLEMENTATION OF PA ARTICLE 5.2: CHALLENGES AND OPPORTUNITIES

Article 5.2 offers an unparalleled framework for international cooperation to achieve forest and other land-based climate mitigation. The inclusion of the WFR in an internationally negotiated agreement of the stature of the Paris Agreement, gives REDD+ strong legitimacy and credibility. It provides a structure for coordinating national action that is open to all countries regardless of their starting point and capacity and that can accept different financing sources and modalities. It sets a minimum standard for measuring, reporting and verification (MRV) of results, including environmental and social safeguards, with opportunities for continuous improvement by countries over time, which can be further complemented through standards developed outside the UNFCCC to generate market-based credits.

However, the lack of adequate and predictable finance for Article 5.2 results and increased attention on voluntary and compliance carbon markets, including Article 6, which is still being negotiated, has led to an increasingly complex and fragmented landscape of REDD+ RBP financing. The governance of REDD+ RBP financing has also become increasingly complex and fragmented. This in turn is negatively impacting the policy coherence and transparency of national REDD+ actions and results, complicating access to RBPs and increasing confusion and frustration among forest developing countries. These factors threaten to undermine the credibility of Article 5.2 and the WFR, and opportunities to raise ambition on forests through the NDCs may be wasted. The AFOLU Unit's recent funding constraints threatens to further exacerbate these problems. These challenges to the implementation of Article 5.2 as well as opportunities for successful implementation are discussed further below.

<u>The AFOLU Unit's funding constraints</u>

A shortfall in voluntary contributions from developed country Parties to the UNFCCC is impacting the AFOLU Unit's ability to deliver its mandated support functions to countries engaging in REDD+ and to maintain and enhance transparency on national REDD+ actions and results through the Lima REDD+ Information Hub. Under the currently projected budgets for 2025 and 2026, the AFOLU Unit could only respond to a greatly reduced number of country requests for assessments and analyses of their baselines and results, respectively. On average, the AFOLU Unit has been coordinating 10 assessments of forest baselines per year over the past five years. Submissions of REDD+ results have varied annually between four and seven as countries tend to only submit these when this is related to a clear financing opportunity, e.g. there was a surge in submission of REDD+ results when RBPs were available through the GCF between 2017-20. In a survey earlier this year by the UNFCCC, 29 countries indicated that they intend to include a REDD+ technical annex with their REDD+ results in their first BTR submissions in 2025. However, under present funding projections, the AFOLU Unit will have to rely on its core resources and only be able to coordinate three baseline assessments and three analyses of REDD+ results a year. As of now, the AFOLU Unit has received nine submissions of country FRLs/FRELs and 3 submissions of results from countries in 2024. Further submissions of results are likely later in 2024 with the first Biennial Transparency Reports due in December. Meanwhile, in July the GCF Board decided that four countries would be eligible for consideration for REDD+ RBPs. The Board will also be considering a proposal to integrate REDD+ RBPs into the GCF's regular programming and project cycle. Should this be approved by the GCF, demand for the AFOLU Unit's REDD+ support functions will continue to grow in 2025 and the foreseeable future, as other sources of finance for RBPs also become available such as the World Bank's SCALE.

However, without additional funding, the AFOLU Unit will be unable to meet the likely increased demand, creating a bottleneck and potentially preventing forest countries from accessing RBPs in a timely manner, especially as countries can only submit their results once every two years as part of their Biennial

Transparency Report (BTR).[35] After the first BTRs are submitted in December 2024, countries will only be able to submit any further results in their next BTR due in December 2026. AFOLU Unit delays in processing country requests could therefore have further knock-on effects: without timely additional finance to re-invest in continued forest protection and benefit-sharing with local stakeholders, countries are at risk of losing the forest monitoring infrastructure built up over the last decade and of disincentivising forest protection by local communities and other stakeholders. The in-country credibility of REDD+ could also be adversely impacted as a result, especially where other sectors have strong incentives to convert standing forests to other uses. Additionally, if the AFOLU Unit is unable to meet country demand for its support functions, this could be seen as evidence of developed country Parties not meeting their climate finance pledges and have reputational impacts for the UK and for the credibility of REDD+ itself (see further below).

<u>Growing lack of policy coherence and transparency across the REDD+ financing landscape</u>

It is essential that transparency of REDD+ action, results and corresponding RBPs is maintained and further strengthened by recording these through a publicly available central system as provided by the Lima REDD+ Information Hub to minimise the risk of double counting, provide an overview of different activities taking place in the same country, including their cumulative effect, and increase trust in the integrity of REDD+ results. This is particularly important given the proliferation of REDD+ programmes and projects since the late 2000s with different and/or additional requirements for providing results-based finance.

While all the major programmes and standards (e.g. FCPF, ART-TREES, REM, Verra Jurisdictional REDD+) state they are UNFCCC-aligned, the extent to which they require compliance from countries before providing RBPs or issuing carbon credits varies. This is evident from the incomplete data on the Lima REDD+ Information Hub. For example, ART has not required compliance with UNFCCC processes before issuing verified carbon credits to Guyana, which was able to transact these and receive initial payments in 2022-23 without completing Article 5.2 processes.[36] Guyana has since submitted its REDD+ results in its BTR submission to the UNFCCC in April 2024 and the technical analysis of these results is scheduled for early October 2024. Once the analysis and all other UNFCCC requirements are completed, then these can be included in the Lima Hub.

The Guyana case illustrates how the proliferation of standards, including plans by some countries to develop their own standard, each with different requirements, can lead to loss of coherence and transparency on REDD+ results and payments at the international level if countries choose not to submit their baselines, results and results-based payments details to the UNFCCC, which is mandated to provide a centralised and publicly accessible record of these. It will also negatively impact UK policy objectives to better link and raise ambition and reporting quality on the contribution of forests to NDCs as results reported through non-UNFCCC processes will not translate across to improvements in the quality of REDD+ results reported through the NDCs which are based on the national Green House Gas (GHG) inventory.

Transparency will become increasingly important once the rules for transactions under Article 6.2 and 6.4 are finalised. There are already provisions in place to link Article 6.4 compliance market registries and the Lima REDD+ Information Hub assuming forest-based emissions reductions and removals are eligible under Article 6.4. There is some evidence that some standards are signaling the need for countries to continue to align with the WFR, which is to be encouraged. At the same time, there is need to identify ways to increase coherence and complementarity between Article 5 REDD+ processes and other standards and processes for issued REDD+ credits to simplify these and reduce reporting burden on countries through parallel and/or unnecessarily complex processes. One way to do this is to upgrade the existing REDD+ Web Platform and Lima Hub, which have not been updated since they were first established, to make these more user-friendly and able to meet evolving country needs and international expectations on transparency and functionality.

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[35] Previously the Biennial Update Report (BUR).
[36] https://lcds.gov.gy/wp-content/uploads/2023/01/Guyana-Receives-First-Payments-Under-World-Leading-Carbon-Credit-Sales-Agreement.pdf

Loss of faith in Article 5 and the Warsaw Framework for REDD+

As noted earlier, the inclusion of the WFR in the Paris Agreement highlights its acceptance by Parties to the Paris Agreement. Additionally, the UNFCCC approach is characterised by being country-led and open to all countries that are Parties to the UNFCCC, unlike other jurisdictional-scale programmes such as FCPF, ISFL and REM which cover a limited number of countries. Furthermore, there is no other comparable international framework for forests, despite global recognition of the multiple values of forests for many decades. The WFR is thus unique. However, the WFR risks losing its relevance if Parties do not continue to uphold it and support the UNFCCC to deliver its mandated functions to enable countries to access RBPs for Article 5.2 results and continue to maintain and enhance transparency on REDD+ results and payments.

RBPs for Article 5.2 results are particularly important for many lower capacity countries that lack the capacity and systems to meet the requirements of the high-integrity carbon markets championed by the UK as one of the longer-term solutions to shortfalls in financing for tropical forests. RBPs provides a steppingstone for countries to continue developing their capacity to unlock much larger streams of finance through carbon markets and other mechanisms.

Additionally, reporting on REDD+ to the UNFCCC is an opportunity to further link REDD+ activities and data to national targets and reporting, including in relation to NDCs, which with adequate financing would be supported by the AFOLU Unit. Following the COP28 Global Stocktake outcome and the inclusion of a reference to the global goal on halting and reversing deforestation by 2030, Parties next submission of NDCs will be informed by this outcome to consider and report on related contributions, including implementation of REDD+ activities. Raising ambition in NDCs is also key although as countries will bring forward new NDCs in 2025, it may be too late for the AFOLU Unit to influence these. However, revisions to NDCs are still possible at a later stage. It is especially important to continue to uphold Article 5.2 and the AFOLU Unit, at this critical juncture for forests and climate globally and in terms of UK ICF investments in REDD+ and policy and diplomatic priorities on climate and forests, including carbon markets, Article 6 and in our engagement in the run up to COP30 in Brazil.

Lack of an open forum for knowledge exchange, learning and discussion to develop capacity and raise ambition

Since the UNFCCC negotiations on REDD+ ended in 2015, there is no regular forum for key government REDD+ actors to meet regularly amongst themselves and with non-government experts and practitioners to discuss REDD+ policy and practice as they did previously at each COP. Meanwhile, the REDD+ policy, implementation and financing landscapes have continued to evolve and become increasingly complex as market-based opportunities have increased. Many countries are struggling to understand the differences between different standards and approaches to assess their relative costs, benefits and risks as well as the relationship between Article 5.2 REDD+ results, Article 6.2 transactions and any future market opportunities under Article 6.4.

While sources of potential finance have increased in aggregate, the proliferation of closed programmes and VCM standards each with different requirements and accessibility to developing countries with an interest in REDD+. The additional time, effort and costs for countries of complying with the complex requirements of different agencies, programmes and standards has caused a considerable confusion and frustration among forest countries, including perceptions of 'goal posts being continually moved' by external actors and developed country Parties. This has also led to lack of buy-in to some of the private standards and approaches developed outside the UNFCCC, particularly where these have been developed by northern NGOs.

The UNFCCC AFOLU Unit receives many requests for additional guidance from forest countries on these matters but lacks the resources to respond to these properly. The secretariat is uniquely placed to facilitate knowledge-sharing and capacity-building on REDD+ between Parties and with other stakeholders as a trusted convening body with nearly 20-years' experience of engaging with Parties on REDD+. There are also some specific elements of the WFR where countries may benefit from exchange of experiences and additional support such as on strengthening safeguards information systems and reporting on safeguards implementation.

1.2 RATIONALE FOR INTERVENTION

1.2.1 JUSTIFICATION

As set out in the Strategic Assessment, Article 5.2 offers a unique opportunity to increase global ambition and impact on forest-based mitigation action through cooperation between developed and developing countries, guided by the Warsaw Framework for REDD+, and by reflecting REDD+ activities in NDC targets and reporting. There is no other comparable international agreement with the same level of specificity and guidance for incentivising action on forest loss and degradation in developing countries, or with the same degree of legitimacy, having been negotiated over many years and agreed by 195 countries. The inclusion of the WFR in Article 5.2 recognises the importance of forest and other land-based mitigation to achieving the goals of the Paris Agreement, and as noted earlier, once included in a Party's NDC, reporting on REDD+ becomes legally-binding.

With over 60 developing countries participating in REDD+, there is on-going demand for the UNFCCC's AFOLU Unit's support functions, which enable countries to comply with WFR requirements, access UNFCCC-aligned finance for RBPs and undertake stepwise improvements in their implementation of REDD+ activities. Demand for such support may also increase, if additional sources of finance for UNFCCC-aligned RBPs becomes available such as through the GCF and/or if carbon standards or financing sources (e.g. ART and/or SCALE, respectively) also start asking countries to complete Article 5.2 processes through the UNFCCC.

However, lack of adequate funding for the AFOLU Unit will greatly reduce its ability to meet expected developing country demand for assessments of baselines and analyses of REDD+ results. Lack of finance for the AFOLU Unit due to a shortfall in voluntary contributions by developed country Parties is also likely to be perceived by developing countries as evidence of a lack of commitment by developed countries to Article 5 and the Paris Agreement principle of shared responsibilities for mitigation.

As outlined in Section 1.1.5 and summarised below, this will have several serious consequences at a time when action on deforestation and forest degradation, needs to be greatly accelerated if we are to meet our climate and forest goals, including:

- delay or prevent countries from accessing UNFCCC-aligned RBPs, which is particularly important for lower-capacity forest countries
- reduce transparency on global jurisdictional-scale REDD+ results and payments, which is important for reducing the risk of double-counting and/or double-payment of emissions reductions and removals
- undermine the credibility of Article 5 and REDD+, which has been championed by the UK and several other UNFCCC Annex-1 countries and potentially impact our other ICF-investments in REDD+ and forest carbon markets
- negatively impact relations with forest countries participating in REDD+
- reduce the potential benefits realised through other UK investments through REDD+ programming
- limit opportunities to increase ambition on forests through the NDCs, support stepwise improvement in REDD+ implementation, and enhance transparency and policy coherence on government-led REDD+ activities and results through Article 5.2.

IPCC's AR6 Synthesis report emphasised that the window of opportunity to secure a *"liveable and sustainable future for all"* is rapidly closing. Bending the curve on global emissions this decade is essential to keep global warming below dangerous levels and meet Paris Agreement targets. The AR6 report also reconfirmed that the Agriculture, Forestry and Land Use (AFOLU) sector offers "*substantial mitigation and adaptation potential…that could be upscaled in the near term across most regions*".[37] It is especially important to protect the world's tropical forests which represent 45% of global forest area[38] and collectively sequester more carbon from the atmosphere than temperate or boreal forests.[39]

The next four years are critical for our climate and forest goals as we approach 2030 by when Parties should have halted and reversed deforestation and forest degradation as per the COP28 decision on the Global Stocktake outcome on forests. Germany and Switzerland, with whom we work closely on forests, have provided additional voluntary contributions to support the AFOLU Unit this year (Section 2.5.1), but the unit will face a major gap from 2025 onwards without UK support. As longstanding champions of tropical forest protection and REDD+, the UK considers that a contribution to the AFOLU Unit has strategic value at this time and will help us advance several additional inter-related objectives. This includes demonstrating to forest countries who have invested greatly in REDD+ that we are delivering on our treaty obligations under the PA as well as our commitments through the Glasgow Leaders' Declaration on Forests and Land Use and associated COP26 commitments, and our work on forest carbon markets through the Forest and Climate Leaders' Partnership.[40]

Specifically, a UK contribution to enable the AFOLU Unit to deliver its mandated supports functions would uphold Article 5.2, meet country needs including access to RBPs in a timely manner and demonstrate our continued leadership and commitment to REDD+ as well as the principle of shared responsibilities on mitigation. The UK is also actively working to increase the availability of RBPs for Article 5.2 results through the GCF and through a contribution to SCALE, which we consider especially important for lower capacity countries and serve as a stepping stone towards preparing countries to access potentially larger financial flows through carbon markets. As noted earlier this could potentially increase demand for AFOLU Unit support.

The UK has developed considerable experience on REDD+ through its policy and programme work and has strong relations with many forest countries. Informed by this knowledge, we propose to use our contribution to further strengthen the support functions of the AFOLU Unit based on countries needs and priorities and our own goals to increase financing flows for forests from different sources. Our contribution would result in further benefits through greater policy coherence and transparency on REDD+ actions and RBPs as well as capacity development support for countries. Ensuring transparency is important to other UK goals to support a well-functioning, high-integrity carbon markets, including under Article 6. We would also seek to give forest countries the confidence to increase ambition on forests through their NDCs in line with the Global Stocktake outcome on forests and to strengthen REDD+ implementation through greater consideration of gender and environmental and social safeguards.

There is no other way to deliver the expected outcomes and benefits from our contribution to the AFOLU Unit, which gets its mandate to support Parties on implementation of Article 5 from the standing mandate given by Parties to the UNFCCC Secretariat (Section 1.1.3).

[37] https://www.ipcc.ch/report/ar6/syr/figures/summary-for-policymakers/figure-spm-7/
[38] IFU Core Script
[39] https://www.wri.org/insights/forests-absorb-twice-much-carbon-they-emit-each-year#:~:text=Tropical%20rainforests%20collectively%20sequester%20more,increasingly%20destroyed%20for%20agricultural%20expansion.
40 https://forestclimateleaders.org/

1.2.2 STRATEGIC FIT: DESNZ AND WIDER GOVERNMENT PRIORITIES

This business case is fully aligned with DESNZ's strategic objectives (as set out in the BEIS 2022 ICF Umbrella Business Case objectives and theory of change) and HMG's ICF Strategy and UK international commitments on climate and development. Through its focus on halting and reversing deforestation in countries where millions rely on forests for their livelihoods and wellbeing, it will contribute to eradicating poverty on a liveable planet, as set out in the government's Manifesto, and contribute specifically to the following DESNZ ICF objectives: Objective 2: Work in partnership with developing countries to **accelerate decarbonisation** across climate-critical sectors (including…nature), thereby reducing poverty through clean growth and avoided climate impacts; Objective 4: Effectively **promote broader HMG objectives,** including (i) facilitating a green, resilient and inclusive post-COVID-19 recovery (ii) promoting energy and climate finance research, demonstration and innovation at scale, and (iii) supporting nature and biodiversity. See programme aim and outcomes in Section 1.3.2 and Theory of Change in 1.3.4 and Annex E.

Additionally, through the focus on successful implementation of PA Article 5.2, including support to enable countries to access REDD+ results-based payments and strengthening alignment and synergies with carbon standards and related markets, this business case will also contribute indirectly to Objective 5: Supporting a **rules-based international system** by helping deliver an effective **global climate finance architecture** through: a) playing a catalytic role in **mobilising capital investment** flows for low-carbon, climate-resilient projects in our priority geographies…

While the programme will not directly work in any countries, 13 ICF priority countries, including three of the top six countries (Colombia, Brazil, Indonesia)[41] are actively engaging in REDD+ and all but one of these is also benefiting from other UK ICF REDD+ programmes. These countries area likely to benefit further from the activities in this programme including through increased capacity and complementarity and coherence within their national REDD+ programmes.

As reflected in HMG's ICF strategy, conserving, restoring, and improving management of land can provide up to 37% of the emission reductions needed by 2030 to keep global temperatures under 2°C.[42] The UK placed nature at the heart of its COP 26 Presidency, culminating in the Glasgow Leaders Declaration (GLD) on Forest and Land Use and a set of associated commitments. The UK and other signatories agreed to halt and reverse deforestation by 2030, while delivering sustainable development and a just transition. One of the pillars within this was *"Reaffirm international financial commitments and significantly increase finance and investment from a wide variety of public and private sources, while also improving its effectiveness and accessibility, to enable sustainable agriculture, sustainable forest management, forest conservation and restoration, and support for Indigenous Peoples and local communities"*[43].

