



Climate Finance Thematic Briefing: REDD+ Finance

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Climate Finance Fundamentals **5**

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Since 2008, USD 4 billion has been pledged to five multilateral climate funds that support efforts to reduce emissions from deforestation and degradation plus conservation (REDD+). Despite strong interest in the potential to harness market based mechanisms to support REDD+ programmes, the future of such mechanisms remains highly uncertain. The last year has seen few approvals for REDD+, although there has been some progress in disbursement. While since 2008, USD 2 billion has been approved for REDD+ activities just USD 17 million has been approved in the last 12 months. Norway is the largest contributor of REDD+ finance, followed by the UK, Germany and the United States. There have been some significant changes in the REDD+ finance architecture and increasing efforts to support developing countries' move beyond readiness and capacity building to demonstration programmes and emission reductions with payments based on verified results.

Introduction

REDD+ has come into prominence following the recognition that land use change, principally deforestation, is responsible for 12 - 20% of global greenhouse gas emissions. Furthermore, tropical forests provide multiple ecosystem services and support the livelihoods of an estimated 1.6 billion of the world's poorest people who are dependent on forest resources. REDD+ has the potential to help promote environmental and socially sustainable use and conservation of forest resources as part of development strategies, provided safeguards, inclusive gender-responsive beneficiary schemes and traditional and indigenous usage rights are acknowledged and protected. The Warsaw Framework on REDD+ negotiated at COP 19 has highlighted the importance of safeguards implementation in addition to a focus on financing for verified emissions reductions results. The idea of harnessing carbon market based mechanisms to support REDD+ has attracted substantial interest. Although the structure and future of such a potential market remains uncertain, a large share of REDD+ finance has been spent on "readiness" activities to prepare countries for funding based on demonstrated reductions of deforestation and associated emissions.

Which climate funds support REDD+?

REDD+ finance is provided by several different institutions. The World Bank's Forest Carbon Partnership Facility Carbon and Readiness Funds (FCPF-CF/RF), the Forest Investment Program (FIP) of the Climate Investment Funds, and the UN-REDD Programme are multilateral funds for REDD+ that together have approved USD 791 million for project

activities. Finally, the Amazon Fund has approved USD 576 million. The now operational Green Climate Fund (GCF) looks set to focus efforts at least in part on scaling up results-based financing for land use change and forests, which has been identified as having potential for climate change mitigation, alongside benefits for ecosystem services and livelihoods, though it is not a dedicated REDD+ fund.

The REDD+ architecture is changing, however (Figure 1). Last year, the Congo Basin Forest Fund (CBFF) confirmed it would wind down its operations following notice from the UK and Norway that they will not release the final 16% of their original pledges, replenish resources, or support a new call for project proposals. This is largely due to conflict and political instability constraining what can be achieved under the CBFF fund model. The Central African Forest Initiative (CAFI) announced, in September 2015, will instead support the Congo Basin region with USD 250 million committed by Norway as results based payments for emission reductions. There have also been developments for REDD+ finance outside of climate funds, with the Indian government committing to allocate USD 6 billion of tax revenue to incentivise states to retain intact forest. The International Finance Corporation has also announced a forestry bond that offers investors a choice of a cash coupon or a coupon in the form of REDD+ forest carbon credits generated from the Kaisgau Corridor REDD+ Project in Kenya.

The Amazon Fund secured the most significant increase in pledges over the past 12 months, with a further USD 713 million committed. Commitments to the FCPF-CF increased with the second greatest addition of USD 281 million in

Figure 1: International forests and climate change architecture (USD millions)