Additionally, by incentivising action on forests through Article 5, the programme will indirectly contribute to the following Sustainable Development Goals (SDGs): climate mitigation and adaptation (SDG 13), nature conservation (SDG 15), poverty reduction (SDG 1), combating hunger (SDG 2), supporting good health and wellbeing (SDG 3), promoting gender equality (SDG 5) and maintaining freshwater (SDG 6).[44]

[41] New ICF priority list here: https://beisgov.sharepoint.com/:w:/r/sites/ICF/_layouts/15/Doc.aspx?sourcedoc=%7B04B6645C-8A60-4B8D-80DE-9450FB0E1C4E%7D&file=Country%20prioritisation%20paper.docx&action=default&mobileredirect=true
[42] Griscom BW et al.. 2019 We need both natural and energy solutions to stabilize our climate. Glob. Change Biol. 25, 1889-1890; Griscom et al.2017, Natural climate solutions. Proc. Natl Acad. Sci. USA 114, 11 645-11
43
[44] https://sdgs.un.org/goals

1.2.3 UK LEADERSHIP AND EXPERTISE

The UK has been actively engaged in the negotiations on REDD+ from the outset, working closely with developed and developing country Parties with an interest in forest-based mitigation and developing forest countries to secure these UNFCCC and Paris decisions and continues to champion REDD+ through its policy and programming, with over £700m in ICF investments since 2013. We are a recognised leader on REDD+ and remain among the top REDD+ donors alongside Germany, Norway and the US, our 'GN2U' partners on climate and forests. The 2021 ICAI review on forests and biodiversity found the UK has played a significant role in promoting global cooperation on the drivers of deforestation and biodiversity loss, making positive contributions to knowledge, institutions, governance and policies[45]. We also explicitly prioritise and support country-ownership, inclusion and stepwise improvement in REDD+ policy development and implementation, features which are integral to Article 5.2.

Our proposal to provide funding for four years and sufficient funding to generate additional strategic benefits beyond the assessments of forest baselines and REDD+ results is informed by the knowledge developed over more than a decade of engagement on incentivising forest protection through REDD+ and working closely with both forest countries and developed countries. It is also a testimony to our continued leadership on REDD+. We will leverage our knowledge, experience and networks to further shape the programme together with the AFOLU Unit.

1.3 AIMS AND OUTCOMES

1.3.1 SCOPE

The UK's investment will be used by the UNFCCC Secretariat's AFOLU Unit based in Bonn, Germany, to deliver time-critical support functions over four years, enabling developing country Parties to access payments for results generated under Article 5 of the Paris Agreement from existing and new funding sources for REDD+ RBPs. It will also seek to increase alignment between UNFCCC Article 5 processes and other approaches for generating REDD+ results for payments and demonstrate the benefits of doing so to forest developing countries and other important stakeholders including multilateral development banks such as the World Bank and private forest carbon crediting standards. The geographic scope of our investment is global with a particular focus on developing forest countries but does not involve any implementation on the ground. Our contribution represents an additional voluntary contribution to the UNFCCC (Section 1.1.3) and will also cover associated delivery partner administrative costs for implementation of the activities set out in Section 1.3.2.

1.3.2 PROGRAMME AIM AND OUTCOMES

The programme aim is to achieve transformational change in the forests and land use sector to halt and reverse deforestation by 2030 and keep global warming below 1.5^{0}C through the following objectives: successful implementation of Article 5 of the Paris Agreement and enhanced ambition, transparency and impact of forest and other land-based climate mitigation action through inclusion in the Nationally Determined Contributions of forest countries.

The programme has the following two outcomes and related outputs.

Outcome 1 Increased alignment of forest-based mitigation action with Article 5.2 and enhanced transparency on REDD+ results and payments

[45] ICAI (2021): ICF: UK Aid for halting deforestation and preventing irreversible biodiversity loss. https://icai.independent.gov.uk/wp-content/uploads/ICAI-FAB-Review-2021_July.pdf

This includes scaling the UNFCCC AFOLU Unit's ability to meet forest country demand for technical assessments of forest reference levels and analyses of REDD+ results so that countries can put forward requests for payment to existing and new funding sources for Article 5 results. It also includes improving information sharing by countries through the REDD+ web platform and Lima REDD+ Information Hub to enhance transparency. This will help to drive implementation of REDD+ and associated emissions reductions, which can also help forest countries to feel confident in increasing the ambition of their NDCs.

Outcome 1 will deliver the following outputs:

Output 1.1 Four additional Technical Assessments of national/subnational FRELs/FRLs per year (7 in total per year including core funded ones).

Output 1.2 Eight Technical Analyses of national/subnational REDD+ Results per year submitted as an Annex to the Biennial Transparency Report (11 in total per year including core funded ones)

Output 1.3 Updating of the REDD+ web platform including the discussion forum and Lima REDD+ Information Hub to increase ease of data sharing and visibility and create a better user experience for users

Outcome 2 Improved national and international coordination, cooperation and ambition on REDD+

This will be achieved by facilitating technical exchange between countries and other key stakeholders through both online and in-person events and outreach to provide information and enable discussion on complex and sometimes contentious REDD+ issues in a neutral forum. Activities will include bringing greater clarity on financing options and requirements for REDD+ results, particularly the differences and complementarities between Article 5.2 requirements for results-based payments and the requirements of jurisdictional-scale Voluntary Carbon Market (VCM) standards and the evolving rules under Article 6 compliance markets.

Outcome 2 will deliver the following outputs:

Output 2.1 Increased understanding among Parties of key forest-related agreements, reports and processes under the Paris Agreement (including linkages between Article 5 / Article 6, the Global Stocktake outcome, forests in NDCs and Biennial Transparency Reports)

Output 2.2 Increased understanding among Parties and other stakeholders of the benefits and options for strengthening alignment between Article 5 and other independent carbon crediting initiatives and providers of REDD+ results-based payments (e.g. World Bank REDD+ programmes, the ART-TREES standard, the LEAF Coalition initiative and other major jurisdictional-scale VCM forest carbon standards)

Output 2.3 Demonstration of benefits to countries of strengthening their national safeguards information systems (SIS) and voluntary reporting to the UNFCCC, including gender considerations in REDD+ national strategies and SIS

Output 2.4 An online Community of Practice for Parties voluntarily cooperating on REDD+ to continue technical exchanges on forest country priorities and experiences, including challenges, successes and opportunities for further strengthening cooperation and impact. See further detail below.

Output 2.5 Demonstration of the linkages and synergies between the WFR (i.e. Paris Agreement Article 5.2) and the Kunming-Montreal Global Biodiversity Framework and other major global goals and programmes, including the UN Decade for Ecosystem Restoration goals, the UN Strategic Plan for forests and adaptation goals. UK funding will not be used to deliver this output but is included here for completeness.

Outputs 2.1 to 2.4 will be delivered through a range of activities. The AFOLU Unit will organise South-South' and 'North-South' exchanges on country priorities, experiences REDD+ implementation and access to RBPs, and information/capacity development needs. New information materials, knowledge products and other learning/training resources will be developed, based on country demand with inputs from appropriate experts and practitioner and shared through the REDD+ web platform. Events will take place both online and in-person and may be stand alone or held in margins or back-to-back with other events that are likely to be attended by relevant officials such as New York Climate Week, COP and the biennial Oslo Tropical Forest Forum as well as the UNFCCC intersessional meetings in Bonn. The new Community of Practice is detailed further below.

Output 2.4 – Community of Practice

The Strategic Assessment and Appraisal case established there is significant value in supporting new streams of work in addition to the business-as-usual work of the AFOLU Unit under Outcome 1, particularly at this point in time when action on forests is crucial while the REDD+ landscape has become increasingly complex and fragmented leading to confusion and frustration among developing forest countries. The proposed Community of Practice (CP) managed bythe AFOLU Unit would provide a neutral space for exchange, which has been raised as a critical gap by stakeholders. The CoP would be inclusive and open to all PA Parties unlike other existing fora which are generally linked to specific programmes and initiatives. While external actors and stakeholders would be engaged, it would maintain a protected space for exchange only among Parties without the influence of specific standards promotion, brokerage services, project development businesses, rating services, or other profit-driven activities. Existing support sources provided to countries through other platforms often have ties to advocating for particular interests.

The main proposed activities under the CP are outlined below and a significant proportion of the cost of this output will be related to travel to bring countries together for in-person exchange. The current proposal including the costs for each of the three main elements below (see Table 6, Section will be tested further during the inception phase.

- **Virtual support and outreach:** This will be undertaken through a pro-actively managed REDD+ Web Platform with a Community of Practice module, a REDD+ discussion forum, regular newsletters, and webinars on technical topics identified in discussions with countries. Topics may include additional clarification on the exact mandates for certain WFR reporting elements, such as safeguards summaries (with focus areas on gender, Indigenous Peoples, social inclusion) and strengthening REDD+ National Strategies by linking of REDD+ activities with other targets (e.g. SDGs, other Rio Conventions). Outreach would be undertaken on the margins of relevant meetings (see above), e.g. through side events.
- **Annual meetings:** The AFOLU Unit will organise one regional meeting per year, rotating among regions over the four years. These would be small, dedicated working meetings, with 12-15 participants from the region for South-South exchange, technical discussions to gain a better understanding of regional implementation challenges and explore synergies with other key regional partners. These meetings would generally be held back-to-back with other meetings (such as regional climate weeks) or in collaboration with a host country (such as the COP Presidency), unlocking further synergies and ost-savings.
- **Bi-annual meetings:** The AFOLU Unit will organise one global 3-day meeting every 2 years, with the aim of fostering exchange between donors, experts and the 60+ countries participating in REDD+ as well as further South-South learning among REDD+ countries. Participants would be the REDD+ focal points of Paris Agreement Parties, as well as experts from active REDD+ stakeholders, including standard-setting and financing entities. Depending on the focus area defined, REDD+ countries would be able to bring a second participant, such as someone from the country's NDC or Article 6 team.

Specific activities and knowledge products will be co-created with forest countries and cover topics that are known to be creating challenges for countries, including the requirements for accessing different types of results-based finance, how to choose between the options and optimise in-country REDD+ planning and implementation to minimise compliance requirements and reporting for different financing channels and the benefits of and options for strengthening environmental and social safeguards and reporting on these.

1.3.3 BENEFITS BEING SOUGHT

ICF programmes report on a range of standardised key performance indicators (KPIs) which enable results to be aggregated across the ICF portfolio.[46] As the programme scope and budget are relatively small and do not include direct implementation of activities on the ground, the programme will report mainly on the TA KPIs and extent of likely transformational change (Table 1). It will also monitor and report on programme-specific indicators, which will be set out in the ICF programme logframe (see Section 5.6).

Table 1 Key Performance Indicators

KPI number	KPI description
15	extent to which ICF intervention is likely to lead to transformational change
TA KPI 1	countries supported by ICF technical assistance
TA KPI 2	individuals and organisations supported by ICF technical assistance
TA KPI 3	climate policies informed by ICF technical assistance

The programme may also leverage additional support for the UNFCCC AFLOLU Unit increasing the impact of the Unit and additionally contribute to KPI 11 indirectly by enabling additional public finance to flow for REDD+ results-based payments which are re-invested by recipient countries in forest-based climate mitigation activities. This will be monitored during the annual reviews.

In addition to monitoring these ICF KPIs, programme-specific indicators will be developed during the inception phase during the ICF programme logframe. Indicative targets for several of these benefits (e.g numbers of technical assessments and analyses), as well as other programme-specific indicators, are found in the SMART Objectives.

1.3.4 THEORY OF CHANGE

An initial programme Theory of Change has been developed and is at Annex E. This is based on the programme aims and objectives in Section 1.3.2 and informed by the DESNZ REDD+/LEAF Theory of Change which is also described in Annex E. This shows the causal links that will deliver the benefits described above in Section 1.3.3. Key interdependencies, assumptions and constraints are described below in Section 1.3.5. Further detail on inputs including monitoring and evaluation is provided in the Management Case. We will hold a workshop early in the inception phase to reconfirm and further develop our Theory of Change together with the AFOLU Unit and relevant DESNZ teams.

1.3.5 INTER-DEPENDENCIES, ASSUMPTIONS & CONSTRAINTS

- Outline the high level internal and external factors upon which the successful delivery of the project benefits are dependent, i.e. actions or developments that need to be put in place elsewhere or managed elsewhere. Specific dependencies for the preferred option should be outlined in the Management Case.

The main interdependencies

- Delivery of the technical assessments of forest emission baselines (FRLs/FRELs) and technical analyses of REDD+ results by the UNFCCC depends partly on there being sufficient experts from

[46] See KPI methodologies and latest results publications here: UK Climate Finance Results - GOV.UK (www.gov.uk)

available to participate in these, particularly from developed countries, to work alongside developing country experts. The reasons for fewer developed country experts being available is unclear but since the UNFCCC negotiations on REDD+ ended, there has been reduced engagement on technical aspects of REDD+ by developed countries. There is currently no shortage of experts from developing countries where engagement remains high.

Action: Identify suitable UK experts to include in the roster, including from HMG. Also work through GN2U partners and other developed country parties with an interest in REDD+ to increase the overall number of developed country experts in the roster.

The main assumptions are:

- Steady or increasing demand from developing countries for the UNFCCC to coordinate technical assessments of forest emission baselines (FRLs/FRELs) and technical analyses of REDD+ results with the submission of the first BTRs by end 2024 and if financing options for REDD+ RBPs expand (e.g. through the GCF) and/or as a result of UK efforts to increase alignment with Article 5 through our existing and new ICF REDD+ programmes, initiatives (e.g. FCLP) and key partners on forest (e.g. GN2U).

  Action: Demonstrate value and benefits to all Parties of continuing to uphold and align with Article 5.2 including enhanced transparency on REDD+ actions and results. Monitor level of demand through AFOLU Unit at regular checkpoints. Include provisions to adjust total UK contribution if demand for AFOLU Unit support is less than expected over the four years. Continue to work towards a successful Board decision on further REDD+ RBPs through the GCF.

- Countries see value in the technical exchanges on Article 5, 6 and carbon standards and in the Community of Practice, and actively participate through both online and in-person events and take action to implement improvements including on environmental and social safeguards systems and reporting and through their NDC reporting.

  Action: Use consultations/surveys by AFOLU Unit to ensure topics covered through the Community of Practice meet the needs of both developing and developed countries cooperating on REDD+ and are delivered in an accessible format.

- Developing countries are willing to raise ambition on forests in their NDCs
  Action: Demonstrate through the exchanges and discussions under Objective 2 how developed countries are stepping up to their shared responsibilities on mitigation in the forest and land use sector as well as being open to meeting the needs and priorities of forest countries through additional actions

The main constraints are

- The AFOLU Unit's ability to coordinate analyses of results in a timely manner depends partly countries submitting these in time as there is a fixed schedule for submission of BTRs.
  Action: Ensure schedule for reporting results is communicated well in advance and countries proactively encouraged to submit their results

- Financing sources and prices for Article 5 REDD+ results remains limited relative to demand and often difficult to access and reduces incentives for countries to engage in Article 5.
  Action: Work to continue increasing financing opportunities especially for lower capacity countries through multilateral funds and initiatives, and to strengthen routes to private finance.

- The time and effort of complying with different sets of requirements to access RBPs prevents countries from submitting their baselines and results to the UNFCCC especially if there is no possibility of receiving RBPs.

Action: Identify ways to further streamline requirements for accessing REDD+ RBPs through different channels.

- Higher-capacity countries continue to expect RBPs for Article 5 results, partly because of impacts on market due to recent media attention on the lack of integrity and reputational risks around the project-based REDD+ credits in the voluntary carbon markets.[47]
  Action: Actively communicate differences between jurisdictional-scale REDD+ and project-based approaches. Continue supporting development of high-integrity markets through other policy and programme work.

1.4 HIGH-LEVEL RISKS

Risks, mitigation measure and post-mitigation RAG ratings are set out in the Risk Register at Annex B (also see Management Case). Only one risk was identified as very likely. This is the risk that the AFOLU unit is unable to meet the majority of demand from developing countries for its Article 5 REDD+ support functions due to major shortfall in voluntary contributions from developed country Parties impacting countries' ability to access REDD+ RBPs from UNFCCC-aligned sources as well international transparency on REDD+ results and RBPs.

Other risks with moderate likelihood and high impact include:

- A lack of developed country experts for the technical support work coordinated by the AFOLU unit delays assessments of forest baselines and analyses of REDD+ results, delaying or preventing countries' from accessing UNFCCC-aligned RBPs. The UK will work with the AFOLU unit and bilaterally to persuade developed countries with an interest in REDD+ to put forward experts for the roster.
- Other developed country Parties are unwilling to provide additional voluntary contributions to fill the remaining gap in funding and to identify a longer-term solution to fund the AFOLU Unit's work beyond the programme. The UK will work with like-minded developed country Parties to identify a longer-term solution and also consider alternative options in the longer-term assuming we are successful in halting and reversing deforestation.

Further information on the risks to the programme are provided within subsequent cases and the Programme Risk Register at Annex B.

1.5 LEGAL CONSIDERATIONS AND WIDER POLICIES

See Annex D for the rapid climate and environmental risk screening.

Table 2 Programme alignment with the Paris Agreement

Paris alignment pillar	Description of activity
How have you taken a proportional approach to climate and environment risk assurance?	A rapid climate and environmental risk assessment was undertaken using the DESNZ Screening Tool. As this programme has no on the ground activities, none of the four climate

[47] A 2023 Guardian expose concluded that 90% of forest carbon offsets certified under Verra's VCS, overstate and/or do not represent genuine emissions reductions, impacting demand for REDD+ credits.

	screening factors apply and no further scoping or the CRAA is required.
How have you taken a proportional approach to using shadow carbon pricing?	N/A to this programme
Does the programme adhere to HMG's fossil fuel policy?	N/A to this programme
Are you ensuring the programme does not undermine impacted countries climate plans?	Yes. The programme is intended to support countries' climate plans as described in earlier sections.

1.5.1 EQUALITY OBJECTIVE

The programme will have limited direct impacts on individuals, as it will primarily fund UNFCCC Secretariat engagement with developing country government officials to coordinate and strengthen the delivery of the WFR processes to increase access to REDD+ results-based payments. However, the programme includes activities to demonstrate the benefits to developing country Parties of strengthening gender and social inclusion in their national REDD+ strategies and REDD+ safeguards information systems, including through South-South exchange, as well as identifying options to support Parties to do this. In addition, UNFCCC is required by the UN System Wide Action Plan on Gender Equality to consider gender in their internal staffing, planning and management decisions, but also to adopt a gender focus when delivering their programming and work to implement the Convention and deliver against the SDGs.

1.5.2 PUBLIC SECTOR EQUALITY DUTY (PSED)

Recent Supreme Court case law confirms that the Public Sector Equality Duty under section 149 of the Equality Act 2010 does not apply to policy decisions which take effect wholly extraterritorially and which do not affect persons with a connection to the UK (R (on the application of Marouf and another) v Secretary of State for the Home Department [2023] UKSC 23). Notwithstanding this, equality considerations remain an important element of ICF policy / programme development. An assessment of compliance with the PSED has been completed and concluded that the programme will not have any negative impacts on any group with protected characteristics, while it may have positive indirect impacts on these groups by improving social safeguards and gender consideration relating to forest and other land-based mitigation action (see Section 1.3.2) and by incentivising the protection and sustainable management of forests leading to improved mitigation outcomes. The assessment is provided in full at Annex C.

Section 1(1A) of the International Development Act 2002 provides that the Secretary of State must, before providing development assistance, have regard to the desirability of providing development assistance that is likely to contribute to reducing poverty in a way which is likely to contribute to reducing inequality between persons of different gender.

The protection of forests is recognized to be important for social inclusion, as climate change disproportionately impacts the world's poorest communities, including indigenous people, the extreme poor and women[78]. Deforestation and forest degradation undermine the livelihoods of approximately 1 billion of the world's poorest people[79]. Forest dependence is higher among marginal groups, such as indigenous people, women and the extreme poor, and so deforestation often has the greatest impact on these groups in terms of livelihoods, culture and health.[80]

UNFCCC operates under the United Nations System-Wide Action Plan (UN-SWAP) on gender equality and the empowerment of women. Under UN-SWAP, UNFCCC must report annually to UN Women against 14 indicators across results against SDGs, accountability and oversight, human resources and knowledge, communication and coherence. This requires UNFCCC and the AFOLU Unit to take account of and actively consider gender in their strategy and planning, hiring and human resource practices, the design of their policy and programmes and outputs. Therefore, in working with UNFCCC as the delivery partner, the programme will be delivered in such a way that is likely to contribute to reducing gender inequality, as this is a requirement for UNFCCC in all of its work.

1.5.3 SPENDING POWER

The legal spending power for this funding is the International Development Act 2002 (s1(1). The programme meets the development assistance requirements of the International Development Act 2002, as it will contribute indirectly to reducing poverty and is provided for the purpose of supporting sustainable development and improving the welfare of the population of developing countries by supporting transformational change in the forest and land use sector through the successful implementation of Article 5. UNFCCC guidance states that REDD+ activities "*should be implemented in the context of sustainable development and reducing poverty, while responding to climate change*" (decision 1/CP.16, appendix I). The AFOLU Unit's REDD+ support functions take place within this overarching context.

The significance of forests for achieving multiple Sustainable Development Goals is outlined in Section 1.1.1. Specifically, Article 5 seeks to incentivise measures that lead to reducing emissions from deforestation and forest degradation and to conserving and enhancing forest carbon sinks, the loss of which disproportionately affects poor and vulnerable people as also described earlier in Section 1.1.1. The AFOLU Unit provides support to countries to enable them to complete the requirements set out under Article 5.2 and thereby access UNFCCC-aligned results-based payments for their REDD+ actions. Further sustainable development benefits are generated through reinvestment of RBPs in activities that generate additional mitigation and adaptation co-benefits, including through activities that directly benefit local communities and indigenous peoples.[48]

1.5.4 PARIS ALIGNMENT

This programme does not go against HMG's fossil fuel policy, nor does it go against of the UK's partner countries' climate plans. An initial assessment against the DESNZ INZ PMO's Paris Alignment principles has been undertaken, and we have not identified any climate or environment risks to this programme. This is because it will not operate on the ground in climate-vulnerable environments, therefore the climate risks and environmental hazards are limited. The AFOLU Unit works from Bonn, Germany and is not expected to face any climate-related challenges during the programme period. Therefore, we have not completed a full Climate and Environment risk assessment.

This programme is strongly aligned with the Paris Agreement. The programme aims to increase ambition on and inclusion of forests and forest finance within the new Nationally Determined Contributions (NDCs) due from all signatories to the Paris Agreement in 2025. This will support enhanced climate action, with greater recognition of the critical role forests will play in achieving our Paris Agreement targets. Therefore, in supporting greater climate ambition, the programme is aligned with the Paris Agreement.

Table 2 Programme alignment with the Paris Agreement

Paris alignment pillar	Description of activity
How have you taken a proportional approach to climate and environment risk assurance?	A rapid climate and environmental risk assessment was undertaken using the DESNZ Screening Tool. As this programme has no on the

[48] E.g. see recent study by the GCF Independent Evaluation Unit of 7/8 countries that received RBPs through the GCF pilot programme: https://ieu.greenclimate.fund/sites/default/files/document/redd-special-study-120824.pdf as well as mid-term evaluation of the World Bank FCPF:

	ground activities, none of the four climate screening factors apply and no further scoping or the CRAA is required.
How have you taken a proportional approach to using shadow carbon pricing?	N/A to this programme
Does the programme adhere to HMG's fossil fuel policy?	N/A to this programme
Are you ensuring the programme does not undermine impacted countries climate plans?	Yes. The programme is intended to support countries' climate plans as described in earlier sections.

1.5.5 ENVIRONMENT ACT 2021

In developing this business case, DESNZ has also considered our obligations under the Environment Act 2021. This requires the Minister to "have due regard to the policy statement on environmental principles" when "making policy". We do not currently consider that a decision to make sums available to AFOLU Unit would amount to an exercise in 'policy making' for these purposes. This is on the basis that the decision does not create a precedent for other ICF programmes or decisions or otherwise set a particular direction for future decisions, projects or programmes; is intended to give effect to the wider ICF policy and does not change the overall objectives towards which DESNZ is working in this policy area.

In terms of environmental impact, the programme is likely to have significant indirect positive impacts on the environment, as it will enable greater access to results-based finance to support critical forest ecosystems, which are essential to meet global climate and biodiversity targets. As the programme's activities will be predominantly administrative, it is not expected to have any significant direct effects on the environment. Much of the activities will be conducted online, but there may be small related GHG emissions for necessary air travel to enable assessments and meetings to take place. UNFCCC Secretariat has a position to ensure its operations are climate-neutral, through the use of improved design for its physical offices, reducing air travel and using offsets to mitigate what cannot be avoided. Overall, we judge that the environmental policies of UNFCCC will reduce any negative environmental impacts of the UK's funding to UNFCCC for REDD+ work. Further information UNFCCC's policies is available here.

2. APPRAISAL CASE

2.1 PURPOSE

The Appraisal Case considers the available options for delivering the objectives defined in the Strategic Case in line with the Options Framework as outlined in the Green Book and DESNZ appraisal guidance.

As UNFCCC have been identified as the only viable delivery partner for this programme (see Commercial Case for further detail), the options appraisal focuses heavily on the ability to achieve added value in UNFCCC's REDD+ work over and above business-as-usual outputs at different levels of funding. This section details the appraisal steps taken, with further detail provided in annexes.

2.2 OBJECTIVES AND CRITICAL SUCCESS FACTORS

The objectives for this appraisal follow the overall programme objectives as set out in the Strategic Case. In addition, critical success factors (CSFs) were used to appraise different options. The CSFs are the five mandatory required by HMT Green Book guidance:

- CSF 1: Strategic fit and meets business needs
- CSF 2: Potential value for money
- CSF 3: Supplier capacity and capability
- CSF 4: Potential affordability
- CSF 5: Potential achievability

Detail on the CSFs is provided at Annex F.

2.3 LONGLIST OF OPTIONS

A longlist of various options to channel £2m of ICF to support REDD+ activity was considered. This included:

1. **Do nothing –** no additional funding to be provided.
2. **Increase existing contribution to UNFCCC, with no specific directions on its use –** this would increase our voluntary contribution to the UNFCCC Secretariat, but with the Secretariat making all decisions about how and on which policy areas such funding is used. HMG would have no further ability to influence the use of this ICF spend. UNFCCC interlocutors explained that this would almost certainly be allocated to other areas as there are a number of budget shortfalls across UNFCCC at present. Therefore, this option would not advance our forest goals.
3. **Specific contribution to UNFCCC AFOLU Unit (preferred) –** this would increase our voluntary contribution to the UNFCCC Secretariat, with specific directions on its use to support the REDD+ activities of the AFOLU Unit, governed by a separate arrangement. Different levels of funding (between £1m and £3m) have been considered.
4. **Increase funding to existing IFU programmes –** this would channel an additional £2-3m into an existing IFU or HMG programme, with the LEAF technical assistance facility, Amazon Fund technical assistance facility, Forests and Climate Leaders' Partnership (FCLP), UK PACT considered.
5. **Increase funding to multilateral programmes –** this would channel an additional £3m into an existing multilateral fund or programme, with the UN-REDD technical assistance facility, World Bank SCALE programme, IDB Amazon Multi-Donor Trust Fund considered.

The full longlist of all options, including analysis to discount or carry forward each option, is provided at Annex G. The only set of options carried forward were those under Option 3, as the UNFCCC Secretariat has an exclusive mandate to deliver the work in scope of this programme, therefore no other options were capable of delivering the activities required to produce the desired outcomes. The table below summarises the full list of options, with the assessment of each option provided at Annex G.

Table 3: Longlist of options considered

Scope	Solution	Carry forward (y/n)
Do nothing (BAU)	No additional spend.	
Increase existing contribution	Supplement the existing UK contribution to UNFCCC with no specific directions on how funding is used.	
Direct award to UNFCCC AFOLU	Direct award of £2m to the UNFCCC AFOLU Unit	
	Direct award of less than £2m to the UNFCCC AFOLU Unit	
	Direct award of more than £2m to the UNFCCC AFOLU Unit	
Increase funding to existing IFU programmes	Supplement the existing LEAF bilateral TA project.	
	Supplement the existing Amazon Fund TA mechanism.	
	Supplement the existing FCLP Secretariat.	
	Supplement the existing UK PACT programme.	
Increase contributions to multilateral programmes	Supplement existing contribution to UNREDD TA mechanism.	
	Supplement existing World Bank contribution through SCALE.	
	Supplement existing IDB contribution to MDTF mechanism.	

2.4 SHORTLIST OF OPTIONS AND APPRAISAL

The following options were chosen for the shortlist:

1. Do nothing
2. Do minimum: Provide £1m funding to UNFCCC AFOLU Unit over 4 years, at approximately £250,000 per year.
3. Do medium: Provide £2m funding to UNFCCC AFOLU Unit over 4 years, at approximately £500,000 per year.
4. Do maximum: Provide £3m funding to UNFCCC AFOLU Unit over 4 years, at approximately £750,000 per year.

Two shortlisting workshops were held with IFU and DESNZ stakeholders to seek views and secure agreement on the approach to the objectives and outcomes, CSFs, longlisting, shortlisting and appraisal of the shortlisted options. The results of the shortlisting exercise are provided in Table 4, with the final scores, weighted according to the agreed weighting for each CSF. This concluded the preferred option is to provide just over £3m over four years to the UNFCCC AFOLU Unit, on the basis this has the strongest strategic fit with IFU objectives. Further detail on the shortlisting, including the assessment of how well each option would deliver against the desired outcomes for the programme, is provided at Annex G.

Table 4 Critical Success Factor RAG appraisal of shortlisted options

Option	Do nothing	£1m to AFOLU Unit	£2m to AFOLU Unit	£3m to AFOLU Unit
CSF 1: Strategic fit and meets business needs (25%)	0	0	1	2
CSF 2: Potential Value for Money (25%)	0	0	2	2

CSF 3: Supplier capacity and capability (12.5%)	0	2	2	2
CSF 4: Potential affordability (12.5%)	2	2	2	2
CSF 5: Potential achievability (25%)	2	2	2	2
Weighted final score	**0.75**	**1**	**1.75**	**2**

2.5 PREFERRED OPTION VFM ASSESSMENT

This section assesses the Value for Money (VfM) of the preferred option in line with FCDO's 5Es framework. This framework is the standard way to assess VfM of ODA spend and comprises of five components which are detailed further below. The 5Es are: Economy, Efficiency, Effectiveness, Cost-effectiveness and Equity. VfM will be continually assessed according to the 5Es framework as part of the Annual Review cycle including through the establishment of VfM indicators and ICF KPIs.

2.5.1 ECONOMY

Economy refers to the likelihood that UK ICF will buy the inputs required to produce outputs at an appropriate quality and cost.

Economy is expected to be uniform across the inputs for both outcomes 1 and 2. The inputs purchased using UK funds will be predominantly UNFCCC staff resources, administrative costs to manage the annual cycle of technical assessments and results analysis, spending on organising events, webinars, and producing guidance and reports for REDD+ countries.

The VfM in economy terms could be brought down due to the uncompetitive tender with the proposed allocation directly to the UNFCCC. UNFCCC secretariat's standard 'programme support costs' covers the overhead costs of UNFCCC teams delivering substantive work (e.g. IT, administrative services, HR overhead costs) and is flat fee agreed by the COP on all core (mandatory) and voluntary (supplementary) contributions by Parties. These costs are integrated into the estimates of spending and are not covered in a separate budget line. These fees are uniform across the UN system and in line with the expected range of fees for delivery partners. Further, the fact UNFCCC Secretariat will undertake this work directly means the programme will save on intermediation costs of having a delivery partner sub-contract elements of the programme to other organisations which charge their own fees/overheads. Given the nature of our arrangement, we are able to terminate our contribution if we choose to without having to go through any legal or commercial arrangements – this enables HMG to take swift action to halt the programme if we consider it is not delivering adequately.

Working directly with the UNFCCC leverages their unmatched expertise on REDD+ and relationships with developing and developed countries engaging on REDD+. It also recognises that the Secretariat is the only entity with a standing mandate to coordinate the various reporting and review processes of individual Party submissions through their NDCs and BTRs on climate actions and greenhouse gas emissions and removal trends, including on REDD+. The AFOLU Unit has been conducting REDD+ reporting and transparency activities and supporting Parties to shape the REDD+ policy landscape and implementation practices to align with the WFR for over 10 years enabling them to access substantial UNFCCC-aligned RBPs (e.g. $497m through the GCF between 2017-20). This means that we are confident their prior expertise in this field and their legitimacy as an entity mandated by UNFCCC and PA Parties to deliver REDD+ support functions and their perceived neutrality will enable them to convert UK funding into the outputs required at a high standard and for an appropriate cost. Working with the UNFCCC avoids start-up costs associated with establishing systems and will allow for immediate delivery of our objectives. That is, less inputs, and ultimately costs, are needed to produce our expected outputs because HMG will utilise existing and effective mechanisms.

Further, co-finance will improve overall economy when compared to the UK being a sole donor, as the UNFCCC AFOLU Unit will also be supported by smaller contributions from Germany and Switzerland. This funding will support the REDD+ business as usual activities, meaning that the UK's funding provides greater additionality as our funding will support new and expanded activities, rather than simply paying for the business-as-usual costs of the AFOLU Unit, which are covered in part by Germany and Switzerland. The UK will continue to encourage our GN2U partners and other UNFCCC Annex-1 countries to provide support to the AFOLU Unit given the need to ramp up action on forests in the next few years to reach our climate goals.

2.5.2 EFFICIENCY

Efficiency refers to the likelihood that the programme would convert inputs into the desired outputs. This is typically assessed through delivery partner performance, their internal processes and financial management, as well as management of potential delays.

We are confident in the efficiency of UNFCCC Secretariat's ability to convert UK funding into the desired outputs. We expect that the efficiency will be uniform across both outcomes as the inputs will be broadly similar, – both outcomes rely on the expertise within the AFOLU Unit to deliver high-quality outputs. The AFOLU Unit have provided costings for each different output the UK seeks to fund which are incorporated into the costings in Table 6 in the Finance Case.

We have confidence in the UNFCCCC's ability to deliver, having worked extensively with the AFOLU Unit on other REDD+ and forests issues. We are confident they have the technical expertise, programme management, delivery skills, and strong relationships with developing and developed countries to produce the desired outputs. The AFOLU Unit has over a decade of experience delivering technical and policy support to countries on applying the WFR guidance and improving transparency around REDD+ results. The unit has an excellent understanding of the REDD+ policy landscape and interactions between different sources and channels of market and non-market results-based finance and strong relationships across the global REDD+ community with a wide range of governmental and non-governmental actors and stakeholders. They have deep knowledge of the opportunities to further strengthen and accelerate forest-based mitigation through the Paris Agreement. We will conduct a light-touch delivery partner review as part of our due diligence, but we have no reason for concern around efficiency of the programme at this stage.

These contributions will also support the AFOLU Unit's work on REDD+ technical assessments, results analysis and knowledge sharing. In addition to the programme, we will use bilateral engagements to encourage other donors to provide supplementary resources to enable the AFOLU Unit to deliver a high ambition approach to REDD+, ensuring the importance of forests for NDCs is adequately accounted for in subsequent UNFCCC negotiations. Success in these discussions will improve efficiency.

2.5.3 EFFECTIVENESS AND COST-EFFECTIVENESS

Effectiveness refers to the likelihood that programme outputs achieve desired outcomes and ICF KPIs. Effectiveness will be monitored throughout the programme through the ICF's results collection by reporting on the KPIs set out in the strategic case. **Cost effectiveness refers to the overall rate at which funding is predicted to transform into desired outcomes and impacts, relative the aggregate costs of inputs.**
To be cost-effective, activities, outputs, and outcomes must be additional, i.e. lead to a net positive difference that would not have been realised otherwise. Maximising Economy, Efficiency, Effectiveness and Equity will ultimately lead to increased Cost-effectiveness.

As this investment builds on prior funding, results and tested approaches in our existing portfolio of REDD+ programming, as well as a programme designed to increase additionality, effectiveness and cost-effectiveness are expected to be high. The programme will have significant benefits in terms of additionality. However, it is not possible to quantify the cost-effectiveness of this programme because there is no monetisation of the expected benefits.

Programme design:

The programme design will ultimately lead to better effectiveness and cost-effectiveness**;** the utilisation of the policy framework of Article 5 and related UNFCCC processes combined with the AFOLU Unit's expertise, wide network of long-standing and trusted relationships greatly improves the rate at which inputs and outputs turn into outcomes. It will build on established structure within the UNFCCC Secretariat, avoiding start-up costs of creating a new team/delivery structure. Leveraging this knowledge and the AFOLU Unit's role as a trusted partner ultimately lowers the cost of inputs into the programme (as it avoids costly up-front set-up and implementation fees) whilst ensuring high-quality outputs and then outcomes. The technical workshops developed as part of Outcome 2 will also be co-designed with forest countries to meet their needs, will be iterative and able to adapt to changing and emerging demand. Additionally, by working through Article 5, there is greater likelihood of sustaining results and achieving longer-term impacts. For example, once a Party has included REDD+ in their NDC, future NDC submission need to represent a progression in accordance with Article 4.3, and REDD+ activities also need to be included in the tracking-progress of NDCs section of Biennial Transparency Reports.

Transformational benefits:

The main key performance indicator (KPI) we will report against is *KPI 15 - Extent to which ICF intervention is likely to lead to transformational change*. Transformational change is defined as "change which catalyses further changes" and is a multi-dimensional concept. This indicator is particularly important for capturing the impacts of programmes that have a strong influencing element or provide technical assistance to support further interventions. On this basis, this is the most relevant KPI.

The transformational benefits of this programme are positive for effectiveness and cost-effectiveness. If the UK did not provide the proposed £3m funding to the UNFCCC AFOLU Unit, then the numbers of country forest baselines (FRELs/FRLs) and REDD+ results assessed/analysed through the UNFCCC annually would be significantly reduced. This would create delays for developing countries seeking to access UNFCCC-aligned results-based payments for their activities to tackle deforestation and degradation and reduce incentives to include forest activities in NDCs thereby reducing climate ambition as well as transparency. There would be increased likelihood that opportunities for positive change will not be realised during this time-critical window for forests and climate goals.

Bringing together experts in a range of REDD+ forums can also be transformational. Peer-to-peer learning and exchange with experts from both developed and developing countries will increase policy coherence, transparency and facilitate key discussions to find solutions where necessary on forest-based mitigation actions and financing of RBPs.

Without this investment, there is a risk that growing frustration among forest countries due to delays and he wider complexities of accessing RBPs may weaken confidence in REDD+, Article 5 and the international climate finance architecture, further bifurcating relationships between developing and developed countries in the negotiations. This could lead to an increase in deforestation and threaten our goal of keeping 1.5°C alive. This will also impact the credibility of our existing investments in REDD+ through our ICF programmes and our policy engagement to secure further RBPs through the GCF. This benefit cannot be monetised easily because it primarily facilitates benefits from a wide range of HMG and other donor REDD+ programmes, without this, there is a risk that the expected benefits from these other programmes are reduced.

Additionality:

The UK is a major donor to REDD+ programmes both through our bilateral and multilateral programming and policy work. The AFOLU Unit have sought to mobilise resources from a number of other donors in addition to the UK, but so far other donors have not been able to make commitments. Therefore, the UK's funding is strongly additional – it is very unlikely another donor will provide the level of financing the UK is able to make available.

For Outcome 1, which focuses on increasing alignment between countries forest-based mitigation actions and Article 5.2 and enhanced transparency on national REDD+ activities and results, the programme will deliver additionality in two ways:

1. **It will enable the UNFCCC Secretariat to undertake an additional 4 technical assessments for FRL/FRELs per year, and 8 technical analyses of REDD+ results per year above the core 3 technical assessments and 3 technical analyses per year provided for in the AFOLU Unit's core funding.** This will help to meet the on-going demand from forest countries for these assessments and results analyses, which is expected to increase in the coming years. This will also ensure timely access to UNFCCC-aligned results-based finance. Additionally, facilitating regular reporting and review will strengthen MRV efforts and support countries in prioritising improvements to their reporting. UNFCCC's informal discussions with Parties indicates that up to 34 countries are considering including a REDD+ annex with results to their first Biennial Transparency Report while another survey suggested 29. If all countries did so and proceeded to regular reporting of REDD+ results, we could expect 17 countries per year to submit REDD+ results, with 7-8 FREL/FRL assessments per year. This programme will provide the AFOLU Unit with a significant addition to their capacity, helping to provide capacity to meet this potential demand. If the UK did not fund this work, UNFCCC Secretariat would only be able to undertake technical assessments and technical analysis of 3 FREL/FRLs and 3 REDD+ results per year respectively. This would not meet the expected demand for REDD+ assessments, undermining trust in the established system, and creating a bottleneck in accessing results-based finance for forest countries.
2. **It will support necessary updates/upgrades to the REDD+ Web Platform and Lima Information Hub.** Neither of these have been upgraded since they were first developed and the AFOLU Unit has received user feedback on the changes needed to make the more functional and improve user experience. Supporting these upgrades will provide a user-friendly, secure and up-to-date platform on REDD+ information exchange and REDD+ results. Making information easy to provide and to retrieve will lower the costs of complying with REDD+ programme requirements to access results-based finance for Parties and stakeholders, and it will ensure information is submitted and cleared in a timely manner, increasing transparency around different countries' REDD+ results. If we did not fund this, REDD+ online platforms would become outdated and difficult to use through a lack of updates/improvements and bug fixes. Frustration over using the platform may reduce its use, especially among new stakeholders that are not as familiar with REDD+. This could prevent uptake of REDD+.

For Outcome 2, which seeks to improved national and international coordination, cooperation and ambition on REDD+, there are significant additional benefits as these activities would not take place without HMG funding, as opposed to objective 1 where we are enhancing the capacity of the AFOLU Unit to deliver existing activities. Under objective 2, the programme will deliver additionality by:

1. **Clarifying and communicating Paris Agreement Article 5 / Article 6 linkages and implications of Global Stocktake decision at COP28, including for NDCs**. This will take place through side events during UNFCCC meetings, climate weeks and other forest or climate-related opportunities, with a focus on 'train the trainer' sessions for organisations that work with forest countries on REDD+ to increase impact. This will guide stakeholders in implementing REDD+ activities and finance consistently, support REDD+ implementation and enhance efficiency of the reporting and review processes. In the absence of HMG funding, this activity would not happen. Without this activity, the lack of reliable, consistent and clear information on these matters is likely to lead to duplication of work and potentially costly mistakes in REDD+ reporting and review processes.
2. **Clarifying and strengthening alignment between WFR/UNFCCC decisions and processes for RBP and other mechanisms and sources for obtaining RBP (e.g. World Bank programmes, LEAF, new forest carbon standards).** This will take also place through side events during UNFCCC meetings,

climate weeks and other opportunities and have a similar focus on 'train the trainer' sessions to increase impact. This will enhance visibility and awareness of the necessity to ensure consistency with the WFR when providing results-based REDD+ finance. This would not happen in the absence of HMG funding.

3. **Supporting countries to strengthen national safeguards information systems (SIS) and voluntary reporting on safeguards to the UNFCCC**. This will include undertaking analysis to understand areas for improvement of current safeguards reporting and develop these into accessible recommendations for Parties and REDD+ stakeholders. The analysis will inform a clear plan for supporting countries in safeguards reporting, which can be used for further fundraising by UNFCCC Secretariat. In the short- to medium-term, this will provide countries with recommendations on how to improve safeguards and reporting on them, while longer term, the plan for further activities will improve safeguards and reporting further. This would not happen in the absence of HMG funding.
4. **Establishing a Community of Practice, including technical exchanges through REDD+ discussion forum (online discussions, webinars etc) and organising one regional meeting per year and one REDD+ stakeholder forum every other year.** This will establish regular communication channels on technical matters related to REDD+, which are lacking as there are no ongoing REDD+ negotiations within UNFCCC meetings. Enhancing exchange on technical issues will improve the efficient and effective implementation of REDD+ activities, and foster peer-to-peer learning. If we did not fund this, the lack of exchange opportunities will lead to different interpretations and understanding of technical matters, potentially incorrectly. Supporting the in-person regional meetings and stakeholder forum will provide significant additionality by enabling regional and global exchange opportunities and enable Parties and stakeholders to exchange on issues relating to REDD+ implementation and inform about the UNFCCC agreements and IPCC guidance. This would not happen in the absence of HMG funding.

We will not report against *KPI 8 - Area where deforestation has been avoided*. While it is the key secondary benefit of this programme, it will not be possible to design a monitoring and evaluation framework which directly links the UK's funding to the UNFCCC's REDD+ work to the impact on the ground in terms of hectares of deforestation avoided.

We will also report against technical assistance KPIs on number of countries supported by technical assistance, based on reporting from the AFOLU Unit on their activities.

2.5.4 EQUITY

Equity refers to how programme benefits are distributed amongst target populations.

From a human wellbeing and resilience perspective, developing countries are least able to bear the risks and consequences of climate change and biodiversity loss. Increasing droughts and floods mean poverty will worsen and regions will become unliveable, with people forced to migrate. In 2020 alone, 18.8 million people in 135 countries and territories were displaced by natural disasters. This is greater than the number of those displaced by conflict. As early as 2030, the effects of climate change could push between 65 and 129 million people into poverty if effective action is not taken.

An estimated 1.2bn people depend on forests for subsistence and income. Deforestation undermines these livelihoods, and strikes disproportionately at the world's poorest communities, including indigenous people, the extreme poor and women. In tropical regions, more than 800m rural people, including 60m indigenous people, live in or near forests and depend on them to a high degree for their subsistence and income. Forest dependence is higher among indigenous people and the extreme poor, meaning that deforestation often has the greatest impact on these groups in terms of livelihood, culture and health. People at risk of food insecurity or malnutrition are reported to have the highest degree of reliance on forest products for income and food.

While this programme will not have direct impacts on any particular groups with protected characteristics, such as sex, race, age, taking action to support forest countries to reduce deforestation and degradation is likely to have an indirectly positive impact on women and indigenous people and local communities. Of the 1.6bn people who depend on forests for their livelihoods (including as a primary source of fuel, food, and medicines for their families), around 1bn of these are women.[i] The programme will support implementation of national safeguards for REDD+ which recognise and mitigate potential adverse impacts on marginalised groups. Further, the ability to make results-based finance available will support countries to protect their forests, supporting those who rely on forests, a majority of which globally are women.

Additionally, UN organisations are required to consider gender when developing policies and programmes and monitor gender-related impacts of their work under the UN System-Wide Action Plan on Gender Equality and the Empowerment of Women. As a result, we have high confidence that gender considerations will be factored into the programme by the delivery partner. Further detail is provided in the equality and gender assessment at Annex C.

2.6 RISK APPRAISAL

As the options all propose to use the same delivery partner and approach, simply adjusting the level of funding and therefore the range of activities which can be delivered, the risks for the different options were not judged to be sufficiently varied that a risk appraisal was warranted.

2.7 PREFERRED OPTION

The preferred option is to provide UNFCCC AFOLU Unit with£3.02m over four years. The additional activities that this will fund, in particular the Community of Practice, deliver best against the strategic objectives for the programme, and will create additionality and lead to the long-term transformational change which the programme seeks to create, by enhancing the opportunities for REDD+ dialogue and exchange between technical experts.

3. COMMERCIAL CASE

3.1 PROCUREMENT/COMMERCIAL STRATEGY

We propose to make a direct award Grant to the UNFCCC as the delivery partner for this programme, with no competitive tender or commercial market engagement activities.

The core rationale for not competing the requirement is that UNFCCC Secretariat is the body which has been given the mandate by the UNFCCC Conference of the Parties (COP) to conduct the core REDD+ activities which this programme will deliver. A series of UNFCCC decisions, including the Warsaw Framework for REDD+, which took Parties many years to develop and adopt, gave the UNFCCC Secretariat a mandate to coordinate the REDD+ technical assessment cycle, analysis of REDD+ results and maintain the Lima Info Hub and other platforms to promote transparency. The UNFCCC has undertaken the activities this programme will fund for over 10 years, building the relevant expertise and developing processes to manage the annual assessment cycle.

The UK, as a Party to the UNFCCC, cannot undermine this by appointing another delivery partner. Appointing a commercial partner funded by the UK which will work on behalf of all Parties would lack legitimacy and create diplomatic tensions if other Parties were to raise concerns that the UK's action undermines the UNFCCC decisions.

On this basis, and the fact UNFCCC holds exclusive rights for delivery under their mandate from the Parties to the UNFCCC, there is a strong justification to make a direct award to UNFCCC.

As this is a contribution to the UNFCCC, there will be no services provided to DESNZ. A 'Grant vs Contract' analysis has been carried out and is available at Annex I. This concluded that a grant arrangement would be most appropriate to deliver this programme. Further, as a member of the UN Security Council, the UK is unable to enter into legally-binding arrangement with UN agencies, therefore a contract for services would not be possible. The Arrangement will be a non-legally binding Arrangement between the two parties based on other arrangements between HMG and the UN system. The Arrangement will be non-legally binding and so will also not fall under Public Contract Regulations (2015). This Arrangement will be drafted by INZ commercial and legal colleagues and negotiated with UNFCCC.

The value for money assessment for this project is provided for in the Appraisal case.

3.2 POTENTIAL FOR RISK TRANSFER

The delivery partner may be required to source external assistance to deliver the activities proposed that they are unable to do so in-house (for example, venue and facilities hire for REDD+ policy dialogues). This will be to deliver the activities identified, but will not involve making any grants or awards to other governments or entities. As such the Arrangement between DESNZ and UNFCCC should require UNFCCC to have the ability to identify and contract with organisations and then manage them to deliver the services identified. This is governed by the UNFCCC's Procurement Rules, on the basis of best value for money, fairness, integrity and transparency, effective international competition and the best interests of UN organisations. Further detail on the UNFCCC procurement rules and processes is available here.

As outlined above, a number of other UN Parties provide funding to UNFCCC, with Germany and Switzerland confirmed as also providing fund for the UNFCCC AFOLU Unit's work on REDD+. The arrangement between UNFCCC and DESNZ should state that this may occur, and these additional arrangements would be required to be created and managed by UNFCCC themselves.

3.3 PLANS FOR MANAGING THE ARRANGEMENT

UK funding for the programme will be provided with payments from DESNZ to UNFCCC on receipt of invoices. This is a common approach when awarding funding to the UN system and the Department has sufficient legal and commercial expertise to manage the risks associated with a non-contractual approach.

The final Arrangement with UNFCCC will ensure that any agreed terms are consistent with other HMG Departments agreed terms with UNFCCC. Commercial will seek to incorporate reporting and monitoring arrangements in the Arrangement as well as some level of performance monitoring of UNFCCC.

However, we do not expect this programme to require involvement of other teams. The International Forests Unit will manage the Arrangement and the programme internally, subject to any necessary escalation to the SRO as appropriate.

The Arrangement will detail how the International Forests Unit in DESNZ will manage the Arrangement. DESNZ will have a named resource within the International Forests Unit, who will manage the Arrangement, including the payment and any performance concerns. The Arrangement will have regular formal performance meetings throughout its duration. An annual review of the Arrangements will occur, which will be attended by senior stakeholders.

The Arrangement will be for four years maximum. Invoices would be arranged to pay for milestones in advance based on evidenced plans for deliverables. Further detail is provided on this in the Finance Case.

The INZ commercial team recommend that the DESNZ project manager undertakes the Government Commercial Office's Contract Management Capability Programme ("CMCP") Foundation level course. This will provide them with training on how to effectively manage the UNDP Arrangement and Contract. This course is available online and is at no cost to DESNZ and should ideally be undertaken and completed prior to the Arrangement being signed. INZ Commercial will also provide support to the DESNZ manager in the ongoing delivery of the Arrangement, with the INZ Commercial manager being accredited as Expert on the CMCP.

3.4 EXIT MANAGEMENT

The use of non-contractual arrangements will enable DESNZ to cease funding without risk to the Department should the delivery partner fail to perform satisfactorily. In addition, all UNFCCC official texts, data and documents, photos and low-resolution webcast transmissions are in the public domain. This limits the risk that UNFCCC hold any exclusive material required to deliver the services which could prevent running commercial approaches to REDD+ programming in future.

Under the UNFCCC's architecture, REDD+ reporting is voluntary. As REDD+ reporting is voluntary, this must be funded from the Trust Fund for Supplementary Activities and cannot come from the UNFCCC's core budget funded through mandatory contributions. Further, mandatory reporting and review processes are prioritized over a voluntary process. Unless the COP makes a decision to re-categorise REDD+ reporting as mandatory, the AFOLU Unit will have an ongoing need to seek voluntary contributions to fund their REDD+ work. This may create a risk UNFCCC becomes reliant on the UK to continue to finance its REDD+ reporting activities. To mitigate this, we will engage bilaterally with other UNFCCC Parties to encourage a longer-term solution to this issue, either by seeking to create sufficient support to make a COP decision to re-categorise REDD+ reporting as mandatory, or by creating a coalition of key forest donors who agree to share the ongoing burden of financing the AFOLU Unit's activities on REDD+ reporting. Existing networks such as GN2U (Germany, Norway, UK and US) or the Forests and Climate Leaders' Partnership (FCLP) may provide initial entry points to discussing this with other donors.

3.5 COMMERCIAL RISKS

Table 5 summarises commercial risks to this programme. Also see Risk Register at Annex B.

Table 5 Commercial risks and mitigation measures

Risk Summary	Likelihood	Impact	Level	Mitigation Plan
If the UK (and other donors) do not provide a suitably sizeable contribution to the UNFCCC, the AFOLU Unit will not be able to deliver its annual cycle of assessments, upgrade online systems or improve capacity and knowledge of REDD+. This could risk the continued success of REDD+ as a mechanism if developing countries are not able to access results-based finance due to delays caused by a lack of UNFCCC capacity to administer the central architecture underpinning the mechanism.	High	Major	Major	Seek approval for £3m RDEL for UNFCCC between 2024/5-2027/8 and work to encourage contributions from other donors through bilateral and plurilateral (e.g. Germany-Norway-USA-UK partnership on forests) engagement.
Non-commercial approach to procurement creates risk of challenge to DESNZ.	Low	Maj	Major	International Forests Unit to work closely with DESNZ Commercial and Legal teams to ensure that we have sufficiently evidenced the strong justification for making a direct award to UNFCCC and to use a grant arrangement, such that the risk of legal challenge over the procurement approach to this programme is minimised.
UK fails to secure long-term commitments from other donors to financing REDD+ reporting, creating ongoing demand for UK funding	Mod	Maj	Maj	Alongside the programme, we will develop an influencing campaign to target likeminded donors with significant forests programming to seek support for sharing the burden of ongoing financing for REDD+ reporting activities.
UK funding is made available from December 2024 onwards, limiting the ability of the programme to achieve its Year 1 outcomes	Mod	Mod	Mod	The spend profile has been adjusted to reflect the reduced time for delivery in FY24/25. DESNZ will also work with UNFCCC to provide advance indication of the timeline for funding to enable forward planning and delivery to begin as quickly as possible. While UNFCCC cannot begin delivery of activities until the funding for them is held by UNFCCC, we can prepare a plan and ensure the logframe reflects the truncated period for delivery in Year 1, reducing ambition in Year 1 but increasing it for Years 2-4 of the programme.

3.6 SUBSIDY CONTROL

We have assessed the programme against the four limb-test detailed in the UK Subsidy Control Regime: Statutory Guidance. A measure must meet all four limbs of the test to be considered a subsidy. The assessment is:

- **Limb A: The financial assistance is given, directly or indirectly, from public resources by a public authority.** The programme is likely to meet this test as the funds are from DESNZ.
- **Limb B: The financial assistance confers an economic advantage on one or more enterprises.** The second test is not met because UNFCCC is not an enterprise in a commercial sense and does not operate in a market. If it was considered an enterprise, we consider it would not be receiving an economic advantage as it delivers the programme for a fee comparable with the range of programme fees we expect in the ICF context.
- **Limb C: The financial assistance is specific, such that it benefits one or more enterprises over one or more other enterprises with respect to the production of goods or provision of services.** While the financial assistance is provided to a specific entity – UNFCCC – as set out above, UNFCCC is not considered an enterprise, therefore the third test is not met.
- **Limb D: The financial assistance has, or is capable of having, an effect on competition or investment within the UK, or on trade or investment between the UK and another country or territory, or both.** The funding for this programme will support activities by UNFCCC to in turn work with developing countries to implement REDD+ and include forests in their NDCs. As the assistance the AFOLU Unit will provide to developing countries is mostly in the form of capacity building and technical assistance, it will not have an impact on international trade and investment therefore the fourth test is not met.

4 FINANCIAL CASE

This section focuses on the financial arrangements for this programme.

4.1 FINANCIAL RESOURCES & BUDGETS

The spending power for the programme derives from the International Development Act 2002 (IDA 2002). There are rational grounds for the Secretary of State to be satisfied that the assistance provided will provide lasting benefits or improve the welfare of persons in countries outside the UK, and contribute to a reduction in poverty. This is because the programme will enable the provision of REDD+ finance to developing countries, and improving knowledge and capacity in developing countries to apply REDD+ approaches within Nationally Determined Contributions (NDCs), which will enable timely access to a key source of finance for developing countries with tropical forests, support the livelihoods of people living in and around forests, and improve the ability of developing countries to integrate REDD+ into their greenhouse gas mitigation targets and climate transition strategies.

Section 8 of the 2002 Act permits the Secretary of State to enter into arrangements for any other person or body to provide assistance or carry on any other activities. As such, DESNZ may enter into an arrangement with UNFCCC for it to provide assistance to developing countries on the UK's behalf. The programme will make grants to UNFCCC, which is permitted under section 6 of IDA 2002.

The proposed budget for this programme is £3.02m RDEL over 4 years. Indicative spend profile and breakdown of spend are shown in Table 6 and will be further updated during the inception phase. This qualifies as RDEL because it will support general administration and staffing costs of the UNFCCC AFOLU Unit, and it will not make any investments meaning it is not eligible to be classified as CDEL.

This will qualify as ODA, as the ultimate beneficiaries of the spending are developing countries and it supports poverty reduction indirectly by increasing forest-based ambition and impact as well incentives to protect and better manage forests on which millions rely for their livelihoods and wellbeing including the poor and the vulnerable (see Strategic Case). This is within IFU's budget capacity.

Table 6 Proposed spending profile and indicative breakdown over four years

Financial Year/ Funding type (RDEL)	**24/25**	**25/26**	**26/27**	**27/28**	**Total**
Total Contribution	**£363,674**	**£983,698**	**£689,109**	**£983,698**	**£3,020,179**
Indicative Breakdown					
1.1 REDD+ reference levels assessments	£81,359	£81,359	£81,359	£81,359	£325,434
1.2 REDD+ results analysis	£81,359	£406,793	£406,793	£406,793	£1,301,738
1.3 Upgrade of online REDD+ platforms and tools	£21,250	£21,250	£21,250	£21,250	£85,000
TOTAL FOR OBJECTIVE 1	*£183,967*	*£509,402*	*£509,402*	*£509,402*	*£1,712,172*
2.1 Activity to clarify and communicate key forest-related elements of Paris Agreement NDCs & implications for NDCs and BTRs	£16,894	£16,894	£16,894	£16,894	£67,575
2.2 Activity to clarify and strengthen alignment between Article 5 and other	£16,894	£16,894	£16,894	£16,894	£67,575

independent carbon crediting initiatives and providers of REDD+ results-based payments					
2.3 Activity to support countries to strengthen national safeguards information systems (SIS) and reporting, including gender considerations	£22,355	£22,355	£22,355	£22,355	£89,420
2.4 Activity to establish Community of Practice and deliver online & in-person events for the Community of Practice*	£123,565	£418,154	£123,565	£418,154	£1,083,437
TOTAL FOR OBJECTIVE 2:	*£179,707*	*£474,297*	*£179,707*	*£474,297*	*£1,308,008*

* Breakdown of total costs for the three main elements of the new Community of Practice over four years are estimated as: 1) Virtual support & outreach (£69,258) ; 2) One annual regional meeting/year, four in total (£306,000); 3) Bi-annual international meetings, two in total (£708,180). Additional information on the Community of Practice is in Section 1.3.2.

DESNZ will make payments to the UNFCCC Trust Fund for Supplementary Activities, with our conditions and reporting requirements captured in a separate exchange of letters. Once the business case is approved, IFU policy leads will work with commercial and legal specialists to draft and finalise an exchange of letters between DESNZ and UNFCCC detailing the financial and commercial arrangements for this programme.

DESNZ payments to the UNFCCC, both for our mandatory and supplementary contributions, are paid through invoices. We expect UNFCCC to generate 1 invoice per year to cover the payments for the work in the year to come. UNFCCC have confirmed they are content to work with DESNZ to schedule invoices at a suitable time for DESNZ financial schedules, and to agree a provisional schedule in advance to enable forecasting and financial planning/management.

Payments will be made in advance. This is not the preferred approach to making payments to deliver partners, but supplementary activities can only be undertaken by UNFCCC where the financial resources are available. UNFCCC cannot take out any credit or acquire any type of debt when undertaking supplementary activities, therefore funding must be secured in advance of activities taking place. There is precedent for this approach, in that we provide our mandatory and supplementary contributions to the UNFCCC in advance of need already, so this will follow the same approach as our existing financing for UNFCCC Secretariat.

While we explored the option of requesting that UNFCCC would invoice us for activities no more than six (6) months in advance, UNFCCC explained that this will mean they can only contract staff for 6 months at a time, as contracts funded through supplementary contributions must have confirmed funding in place for the lifetime of the contract. Therefore, it is likely that this would increase directly impact value-for-money by increasing administrative burden and costs for UNFCCC, and indirectly impact value-for-money by creating higher turnover of staff. We have agreed with UNFCCC that they will invoice us for activities no more than 1 year in advance. In the event we provide funding for activities which do not take place, UNFCCC have confirmed they would either be content to refund DESNZ, or to carry UK funding forward to the next financial year in the event that specific activities are delayed but will still take place.

Payments will be made in GBP, and we have agreed that UNFCCC bears the currency risk of any fluctuations in GBP and EUR/USD exchange rates (as UNFCCC operates using both currencies) which may reduce the amount of funding received by UNFCCC. UNFCCC have confirmed they are content to bear this exchange rate risk, as over time the receipt of funds in various currencies balances.

4.2 BUDGET ARRANGEMENTS AND BUSINESS PLANNING

The length of the programme means it spans two ICF periods, with £1.35m of spend in 2024/25 and 2025/26 in the current ICF 3 period. The remaining £1.67m will fall within the ICF 4 period from 2026-2031, for which we do not yet have departmental ICF allocations agreed by HMT. Additionally, only the current financial year's c.£364k spend will fall into the current Spending Review period, therefore the remaining £2.66m will be dependent on the outcome of the next Spending Review. Approval is required for spending commitments falling into future SRs. The value of this business case is below the threshold that required HMT approval but given that spend falls outside the current spending period, we will seek Director General approval after PC, before preparing a submission to Ministers for final approval of the programme.

4.3 FINANCIAL RISK

Table 7 summarises key financial risks and mitigation plans. Overall, the financial risk level is moderate. Although the approach of making payments in advance increases the risk that funding is not used for its intended purpose, UNFCCC Secretariat is a trusted partner to whom we make payment in advance regularly, including in the past for specific activities. No concerns were raised by UNFCCC Finance leads around this approach and we are confident that the use of non-contractual arrangements would mean HMG could cease funding swiftly in the event funds were not used for their intended purpose. Allowing for payments to be made via invoicing requires HMG to follow internal approvals procedures requiring sign off at Team Leader level in the REDD+ team and in the Finance team before the payment is made.

Table 7 Financial risks and mitigations

Risk Summary	Likelihood	Impact	Level	Mitigation Plan
Funds are not used for their intended purpose	Low	Mod	Minor	The programme will be audited on an annual basis and UNFCCC will be required to produce monitoring indicators to demonstrate that UK funding has supported the intended outputs as agreed. As the arrangement will be non-legally binding, DESNZ will be free to cease providing funding in case of serious misdemeanours, significant underperformance or changes to circumstances that seriously jeopardise the likelihood of the programme delivering its intended benefits.
Expenditure is not properly accounted for	Low	Mod	Minor	DESNZ will conduct a light-touch delivery partner review to assess UNFCCC's risk management framework in more detail and ensure sufficient assurance before DESNZ Funds are provided to UNFCCC.
Programme expenditure does not represent good VfM	Low	Mod	Moderate	A full programme review will be conducted by DESNZ on an annual basis including a VfM assessment. If VfM is no longer being delivered, corrective action will be taken.
Foreign exchange risk	Mod	Mod	Minor	UK funding will be provided in GBP but UNFCCC, headquartered in Germany is likely to spend locally in EUR, and will produce budgets and accounting in USD to enable comparability across the UN system. No spending is expected in GBP. We have agreed that UNFCCC will take on the short-term currency risk of converting GBP to the currency required for UN operations, DESNZ will not be liable to provide further funding in the case of adverse currency movements. Any overpayments if exchange rates move favourably towards GBP can be used by UNFCCC for further REDD+

				activities, or returned to DESNZ if requested. This will be stipulated in the exchange of letters governing the arrangement.

5 MANAGEMENT CASE

5.1 MILESTONES

If Portfolio Committee approval is given, this BC is due to be approved by Ministers in the second half of October. We expect to announce the UK funding to the UNFCCC Secretariat at COP29.

Table 8 Indicative milestones

Start dates (indicative)	End dates (indicative)	Milestone
9th September	9th September	ICF Portfolio Committee Approval
26th September	9th October	Ministerial approval of BC
TBC (end-Nov 2024)	TBC (end-Nov 2024)	Finalise logframe and Theory of Change
TBC (mid-Nov 2024)	TBC (mid-Nov 2024)	Sign DESNZ-UNFCCC Terms of Engagement/Exchange of Letters detailing funding provided and activities in scope of UK funding.
11th November	22nd November	Potential COP29 Announcement of UK funding contribution to UNFCCC
TBC (Dec 2024	TBC (Dec 2024)	First payment of invoice to UNFCCC
Q2 2026	Q2 2026	First Annual Review (exact timings TBC).
	Q2 2028	End of programme.

5.2 STAKEHOLDER MANAGEMENT AND COMMUNICATIONS

The UK has already established strong working relationships with the UNFCCC AFOLU Unit. We will continue to meet regularly with the AFOLU Unit to manage the programme. In addition, we have strong relations with Germany, who are also providing support for this work, and a good relationship with Switzerland who are providing a smaller contribution.

The UK REDD+ team will be responsible for the day-to-day programme management, including:

Internal DESNZ ICF programme management functions:

- Following BC approval, a full Project Delivery Plan (PDP) will be developed in line with the ICF Portfolio Management Office (PMO) best practice. The PDP will be monitored and regularly reviewed with ICF PMO, led by the UK REDD+ team.
- Internal functions (financial management, risk management, MEL, annual reviews)
- Risk escalation to G6 and via IFU DD and senior management team as required.

External programme management functions:

- Monthly meetings with the UNFCCC AFOLU Unit to ensure the programme is progressing well and providing a route to flag and escalate risks.
- External functions (subsidiary delivery partner management, budget appraisal, policy coordination & delivery).

5.3 PROGRAMME GOVERNANCE

DESNZ ICF has adopted a Programme Management approach which is aligned with FCDO's Programme Operating Framework (PrOF) and ensures a clear separation between those delivering programmes and those checking against compliance and performance. The Integrated Assurance and Approvals Plan (IAAP) can be found in Annex A.

Programme Management is led by the ICF programme manager, while the DESNZ Portfolio Management Office (PMO) monitors the programme through monthly Project Delivery Plans (PDP) meetings and Annual Reviews. Programme performance is collated and reviewed in DESNZ monthly ICF Portfolio Delivery Group meetings and bi-annual Portfolio Committee, attended by Deputy Directors of ICF, DESNZ specialist teams and FCDO. Additionally, all ICF programmes are subject to portfolio-level governance and assurance in accordance with FCDO best practice for delivering ODA, following HMT guidance on ODA Value-for-Money and the Managing Public Money framework. This is set out in the ICF Umbrella BC.

The DESNZ International Net Zero Director is the ICF Senior Responsible Owner (SRO) for the UNFCCC REDD+ programme. The SRO will delegate responsibility for delivery of the programme to the International Forest Unit Deputy Director who will be responsible for the programme meeting its objectives, as well as for all aspects of programme governance. Approval processes in DESNZ ICF are outlined in the IAAP (Annex A). In all cases PMO will advise on the appropriate approvals process. A risk-based approach and a case-by-case basis will be taken to any deviations from the required approvals process outlined in the IAAP following BC approval. These will be discussed and agreed with PMO and others in the approvals chain as described in the IAAP.

The AFOLU Unit sits within the UNFCCC's Transparency Division. The UK will provide oversight of spend through regular engagement with the Head of the AFOLU Unit to monitor progress of the programme, risks and flag any early concerns for escalation as appropriate.

5.4 TEAM STRUCTURE

For the purposes of this programme, the UK REDD+ team consists of:

- 1 SEO (0.1 FTE) programme manager
- A G7 (0.05 FTE) for oversight and support particularly during inception phase

There is a wider REDD+ team but they will not be involved in the day-to-day management of this programme, although they may provide support and cover as required.

5.5 ASSURANCE & APPROVALS

See Annex A for the IAAP.

5.6 MONITORING AND EVALUATION OF BENEFITS

5.6.1 HMG ANNUAL MONITORING

The Annual Review will analyse and assess the results, highlighting any successes or shortcomings in the programme and the delivery partner, as well as the key programme risks and mitigations and the VfM performance. It will include specific, time-bound recommendations for action, consistent with the key findings. As per the ICF Operating Framework, the Log frame, indicators and KPI15 methodology will be reviewed regularly, with milestones set in advance and revised as needed. The programme team will carefully consider and monitor where outputs have been delivered effectively and ensure that learning is integrated back into the programme and shared widely with stakeholders.

Annual Reviews and regular performance review meetings with both the IFU and MEL partner will provide continuous opportunities for assessing impact and integrating learning into the programme's delivery, alongside the bigger evaluation and learning mechanisms detailed below.

The logframe will be finalised in Q4 2024 and no later than 3 months from the BC approval date. Logframe development will be led by the IFU REDD+ team, working in partnership with the AFOLU Unit to co-create the indicators. The first Annual Review will be delivered within 15 months of the BC approval. It will be delivered by the International Forests Unit, liaising closely with UNFCCC AFOLU Unit. The key data will come from UNFCCC.

In addition to annual reviews an end of project evaluation and Programme Completion Review will be carried out (as mentioned in Annex A).

Results collection**:** as part of the ICF results collection process, we will look to assess results against the following ICF KPIs:

- KPI 15: extent to which ICF intervention is likely to lead to transformational change
- TA KPI 1: countries supported by ICF technical assistance
- TA KPI 2: individuals and organisations supported by ICF technical assistance
- TA KPI 3: climate policies informed by ICF technical assistance

5.6.2 **UNFCCC MONITORING**

Responsibility for the programme within UNFCCC will sit with the Head of the AFOLU Unit and they will oversee monitoring of the programme within the delivery partner. The AFOLU Unit tracks an internal workplan to maintain oversight of progress, ensure delivery of key milestones and projects on time and identify and take action to resolve any delays or other issues. In addition, the UNFCCC Secretariat provides an annual report to Parties to the UNFCCC in spring each year, with reports from each of its divisions on their progress over the past year. This includes details of the numbers of technical assessments of FRLs/FRELs completed and analyses of results.

We have discussed initial indicators with UNFCCC and will finalise these during the logframe development, which UNFCCC has agreed to support and co-create with us, providing assurances they will provide the necessary reporting we require. Initial plans for indicators to measure each output are in Table 9 below.

Table 9 Indicative indicators for programme outputs

Output		**Indicator(s)**
Output 1.1	7 Technical Assessments of national/subnational FRELs/FRLs	1. Number of technical assessments of national/subnational FRELs/FRLs conducted per year. 2. Percentage of submissions uploaded to the REDD+ Web Platform in a timely manner.
Output 1.2	11 Technical Analyses of national/subnational REDD+ Results submitted as an Annex to the Biennial Transparency Report (BTR)	1. Number of technical analyses of national/subnational REDD+ Results submitted as an Annex to the Biennial Transparency Report (BTR) conducted per year. 2. Percentage of submissions uploaded to the REDD+ Web Platform in a timely manner.
Output 1.3	Upgrading of the REDD+ web platform including the discussion forum and Lima REDD+ Information Hub to increase ease of data sharing, enhance	1. Report documenting changes to the REDD+ web platform and Lima REDD+ Information Hub and demonstration of changes.

	transparency and create a better user experience for users	2. Country feedback
Output 2.1	Increased understanding among Parties of key forest-related agreements, reports and processes under the Paris Agreement (including linkages between Article 5 / Article 6, the Global Stocktake outcome, forests in NDCs and Biennial Transparency Reports)	1. Number of guidance/briefing products produced. 2. Number of webinars or other knowledge-sharing events held. 3. Number of people reached through outreach events/training sessions including number of women participating
Output 2.2	Increased understanding among Parties and other stakeholders of the benefits and options for strengthening alignment between Article 5 and other independent carbon crediting initiatives and providers of REDD+ results-based payments (e.g. World Bank REDD+ programmes, the ART-TREES standard, the LEAF Coalition initiative and other major jurisdictional-scale VCM forest carbon standards)	1. Number of guidance/briefing products produced. 2. Number of webinars or other knowledge-sharing events held. 3. Number of people reached through outreach events/training sessions including number of women participating
Output 2.3	Demonstration of benefits to countries of strengthening their national safeguards information systems (SIS) and voluntary reporting to the UNFCCC, including gender considerations in REDD+ national strategies and SIS	1. Completed qualitative/quantitative analysis of current safeguards reporting for REDD+, including recommendations for activities to strengthen reporting. 2. Number of communications/briefing products created to disseminate these findings. 3. Number of webinars or other knowledge-sharing events held. 4. Number of people reached through outreach events/training sessions including women and potentially representatives of indigenous peoples and local community groups engaging in REDD+
Output 2.4	An online Community of Practice for Parties voluntarily cooperating on REDD+ to continue technical exchanges on forest country priorities and experiences, including challenges, successes and opportunities for further strengthening cooperation and impact.	1. Number of online events/webinars delivered. 2. Number of annual regional events delivered (in person). 3. Number of biennial global REDD+ stakeholder forum events delivered (in person). 4. Number of attendees at online events. 5. Number of attendees at in person events.

5.7 THEORY OF CHANGE AND LOGFRAME

The programme forms an important part of the IFU's REDD+ strategy and wider REDD+ ToC, but we have developed an initial programme-specific ToC to map how outputs leads to expected impact. This is outlined in the Strategic Case and detailed in Annex E. We will undertake a ToC Workshop and develop a Logframe with the AFOLU Unit and HMG stakeholders during the inception phase hold and ensure these meet our expectations.

5.8 EVALUATION PLAN

We do not propose to incorporate independent evaluation of the programme into our MEL plan. This is on the basis that this does not represent value for money for a £3.02m programme with relatively simple outcomes. UNFCCC's willingness to co-create reporting indicators reduces the need for independent evaluation, and we will set out in further detail how we intend to monitor the programme effectively in the exchange of letters agreed with UNFCCC governing our funding. The programme will be subject to an Annual Review assessment as per the DESNZ ICF Operating Manual

5.9 RISK MANAGEMENT

Risks are managed in line with the ICF Risk Management Framework (which reflects the latest FCDO risk framework categories). A risk register will be created and stored with in the Project Delivery Plan (PDP), to ensure oversight and escalation of programme level risks, the risk register will be reviewed and updated at least monthly and will be owned by the programme manager.

UNFCCC will report the risks to DESNZ quarterly in the meetings between the AFOLU Unit and the UK REDD+ team. If the risks increase past our ICF risk appetite, they will be escalated to the SRO at the monthly DESNZ ICF Portfolio Delivery Group meetings or immediately in the case of serious risks requiring immediate action. DESNZ ICF will also undertake a regular delivery chain risk mapping exercise to improve oversight of any downstream partners and supply chain risks. This will include a strong focus on seeking assurances on financial management, anti-corruption and safeguarding policies.

The programme will use the ICF Board's risk appetite statement to guide the tolerance and management of programme risks. The full statement is set out in the DESNZ Umbrella BC for International Climate Finance 3.0. The risks currently identified for FCLP are within the ICF Programme risk appetite. These are and will continue to be monitored and developed through the Project Delivery Plan and Risk Register within this.

ANNEXES

Annexes

- ***A. Integrated Assurance and Approvals Plan***
- ***B. Programme Risk Register***
- ***C. Equality and Gender impact assessment (PSED Assessment)***
- ***D. Paris Alignment (Climate Risk Assessment)***
- ***E. Theory of Change***
- ***F. Critical Success Factors***
- ***G. Options Appraisal***
- ***I. Grant vs Contract analysis***

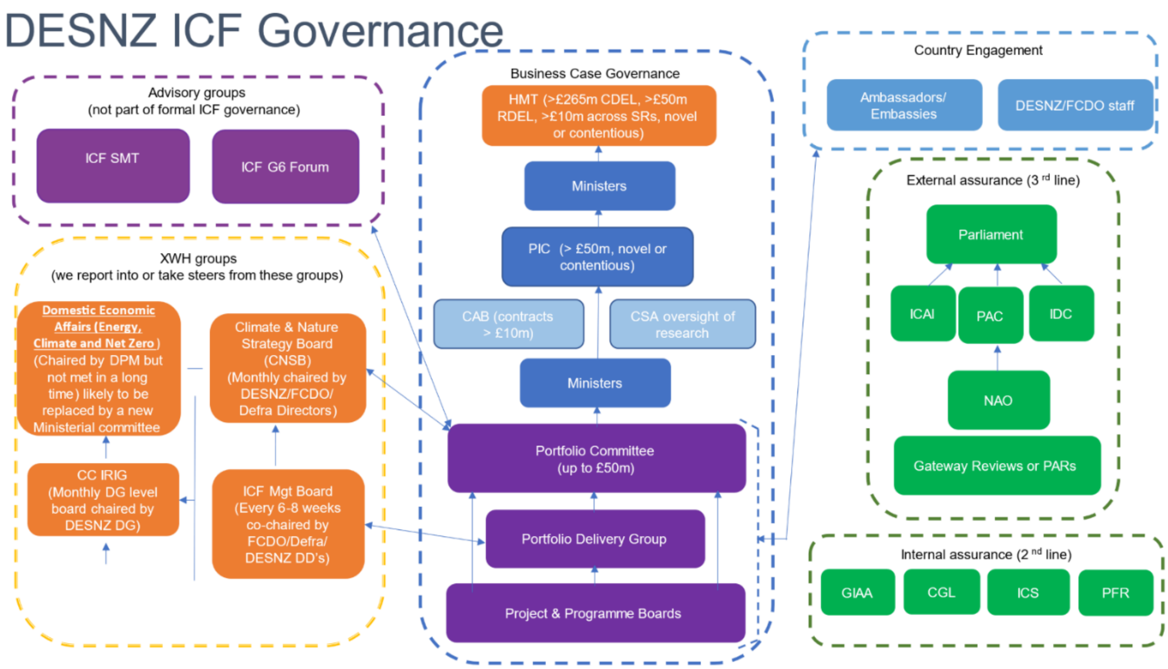
Annex A - UNFCCC REDD+ Integrated Assurance and Approval Plan

Programme Name	UNFCCC REDD+ Programme
Programme SRO	
DESNZ Directorate	International Net Zero (DESNZ-FCDO International Forests Unit)

Programme Purpose and Scope

This programme will provide funding to the UNFCCC Secretariat to fund key support functions that underpin global reporting on emissions reductions and removals through forest-based mitigation actions by developing forest countries participating in REDD+ under Article 5 of the Paris Agreement. It will increase developing countries' access to results-based finance and enhance technical cooperation with a view to raising the level of ambition on the inclusion and contribution of forests to Nationally Determined Contributions (NDCs). The DESNZ International Climate Finance team is responsible for delivering policy and programmes which support climate mitigation, mainly in countries with large or rapidly growing emission trajectories.

DESNZ ICF has adopted a programme governance approach which is aligned with FCDO's Programme Operating Framework (PrOF) and ensures a clear separation between those delivering programmes and those checking against compliance and performance as show in the figure below.



Programme Overview:

This programme will provide funding to the UNFCCC Secretariat to fund key support functions that underpin global reporting on emissions reductions and removals through forest-based mitigation actions by developing forest countries participating in REDD+ under Article 5 of the Paris Agreement. It will increase developing countries' access to results-based finance and enhance technical cooperation with a view to raising the level of ambition on the inclusion and contribution of forests to Nationally Determined Contributions (NDCs).

It will provide £3.02 m over four years to the UNFCCC Secretariat to support key REDD+ activities, including undertaking the assessment process for forest reference levels / forest reference emissions levels (FRL/FRELs), the analysis of REDD+ results, and developing a community of practice to enhance knowledge and understanding of the complex REDD+ landscape across UN members, with the aim of increasing access to REDD+ results-based finance and enhancing the inclusion of forests within NDCs.

Programme Assessment of Risks and determination of Assurance / Approval requirements

The IAAP seeks to set our assurance and approvals processes for the UNFCCC REDD+programme in-line with the HMT "three lines of defence" and DESNZ's Integrated Assurance and Approvals Framework. The plan clearly sets out the assurance processes in place to assess the management, governance and risk management of delivery. ICF assurance and approval processes ensure a risk-based, proportionate and integrated approach.

This Business Case will go through the necessary stages for BC approval, including through ICF specialists, Deputy Director level and finally Portfolio Committee, for the commitment of £3.02 million across FY 24/25 to FY 27/28.

Programme Roles and Responsibilities

Dept.	Team	Role(s)
DESNZ	**Portfolio Committee (PC)**	• Approves IAAP
DESNZ	**SRO**	• Agrees IAAP • Sponsors assurance reviews • Communicates and actions assurance findings and recommendations • Owns programme response and implementation of recommendations in assurance reports
DESNZ	**ICF Portfolio Management Office (PMO)**	• Monitors execution of IAAP and actions exceptions • Monitors delivery of assurance recommendations
DESNZ	**Programme Management Team**	• Develops initial IAAP • Manages execution of the IAAP schedule and requirements (for programme-level IAAPs not Portfolio-level) • Liaises with potential assurance providers to schedule and resource assurance reviews in-line with IAAP • Reviews IAAP after each assurance activity and updates IAAP if appropriate – sends amended IAAP to DESNZ Portfolio Management Office
DESNZ	**Stakeholders**	• Indicate assurance requirements • Receive assurances (for example, reports)

Programme Assurance and Approvals Activity

Approval and Assurances	Indicative Dates/Timeframe
ICF Portfolio Committee review & approval of BC	16-20th October 2024
Theory of Change, Logframe / key MEL products approval including results and monitoring framework	Within 2 months of the first annual reporting period for the programme, to be agreed within

	the contribution arrangement with UNFCCC. Expected in Q4 2024.
Annual workplan and budget	At the start of the programme and subsequently start of each calendar year or financial year (TBD) to decide priorities for the upcoming year
Annual Reviews	Annually TBD, timings to be agreed with the contribution agreement. First Annual Review is due within 15 months following BC approval.
Approval of invoices	As per schedule agreed with UNFCCC (see finance chapter)
Programme Delivery Plan meetings	Monthly meetings between Programme Lead and ICF PMO
Formal review meetings with delivery partner	• Quarterly meetings with UNFCCC. • Ad hoc meetings as needed between UNFCCC and programme leads.
Mid-term / Interim reviews	Halfway through programme – expected end of FY25/26
Programme Completion Review	Within 3 months of the end of programme.
End of programme impact evaluation, including approval of evaluation methodologies and plan	After end of programme.

The DESNZ ICF approval process is outlined below:

Product/Change	**Sign Off**	**Approvals Prior to Sign Off/Points to Note**
Sign off on Arrangement with UNFCCC.	Programme SRO	DESNZ and ICF corporate legal and finance specialists, ICF commercial specialists, and IFU DD.
Key MEL products (Theory of Change, Logframe and MEL Framework including MTR and end of project evaluation)	IFU DD, IFU G6, MEL G6	MEL Advisers, SEO Programme Leads, PMO (where applicable), post (where applicable).
Annual Review (AR)	IFU DD if Annual Review score B or lower, IFU G6 if A, A+ or A++. *Scoring agreed by project G6/PMO & G6/Analysts. Escalated to SRO for sign-off if scoring cannot be agreed)*	IFU G6 & PMO G6 SEO Programme Lead PMO, MEL Advisers, Economists, post.

Midterm Review	IFU G6, MEL G6, PMO G6	SEO Programme lead, PMO, MEL Advisers, Economists
End of Project Evaluation	IFU DD	SEO Programme lead, PMO, MEL Advisers, Economists
Programme Completion Review	IFU DD (final version sent to SRO)	IFU G6 and PMO G6 prior to final review. MEL Advisers, Economist, PMO review/sign-off.
Changes to scope	Portfolio SRO (decisions with particular reputational risk escalated to Portfolio Committee).	IFU DD and G6, specialists and PMO. The change will be requested and recorded and approved through the change control process, may require a CR.
Changes to logframe	IFU DD or G6 dependent on level of change.	IFU G6, PMO, MEL Advisers, Economists.
Time Extension	ICF Portfolio Committee. Time extensions under 9 months may be delegated to the (SRO, IFU DD or G6 (dependent on length of time requested) for approval.	If the request is greater than 6 months, the change will be requested and recorded through the change control process, requiring a CR form. CR is quality assured by PMO and specialists, signed off by relevant staff/governance body with delegated authority. If the request is less than 9 months, the change will be recorded in the Change Log.
Programme costs increase up to 30% of programme value or up to £10M, whichever is lower	Portfolio Committee	Complete a CR form, signed off by the Programme Director. CR is quality assured by PMO and specialists. CR submitted to the Portfolio Committee to consider and decide. Change is documented in the change log.
Programme costs increase exceeds >31% of programme value or over £10M, whichever is lower	Portfolio Committee	Complete an extension business case, signed off by the Programme Director. BC is quality assured by PMO and specialists. BC submitted to the Portfolio Committee to consider and decide.

Programme Cost and Resource for Assurance and Approvals Activity

DESNZ resources for the UNFCCC REDD+ programme including assurance and approvals are detailed in the table below.

Grade and Role	Responsibilities	FTE
SEO Programme Manager	• Programme oversight including reviews of key MEL products (Theory of Change, Logframe), PDP, annual workplan, Annual Review process. • Attends meetings as relevant.	0.1
G7	• Financial sign-off and risk escalation • Attends meetings as relevant.	0.05
SEO MEL Adviser	• Theory of Change & Logframe finalisation • Development of MEL framework • Ongoing MEL advice on KPIs, methodologies, results.	0.01
HEO Economist	• Value for Money assessment (Annual Reviews) • Consultation & support on KPIs relating to finance (KPI 11)	0.01
Deputy Director	• Risk escalation and resolution with UNFCCC Secretariat. • Strategic coherence with wider portfolio	N/A - not expected to created demands on DD time

Programme Reporting and Communications:

DESNZ ICF will use the following tools to report on the UNFCCC REDD+ programme.

- Programme Delivery Plans (monthly)
- DESNZ ICF Portfolio Delivery Group (monthly)
- Quarterly updates (quarterly)
- Annual Review (annually)
- Ad-hoc discussions with PMO.
- Change requests to PC.
- Ministerial submissions (ad-hoc, as required)

Managing Programme Outcomes and Consequential Assurance

DESNZ ICF has adopted a programme management approach which is aligned with the FCDO PRoF Rules and Guide and ensures a clear separation between those delivering and those checking against compliance and performance. This approach is set out in the ICF Operating Manual.

Subject to approval of the BC, DESNZ intends to enter into a non-binding Arrangement with UNFCCC. This would include amongst other things the schedules for approvals, changes, MEL and other processes for managing outcomes and assurances. The final arrangement will be agreed by DESNZ legal and DESNZ ICF finance advisors to ensure it aligns with DESNZ's legal requirements and that the approach to finance and fees are appropriate.

As outlined above, the programme will be managed by a SEO Programme Manager and work with the DESNZ ICF PMO to monitor the programme through monthly Project Delivery Plans (PDP) meetings and Annual Reviews. The programme team will work closely with MEL advisers and economists to ensure that a rigorous MEL framework is developed and implemented effectively by the delivery partner, including the Mid-Term Review and end of project evaluation.

The performance of the programme will be measured and scored against each output indicator in its log frame. The overall scoring will be primarily driven by the progress towards log frame outputs and their respective weightings. The Annual Review will analyse and assess the results, highlighting any successes or shortcomings in the programme, as well as the key programme risks and mitigations and the VfM performance. It will include specific, time-bound recommendations for action, consistent with the key findings. The recommendations will be embedded in DESNZ' ICF Project Delivery Plans (PDP). In line with ODA transparency requirements all the programme's Annual Reviews will be published on Dev-Tracker. Lessons learned from the Annual Reviews will be captured to encourage more active sharing of lessons learned across ICF.

Monthly meetings will be held with DESNZ ICF PMO to review the PDP to assess performance of the programme. The PDP, maintained by the ICF programme manager, will contain the risk register, an issues log, a workplan, financial management information, the log frame and other important tools critical for the successful delivery of a programme. Outcomes of the meetings will feed into the monthly Portfolio Delivery Group meetings held to provide the SRO and Senior Management Team (SMT) with an oversight of the performance of this programme.

Additionally, all programmes in ICF are subject to portfolio-level governance and assurance processes in accordance with FCDO best practice for delivering ODA, following HM Treasury guidance on ODA Value for Money and the framework for Managing Public Money. This is set out in ICF Governing Principles.

Programme IAAP Schedule

Central to the IAAP is the schedule. This is a summary of all assurance and approval and allows the ICF Portfolio to plan the various assurance and approval points.

1st Line of Defence

- Internal Monthly Programme Delivery Plan meetings with the PMO, to discuss key programme updates, milestones, issues, and risks. These 1-1 meetings allow for programme oversight at a working level.
- Internal Monthly DESNZ ICF Portfolio Delivery Group meetings: chaired by the DESNZ ICF Portfolio Deputy Director, for monitoring programme performance, programme risks, portfolio risks, financial performance, and recent annual reviews outcomes.
- Annual Reviews: conducted on a yearly basis and a key tool to monitor performance and ensure continuous improvement. The annual reviews are published.
- Quarterly meetings with UNFCCC Secretariat to discuss progress, including risks and performance against annual performance KPIs.

2nd Line of Defence

- DESNZ ICF Portfolio Committee: in cases where agreed milestones are not being met, a decision can be taken by the Portfolio Committee on whether to implement a six-month Programme Improvement Plan (where payments may be withheld until agreed milestones are met by the end of the period).

3rd Line of Defence – External Assurances

- Judge previous performance of the Delivery Partner to help provide an initial assessment of the potential delivery partner's capacity and capability to effectively manage ICF's funds and deliver ICF's programme.
- Programme-specific assurance reviews are conducted on an ad-hoc basis when a need is identified.
- In discussion with ICF Portfolio Committee and PMO, agree whether to commission a portfolio-level external review, such as by Government Internal Audit Agency (GIAA). Such reviews would be managed by DESNZ ICF PMO and UNFCCC Secretariat.

ANNEX B Risk Register

No.	Risk Summary	Likelihood	Impact	Level	Mitigation Plan	Rating after mitigation
1	If the UK (and other donors) do not provide a suitably sizeable contribution to the UNFCCC, the AFOLU unit will not be able to deliver its annual cycle of assessments, upgrade online systems or improve capacity and knowledge of REDD+. This could risk the continued success of REDD+ as a mechanism if developing countries are not able to access results-based finance due to delays caused by a lack of UNFCCC capacity to administer the central architecture underpinning the mechanism.	High	Major	Major	Seek approval for £3.02m RDEL for UNFCCC between 2024/5-2027/8 and work to encourage contributions from other donors through bilateral and plurilateral engagement.	Low (provided BC is approved)
2	The cycle of assessments is dependent on the availability of qualified forests experts from Annex I and II countries to conduct them. A lack of experts could impact the delivery of Objective 1 in spite of UK funding.	Moderate	Moderate	Moderate	Work to identify qualified UK forest experts HMG can put forward to conduct assessments. Work with other donors and developing countries to influence them to identify their own pool of experts to increase the number available to UNFCCC for this work.	Moderate
3	Non-commercial approach to procurement creates risk of challenge to DESNZ.	Low	Major	Major	International Forests Unit to work closely with DESNZ Commercial and Legal teams to ensure that we have sufficiently evidenced the strong justification for making a direct award to UNFCCC, such that the risk of legal challenge over the procurement approach to this programme is minimised.	Low

4	UK fails to secure long-term commitments from other donors to financing REDD+ reporting, creating ongoing demand for UK funding	Moderate	Major	Major	Alongside the programme, and as part of our exit strategy we will develop an influencing campaign to target likeminded donors with significant forests programming to seek support for sharing the burden of ongoing financing for REDD+ reporting activities. We will also establish and communicate the consequences of not providing adequate finance for the AFOLU Unit's support functions for our mitigation goals so that likeminded partners can make an informed decision.	Moderate
5	Funds are not used for their intended purpose	Low	Moderate	Minor	The programme will be audited on an annual basis and UNFCCC will be required to produce monitoring indicators to demonstrate that UK funding has supported the intended outputs as agreed. As the arrangement will be non-binding, DESNZ will be free to cease providing funding in case of serious misdemeanours, significant underperformance or changes to circumstances that seriously jeopardise the likelihood of the programme delivering its intended benefits.	Low
6	Expenditure is not properly accounted for	Low	Moderate	Minor	DESNZ will conduct a light-touch delivery partner review to assess UNFCCC's risk management framework in more detail and ensure sufficient assurance before DESNZ Funds are provided to UNFCCC.	Low
7	Programme expenditure does not represent good VfM	Low	Moderate	Moderate	A full programme review will be conducted by DESNZ on an annual basis including a VfM assessment. If VfM is no longer being delivered, corrective action will be taken.	Low

8	Foreign exchange risk	Moderate	Moderate	Minor	UK funding will be provided in GBP but UNFCCC, headquartered in Germany is likely to spend locally in EUR, and will produce budgets and accounting in USD to enable comparability across the UN system. No spending is expected in GBP. We have agreed that UNFCCC will take on the short-term currency risk of converting GBP to the currency required for UN operations, DESNZ will not be liable to provide further funding in the case of adverse currency movements. Any overpayments if exchange rates move favourably towards GBP can be used by UNFCCC for further REDD+ activities, or returned to DESNZ if requested. This will be stipulated in the exchange of letters governing the arrangement.	Low
9	Risk that programme does not achieve Year 1 objectives due to limited time left in Financial Year 2024/25	High	Moderate	Moderate	We have agreed with UNFCCC Secretariat to reprofile the programme's spend to reduce spending in Year 1 of the programme to account for the reduced time left in FY 2024/25. This spending is reallocated to subsequent years so the overall contribution remains the same. The logframe and Annual Review will also take account of this.	Low

Public Sector Equality Duty

Equality analysis for the UNFCCC REDD+ Programme

Please include completed versions as an annex to the business case

This document records the equality analysis undertaken by DESNZ International Climate Finance.

This analysis is designed to fulfil the requirements of the Public Sector Equality Duty (the equality duty) as set out in section 149 of the Equality Act 2010. This requires DESNZ to pay due regard to the need to:

1. eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act
2. advance equality of opportunity between people who share a protected characteristic and those who do not
3. foster good relations between people who share a protected characteristic and those who do not

The protected characteristics which should be considered are:

- age
- disability
- gender reassignment
- marriage or civil partnership
- pregnancy and maternity
- race
- religion or belief
- sex
- sexual orientation.

Please note that in relation to the protected characteristic of marriage and civil partnerships the department is required to have due regard only to point 1.

Please also note that *gender* equality, although not listed as a protected characteristic for the purposes of PSED, is of particular interest to the DESNZ ICF Portfolio. The template below should be used when preparing a new business case, but the full DESNZ Gender Guidance document should be used to ensure gender mainstreaming is considered at every stage of the programme cycle.

Women and girls in developing countries are often more vulnerable than men and boys to the impacts of climate change and have less opportunity to effect change due to pre-existing gender inequalities regarding political leadership, access to information and resources, and mobility and voice. The International Development (Gender Equality) Act 2014 makes consideration of gender equality a legal requirement before the provision of any UK development and humanitarian spend. The UK Aid Strategy 2015 makes a commitment to prioritise the needs for women and girls throughout all its development spending. For more information, please see the DESNZ ICF Gender Strategy.

You should consider the equality duty and gender equality before and after business case approval and monitor how the programme is working once delivery has started, all the way through implementation and programme closure. Considering equality in this way should be part of normal day-to-day activity and not a one-off exercise.

Notes in italics are to help you fill in this template. They should be deleted from the final version.

1. Outline your proposal

This programme will provide funding to the UNFCCC Secretariat to fund key support functions that underpin global reporting on emissions reductions and removals through forest-based mitigation actions by developing forest countries participating in REDD+ under Article 5.2 of the Paris Agreement (i.e. the Warsaw Framework for REDD+ or WFR). It will increase developing countries' access to results-based finance and enhance technical cooperation between developing country Parties as well as with developed country Parties and other REDD+ stakeholders, with a view to increasing impact by strengthening complementarity, coherence and transparency on Parties' REDD+ activities under Art. 5.2, raising ambition in Nationally Determined Contributions (NDCs)on the inclusion and contribution of forests and reporting through the UNFCCC REDD+ web platform, Lima REDD+ Information Hub and the Paris Agreement Biennial Transparency Reports. .

The programme will have limited direct impacts on individuals, as it will primarily fund UNFCCC Secretariat engagement with developing country government officials to coordinate and strengthen implementation of Article 5.2 to increase ambition, transparency and impact on forest and other land-based mitigation. This includes activities to demonstrate the benefits to developing country Parties of strengthening gender and social inclusion in their national REDD+ strategies and REDD+ safeguards information systems, including through South-South exchange, as well as identifying options to support Parties to do this.

2. Summary of the evidence considered in demonstrating due regard to the equality duty and gender equality

As the programme will deliver administrative and technical functions within the UNFCCC Secretariat to support developing country Parties, we consider there is no direct impact on any group or groups with protected characteristics. The impacts of this programme will be indirect as the outputs and outcomes of the programme will take place at the national/international level of government. The programme will not work directly on the ground in any particular geographies.

We have considered the requirement in s.1(1A) of the International Development Act 2002 to have regard to the desirability of delivering Official Development Assistance in such a way that it reduces gender inequality. We reviewed the UN System Wide Action Plan on Gender, which requires each UN body to report annually against a series of indicators on their gender policies and to have regard to the importance of gender in their work.

3. Identify the impacts

As the programme will not have direct impacts on any group with protected characteristics, we do not consider it will have negative impacts against any of the three aims of eliminating unlawful discrimination; advancing equality of opportunity, or; fostering good relations.

Indirectly, it may have positive impacts on groups with protected characteristics. The effects of climate change and forest degradation disproportionately affect the world's poorest and socially excluded people, particularly women (sex) and indigenous peoples (race and religion or belief), who are often the primary users of forest resources. The indirect impacts of this programme include: increasing awareness of the value of strengthening social inclusion in REDD+ strategies and REDD+ safeguards information systems and safeguards reporting and increasing access to results-based finance for forest-based mitigation results, thereby enhancing the protection of forests and the flows of ecosystem goods and services to hundreds of millions of people, many of whom are poor and have protected characteristics (see Strategic Case and Section 4 below).

4. Analyse the impacts

From a human wellbeing and resilience perspective, developing countries are least able to bear the risks and consequences of climate change and biodiversity loss. Increasing droughts and floods mean poverty will worsen and regions will become unliveable, with people forced to migrate. In 2020 alone, 18.8 million people in 135 countries and territories were displaced by natural disasters. This is greater than the number of those displaced by conflict. As early as 2030, the effects of climate change could push between 65 and 129 million people into poverty if effective action is not taken.

An estimated 1.2bn people depend on forests for subsistence and income. Deforestation undermines these livelihoods and access to critical resources. It strikes disproportionately at the world's poorest communities, including indigenous people, the extreme poor and women, and undermines the climate resilience of local populations. In tropical regions, more than 800m rural people, including 60m indigenous people, live in or near forests and depend on them to a high degree for their subsistence and income. Forest dependence is higher among indigenous people and the extreme poor, meaning that deforestation often has the greatest impact on these groups in terms of livelihood, culture and health. People at risk of food insecurity or malnutrition are reported to have the highest degree of reliance on forest products for income, food and freshwater. Forests are also known to regulate rainfall and agricultural production over very large distances and thus important for the economic security, wellbeing and climate resilience of regional populations, in particular the poor and the vulnerable.

5. Record your decision

Following our analysis, we intend to proceed as planned with the programme.

6. Monitor and review

The programme will be monitored in line with the DESNZ International Climate Finance (ICF) framework. The Annual Review will analyse and assess the results, highlighting any successes or shortcomings in the programme and the delivery partner, as well as the key programme risks and mitigations and the VfM performance. It will include specific, time-bound recommendations for action, consistent with the key findings. As per the ICF Operating Framework, the Log frame, indicators and methodology for tracking Key Performance Indicators will be reviewed regularly, with milestones set in advance and revised as needed.

Sign off by the Programme Manager

Date: 26/07/2024

Please include completed assessments as an annex to the business case.

Annex D: Climate and Environmental Risk Screening Tool (for Step 2)

Risk Screening Tool			
<u>General Programme Identification</u> 1. Date: 29.08.2024 2. Programme Title: **Enhancing climate ambition, transparency and impact in the forests and land use sector through Article 5 of the Paris Agreement** 3. Delivery Partner (if known): UNFCCC AFOLU Unit 4. Funded by DESNZ			
Climate screening factors	**Supporting information**	**Score 0-3**	**Remarks**
<u>Exposure, vulnerability, and hazards</u>			
1. Which physical environment best describes the area the programme is taking place in?	See Table 1: Physical environment exposure zone examples. (If you are operating in multiple exposure zones, note these and total the score. Mark at '4' if the total surpasses this).	0	There is no on-the ground implementation. This is a small programme to fund support functions provided by the UNFCCC to developing countries implementing REDD+ activities under Article 5
2. What sectoral vulnerabilities can be identified?	See Table 2: Vulnerabilities by sector. Consider the impact of these vulnerabilities both on the programme, and the potential for	0	N/A as there is no on-ground programme implementation

	the programme to exacerbate these vulnerabilities. (If several sectoral vulnerabilities are identified, note these and mark the highest scoring sector).		
3. What relevant individual hazards can be identified?	See Table 3: List of hazards. (Add 1 for each natural hazard, up to a maximum of 4. If hazards are unknown use 3 as a risk value).	0	N/A
4. Estimate the number of people potentially "exposed" to climate-related risks?	• <100 score = 0 • 100-1000 score = 1 • 1000-10,000 = 2 • >10,000 score = 3	0	N/A
If the TOTAL value for the first four questions sums to 4 or less there is no need to complete the remaining questions. You will not be required to complete any further scoping or full CRAA.			

Since value for the first four questions sums to 0, no further questions were completed. No further scoping or a full CRAA is needed.

Annex E: Theory of Change for the UK Contribution to the UNFCCC AFOLU Unit

A Theory of Change (ToC) is a basic logic model showing the assumed causal linkages between programme activities and desired impacts through a sequence of intermediary results (i.e. 'if x happens, then y should result'). The different stages and 'levels' of results are often conceptualised as follows:

- **Activities:** Actions taken or work performed by programme components to mobilise inputs (i.e. financial & human resources) for the delivery of results-based finance.
- **Outputs:** Changes among recipients that are the direct results of the finance delivered by activities (e.g. capacity built, financial access created, business performance improved). Changes/results are 100% attributable to programme activities.
- **Intermediate outcomes:** Near-term results that stem directly from the outputs and precede outcomes.
- **Outcomes:** The medium-term systemic effects that the intervention's outputs directly contribute to. The achievement of outcomes will also depend on several external factors over which HMG has limited control.
- **Impacts:** The long-term, wide-spread and multifaceted changes in political power, social relations, markets and technology that favour sustainable, low-carbon and pro-poor development, that outcomes help to drive.

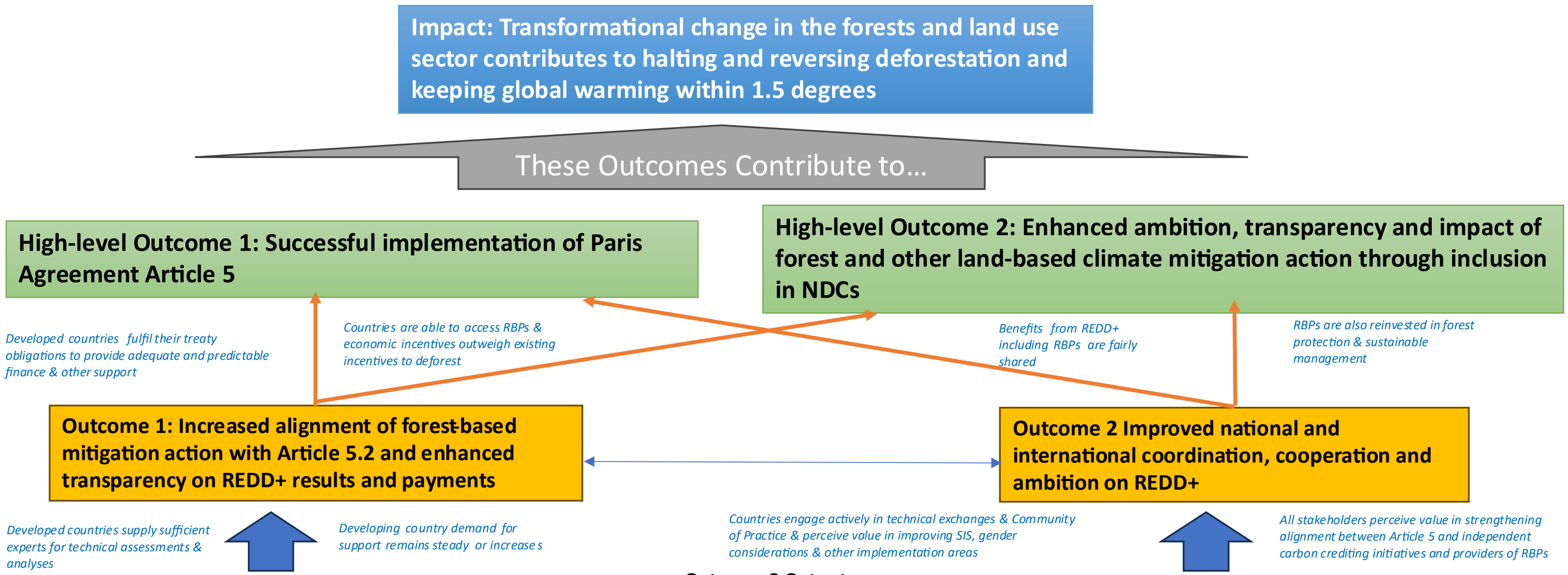
The AFOLU Unit does not have a formal ToC for its REDD+/Article 5 support functions as these are guided by the decisions of Parties to the UNFCCC and Paris Agreement. The REDD+ approach also has different theories of change (e.g. see CIFOR for a review of these)[1]. The DESNZ REDD+ and LEAF teams developed a draft high-level Theory of Change in 2024 in narrative form (see below after Figure 1).

The UK contribution to the AFOLU Unit is embedded within Objective 2 of this broader REDD+/LEAF Theory of Change and will also contribute to Objective 3 by seeking to strengthen safeguards systems and reporting (see highlighted text). An initial Theory of Change for the UK programme is shown in Figure 1. This will be developed further during the inception phase together with the AFOLU Unit.

[1] https://www.cifor-icraf.org/publications/pdf_files/Books/BAngelsen180104.pdf

Figure 1 Theory of Change: Enhancing climate ambition, transparency and impact in the forests and land use sector through Article 5 of the Paris Agreement

Note: Assumptions in blue



Outcome 1 Outputs:

- 1.1 7 Technical Assessments of national/subnational FRELs/FRLs (including 3 core funded ones).
- 1.2 11 Technical Analyses of REDD+ Results (including 3 core funded ones)
- 1.3 REDD+ web platform upgrade, including discussion forum and Lima REDD+ Information Hub

Outcome 2 Outputs:

- 2.1 Increased understanding among Parties of key forest-related agreements, reports and processes under the Paris Agreement
- 2.2 Increased understanding among Parties and other stakeholders of the benefits and options for strengthening alignment between Article 5 and other independent carbon crediting initiatives and providers of REDD+ results-based payments
- 2.3 Demonstration of benefits to countries of strengthening their national safeguards information systems (SIS) and voluntary reporting to the UNFCCC, including gender considerations
- 2.4 An online Community of Practice for Parties for further strengthening cooperation on REDD+ and impact.
- 2.5 Demonstration of the linkages and synergies between Paris Agreement Article 5, the Kunming-Montreal Global Biodiversity Framework and other major global goals and programmes relevant to forests.

Theory of change narrative

Inputs: DESNZ will be providing financial resources to the UNFCCC AFOLU Unit and using internal capacity to oversee and monitor the programme resource. This will enable the AFOLU Unit to fill an expected funding gap to meet expected developing country demand for its core support functions on REDD+ and enhance transparency as mandated by UNFCCC and Paris Agreement Parties through Article 5. It will also enable the delivery of additional benefits including actions to increase policy coherence and complementarity across the landscape of REDD+ results-based financing and governance, strengthen cooperation between developing and developed countries and increase forest country capacity on challenging areas of the different phases of REDD+, including implementing effective safeguards systems and reporting on progress to the UNFCCC. The AFOLU Unit will be responsible for day-to-day delivery and is assumed to have the capacity and capability for this.

By making these resources available, the AFOLU Unit will be able to deliver the necessary activities and outputs shown in Figure 1 to achieve the objectives and outcomes desired by HMG:

Objective 1: Successful implementation of Article 5 of the Paris Agreement

Objective 2: Enhanced ambition, transparency and impact of forest and other land-based climate mitigation action through inclusion in Nationally Determined Contributions of forest countries

Outcome 1: Increased alignment of forest-based mitigation action with Article 5.2 and enhanced transparency on REDD+ results and payments

Outcome 2: Improved national and international coordination, cooperation and ambition on REDD+

If the assumptions show in Figure 1 and Section 1.3.5 of the business case hold true, then these outcomes and objectives will lead to transformational change in the forest and land use sector and the halting and reversing of global deforestation thereby contributing to the global goal of keeping global warming to below 1.5 degrees.

This theory of change will be reviewed and updated ahead of development of the logframe during the inception phase (and revisited regularly throughout programme delivery), to ensure its continued validity and highlight evidence gaps.

DESNZ REDD+/LEAF Theory of Change - 2024

Impact: To halt and reverse forest loss and land degradation by 2030 while delivering sustainable development and promoting an inclusive rural transformation.

REDD+ has the potential to play a key role in achieving this goal, both as a mechanism through which to channel finance towards efforts on conservation, restoration, and sustainable management of forests, as well as generating a range of local, regional and global co-benefits, including and supporting the livelihoods and aspirations of Indigenous Peoples and local communities.

Objective 1. Funding flows to REDD+ activities help make it economically attractive to maintain and manage forests

For this to be achieved, funding flows for REDD+ must make it economically attractive to maintain and manage forests. In short, they need to be greater, sustainable and predictable. International public finance from collective ODA budgets will remain important, but will not be enough to achieve this goal alone. Domestic budgets, and private finance must play a major part. The clearest form to mobilising more private finance is through voluntary and compliance carbon markets.

Objective 2. International and National Policies and Institutions align to support and enhance delivery of REDD+

Alongside this additional finance into the REDD+ space, it is vital that international and national policies and institutions align to support and enhance the delivery of REDD+. This means that REDD+ would be featured meaningfully in countries national policies, institutions and commitments, and that forest countries and jurisdictions have the capacity and resourcing to deliver this. It also means that international policies and institutions are aligned to support high-integrity REDD+ delivery at scale.

Objective 3. Indigenous peoples, local community, and women are central to REDD+ governance, shaping activities and sharing in benefits

It is not enough that REDD+ methodologies are funded and have high environmental integrity, they must have social integrity as well, with Indigenous peoples, local community, and women being central to REDD+ governance, shaping activities and sharing in benefits These principles are vital to REDD+ governance, and for the long-term impact and sustainability of the methodology.

Objective 4. A positive perception around REDD+ fosters investment in REDD+ activities (Comms and Evidence)

Lastly, it is important to tackle the current negative perception around REDD+ that is stifling investment in REDD+ activities both within forest country governments and from without (i.e. potential private sector investors and purchasers of carbon credits). Whilst this is not something solely within the capacity of the UK team, the REDD+ and LEAF teams will contribute to this by:

- Strategic use of communications to tackle negative perceptions around REDD+

- Continue to conduct and publish programme Annual Reviews and Annual Results Collection, to assess progress for continued lessons learned/shared and adaptive management, and build the evidence base for REDD+
- Improving the evidence base around our Theory of Change, by commissioning the impact/effectiveness for RBP to advance global forest commitments, sharing the ISFL and FCPF Evaluations and utilising this improved evidence base into future REDD+ policy and programming development.

Annex G – Critical Success Factors for UNFCCC REDD+ Business Case Appraisal

Critical Success Factor	**Description:** How well the option…
CSF 1: Strategic fit and meets business needs (25%)	• Provides holistic fit and synergy with other ICF or forestry strategies, programmes and projects. • Increases REDD+ and forest climate action transparency. • Increases the UNFCCC AFOLU Unit's ability to meet demand for technical assessments and results analysis. • Improves information sharing through online REDD+ platforms and tools. • Facilitates technical exchange between countries and stakeholders on REDD+. • Strengthens synergies between REDD+ and other global policies and programmes relating to forests.
CSF 2: Potential Value for Money (25%)	• Optimises social value (social, economic and environmental development), in terms of the potential costs, benefits and risks using analytical methods. Assessed in terms of the 4Es framework which is applied to all ODA spend. • Would lead to longer-term lowering of risk to deforestation, creating an enabling environment for other programmes.
CSF 3: Supplier capacity and capability (12.5%)	• Matches the ability of potential suppliers to deliver the required service (i.e. whether a single organisation can deliver all programme objectives).
CSF 4: Potential affordability (12.5%)	• Can be financed from available funds (including whether the allocated funding is sufficient to address the issues). • Aligns with sourcing constraints.
CSF 5: Potential achievability (25%)	• Matches the level of available skills required for successful delivery. • Is likely to be delivered given an organisation's ability to respond to the changes required.

Annex G – Options Appraisal

This annex details the full options appraisal conducted for the UNFCCC REDD+ Business Case, including longlisting.

The programme's objectives are:

- **Objective 1**: Countries can access Article 5 results-based payments with increased transparency on national REDD+ action and results by
    - Scaling the UNFCCC AFOLU unit's ability to meet forest country demand for technical assessments of forest reference levels and analyses of their REDD+ results
    - Improving information sharing through the REDD+ web platform and Lima Hub.
- **Objective 2:** Strengthen national and international coordination, cooperation and ambition on REDD+ by:
    - Facilitating technical exchange between countries & other key stakeholders on complex and sometimes contentious REDD+ issues, and
    - Bringing greater visibility and clarity on financing options for REDD+ results, in particular on the differences and complementarities between the Warsaw Framework for REDD+ and Article 5.2 results-based payments and the requirements of major VCM standards and the evolving rules under Article 6.

A longlist was drawn up to consider different ways to allocate c.£2m of ICF spend, which was then considered against the capacity for the option to meet the above objectives for the programme. This was based on a qualitative assessment by the programme leads, supported by the wider IFU REDD+ team who provided comments and IFU's Assistant Economist.

Four options were taken forward to the shortlist stage. This included 'Do Nothing' on the basis that this provides a baseline option against which we can assess the impact of our options, and three options of providing different quanta of funding to the UNFCCC AFOLU unit as these were judged to be the only options which met the programme objectives because UNFCCC Secretariat has an exclusive mandate from the COP to deliver the activities required to deliver the programme's outcomes and objectives.

Table 1: Longlisting appraisal

Scope	Solution	Advantages	Disadvantages	Carry forward (y/n)
Do nothing (BAU)	No additional spend.	• No additional spend therefore strongly affordable and achievable.	• No additional advantage beyond what is already being undertaken. • Doesn't meet objectives	
Increase existing contribution	Supplement the existing UK contribution to UNFCCC	• Strong VfM as UNFCCC is able to allocate funds based on need. • Supplier capacity is known and trusted. • Proven track record in providing a holistic fit with other ICF strategies.	• Doesn't meet objectives because this option is not REDD+-specific as funds would be used on other priorities which are higher in the UNFCCC mandates order of merit for funding. Funding would support wider UNFCCC activity but nothing on REDD+ • Limited marginal gain beyond existing contribution. • Some potential legal risk of challenge for direct award. • Potential delays due to legal issues of the above.	

Direct award to UNFCCC AFOLU	Direct award of £2m to the UNFCCC AFOLU unit	• Directly meets objectives because Resources directly fund REDD+ activity. • The function of AFOLU unit is vital for the effectiveness of other forestry programmes. • Supplier capacity is known and trusted. • Proven track record in providing a holistic fit with other ICF strategies.	• Not a long-term solution, the AFOLU unit will continue to need funding after the end of this contribution. • The UK is the largest donor, could set precedent establishing the UK as responsible for the survival of the AFOLU unit. • Limited scope, very specific functions that may not have a direct impact on other ICF and forestry programmes. • Some potential legal risk of challenge for direct award. • Potential delays due to legal issues of the above. • Additional costs of setting up programme in terms of DESNZ resourcing for oversight and MEL	
	Direct award of less than £2m to the UNFCCC AFOLU unit	• Resources directly for REDD+. Directly meets objectives because resources directly fund REDD+ activity	• Unable to perform core functions with less than £2m.	

		• The function of AFOLU unit is vital for the effectiveness of other forestry programmes. • Supplier capacity is known and trusted. • Proven track record in providing a holistic fit with other ICF strategies. • Can distribute savings to other priorities. • Greater VfM if leverages non-UK funding	• Weakens the UK's leverage for other partner funding. • Some potential legal risk of challenge for direct award. • Potential delays due to legal issues of the above. • Additional costs of setting up programme in terms of DESNZ resourcing for oversight and MEL	
	Direct award of more than £2m to the UNFCCC AFOLU unit	• Directly meets objectives because resources directly fund REDD+ activity • The function of AFOLU unit is vital for the effectiveness of other forestry programmes. • Supplier capacity is known and trusted.	• Sets precedent for the UK to shoulder large share of the burden of funding the AFOLU unit. • Could decrease leverage if other countries believe that the UK will front the full cost. • Above the agreed amount, therefore more scrutiny at BC stage.	

		• Proven track record in providing a holistic fit with other ICF strategies. • Increased capacity for the AFOLU unit as it will no longer rely on other countries contributing. • More influence as the UK demonstrates continued support for the architecture of REDD+	• Some potential legal risk of challenge for direct award. • Potential delays due to legal issues of the above. • Additional costs of setting up programme in terms of DESNZ resourcing for oversight and MEL	
Increase funding to existing IFU programmes	Supplement the existing LEAF bilateral TA project.	• High ambition and TA already being provided. • Could lead to impact across a broader geographic area through proof of concept. • High integrity standard used, thus increasing the ambition in REDD+.	• Specific to eligible LEAF countries. • Focused on country-specific action, e.g. legal support, ERPA negotiations, investment plans. • Limited support for technical exchange or REDD+ transparency. • Program to end in 2025, limited scope for further improvements. • Would mean reduction in funding available for other Amazon Fund TA pipeline	

			• Would require justification that these activities are part of the objectives of LEAF TA Agreement	
	Supplement the existing Amazon Fund TA mechanism.	• Supporting upcoming programme existing program with a trusted delivery partner and a known VfM. • High synergy with existing ICF and forestry programmes, aiming to build capacity to deliver high quality forest protection. • Capacity building should increase REDD+ transparency and facilitate technical exchanges for Brazil only.	• Does not meet programme objectives because it will not support the activities required. • Geographically restricted to the Brazilian Amazon region. • Concentrated on technical assistance, already a priority area of IFU funding, limited scope for marginal gain. • Would mean reduction in funding available for other Amazon Fund TA pipeline • Would require justification that these activities are part of the objectives of Amazon Fund TA Agreement	
	Supplement the existing FCLP Secretariat.	• The program could help to provide a facilitating environment for other ICF and forestry work.	• FCLP secretariat does not have the mandate for this work and does not undertake activity on REDD+,	

			therefore will not meet programme objectives. • Significant geographic gaps (Brazil and Indonesia not involved). • Still working through growing pains, and move from inception to steady-state phase. • Implementation of actions is likely to be delayed due to the coordination required between members.	
	Supplement the existing UK PACT programme.	• Broad geographic focus. • Not reliant on a delivery partner. • Can be spent in time frames aligning with the current ICF strategy. • Could increase understanding of alternative financial mechanisms for REDD+.	• Does not meet programme objectives because UK PACT does not deliver the activities required for this programme. • May not have the ability to absorb £2m of additional funding.	
Increase contributions	Supplement existing contribution to UNREDD TA mechanism.	• Experienced and respected delivery partner with large global reach to mobilise impact at scale.	• Does not meet objectives for this programme as UNREDD does not undertake the assessment and	

to multilateral programmes		• Already operational, with existing governance frameworks and transparent monitoring and reporting. • REDD+ capacity building and implementation complements other ICF and forestry programs. • Proven VfM. • Broad geographic focus. • Next stage of funding being considered. • Institutional set-up and relationship with forest countries governments. • Global approach maximises opportunity for shared learning and best practice for interventions across a broad geographic area.	analysis activities which are essential to the programme. • Program to end in 2025, limited scope for further improvements. • Concentrated on technical assistance, already a priority area of IFU funding, limited scope for marginal gain. • Would mean reduction in funding available for other UNREDD TA activities • Would likely take significant of time to change legal and programmatic spec and not clear if UNREDD has worked directly to support UNFCCC sec.	
	Supplement existing World Bank contribution through SCALE.	• Broad geographic focus • Still in design-phase, VfM in terms of additional funds.	• Not REDD+-specific and therefore will not meet programme objectives. Focused on delivering ERPAs, experience of this through	

		• Strongly aligned with REDD+ Theory of Change. • Trusted partner with a known ability to deliver. • Has been developed and adapted from previous learning from World Bank REDD+ programmes – could be quicker to deliver.	ISFL has been mixed and very slow. • Predominant focus is not on transparency or assisting technical exchange. • £2m is unlikely to produce high marginal gains beyond the £200m currently proposed. • Would require justification that these activities are part of the objectives of SCALE Agreement, and would be challenging to agree to, given that WB will likely not be setting up SCALE for this function.	
	Supplement existing IDB contribution to MDTF mechanism.	• Would increase UK funding to align more closely with other donors on the Steering Committee. • The Amazon region is key to other ICF and forestry programmes, therefore will increase synergies with other IFU work.	• Not REDD+-focused therefore does not meet objectives for this programme. • UK already contributing and track record not yet proven. • Geographically restricted to the Amazon region.	

		• Existing, direct UK influence on programme activities.		

Shortlisting exercise

The following options were considered for shortlisting.

1. Do nothing
2. Do minimum: Provide £1m funding to UNFCCC AFOLU unit over 4 years, at approximately £250,000 per year.
3. Intermediate option: Provide £2m funding to UNFCCC AFOLU unit over 4 years, at approximately £500,000 per year.
4. Do maximum: Provide £3m funding to UNFCCC AFOLU unit over 4 years, at approximately £750,000 per year.

The options were assessed against their ability to deliver the outputs which sit under the two key objectives for the programme, which is provided at Table 2. The outputs under each objective are outlined in the Strategic Case. The analysis in Table 2 then informed the scoring of the options against the CSFs (provided at Annex G), with the analysis against the outputs used to inform the scoring for CSF1 on how well each option meets the strategic and business needs of the programme. The CSFs were scored collaboratively in a workshop with the IFU REDD+ team and IFU Economist. Table 3 details the scoring and weighted final scores for each option.

Table 2: Assessment of shortlisted options' ability to deliver outputs

Option	1.1 4 technical assessments of FRELs/FRLs per year	1.2 8 technical analyses of REDD+ Results per year	1.3 Updating of the REDD+ web platform including the discussion forum and Lima REDD+ Information Hub	2.1 Events on A5/A6, GST and NDCs	2.2 Events on alignment between WFR/UNFCCC and	2.3 Provide additional support to REDD+ countries on how to strengthen their Safeguard Information Systems.	2.4 A Community of Practice

Do nothing	N	N	N	N	N	N	N
Award £1m to AFOLU unit	N (2 per year)	N (4 per year)	Y	N – could develop some basic briefings on Paris Agreement implementation and forests	N - could develop some basic briefings on results-based payments	Partial – undertake analysis of current safeguards and general recommendations.	N
Award £2m to AFOLU unit	Y	Y	Y	Y – could organise events during UNFCCC events, climate weeks and other opportunities with a focus on 'train the trainer' events to increase impact	Y - could organise events during UNFCCC events, climate weeks and other opportunities with a focus on 'train the trainer' events to increase impact	Y – will provide outreach and communications products to make analysis more accessible/useful for Parties	Partial - could organise an online discussion forum and 2 webinars per year.

Award £3m to AFOLU unit	Y	Y	Y	Y – as above.	Y – as above.	Y – as above.	Y – as above plus one REDD+ regional meeting per year and one REDD+ stakeholder forum every other year.

Table 3: Options Appraisal against CSFs

Option	Do nothing	Minimum	Intermediate	Maximum
CSF 1: Strategic fit and meets business needs (25%)	0	0	1	2
CSF 2: Potential Value for Money (25%)	0	0	2	2
CSF 3: Supplier capacity and capability (12.5%)	0	2	2	2
CSF 4: Potential affordability (12.5%)	2	2	2	2
CSF 5: Potential achievability (25%)	2	2	2	2
Weighted final	**0.75**	**1**	**1.75**	**2**

score				

During the scoring workshop, we judged that ‘Do nothing’ and ‘Do minimum’ options did not meet CSF 1, on the basis that they would not provide sufficient financing to enable AFOLU unit to conduct sufficient number of technical assessments and results analyses to deliver Objective 1, nor the activities to build understanding and promote the use of REDD+ under Objective 2. The intermediate option was judged to partially meet CSF 1, as it will be able to deliver most outputs and partially meeting the final output 2.4 to deliver a Community of Practice. ‘Do maximum’ was judged to meet CSF 1 in full as it enables AFOLU unit to deliver fully on the Community of Practice elements which will have significant transformational benefits in creating a Community of Practice that genuinely offers opportunities for REDD+ focal points in forest countries to build their understanding, ask questions, learn from others and from UNFCCC Secretariat and to offer UNFCCC Secretariat and leading countries to raise ambition among other REDD+ countries.

Funding Model Assessment

Scheme Name	
Scheme Value	
Powers to be utlised	

Instructions

Work through the questions below, answering Yes / No to each. The "Response" column has fixed drop down

The Funding Model Assessment will then provide a likelihood score that your funding model should be a grant

Questions
Will the participating organisations make a profit or retain a surplus? (A surplus could be funds which haven't been spent before the end date)
Do you have clear volumes of outputs that can be monitored and evaluated?
Do you want the agreement to be legally enforcable (beyond clawback and reporting obligations)?
Is the output defined before award, rather than defined during delivery?
Do you wish to pay by results (milestones) as opposed to payment in arrears?
Will the scheme provide an economic benefit to the department?
Will the outputs be commercialised ?
Will the scheme be delivered by commercial entities?
Will VAT be payable?
Is the scheme an extension of departmental policy delivered externally due to internal capacity/capability (is the scheme linked to or part of an existing funding stream)?
Does the department retain any delivery risk , rather than transferring to the recipient?
Will the scheme deliver tangible measurable outputs?
Will the scheme provide the department with direct access to specialists available via a market (such as management consultants)?
Does the applicable legislation grant powers

Likelihood that your funding model sh

Likelihood that your funding model shoul

UNFCCC REDD+ Contribution
£3.02m
Direct Award

s.

or a contract, and provides guidance on what your score means in practice.

Response	Indication
No	Grant
Yes	Contract
No	Grant
Yes	Contract
No	Grant
No	Grant
No	Grant
No	Grant
No	Grant
Yes	Grant
No	Grant
Yes	Contract
No	Grant
Yes	Grant
ould be a Grant	**79%**
ld be a Contract	**21%**

What does my score mean?
Your scheme likely should be delivered through a Grant funding model, but you should seek advice from Commercial and Legal to address the areas that suggest a Contract would be a more appropriate route.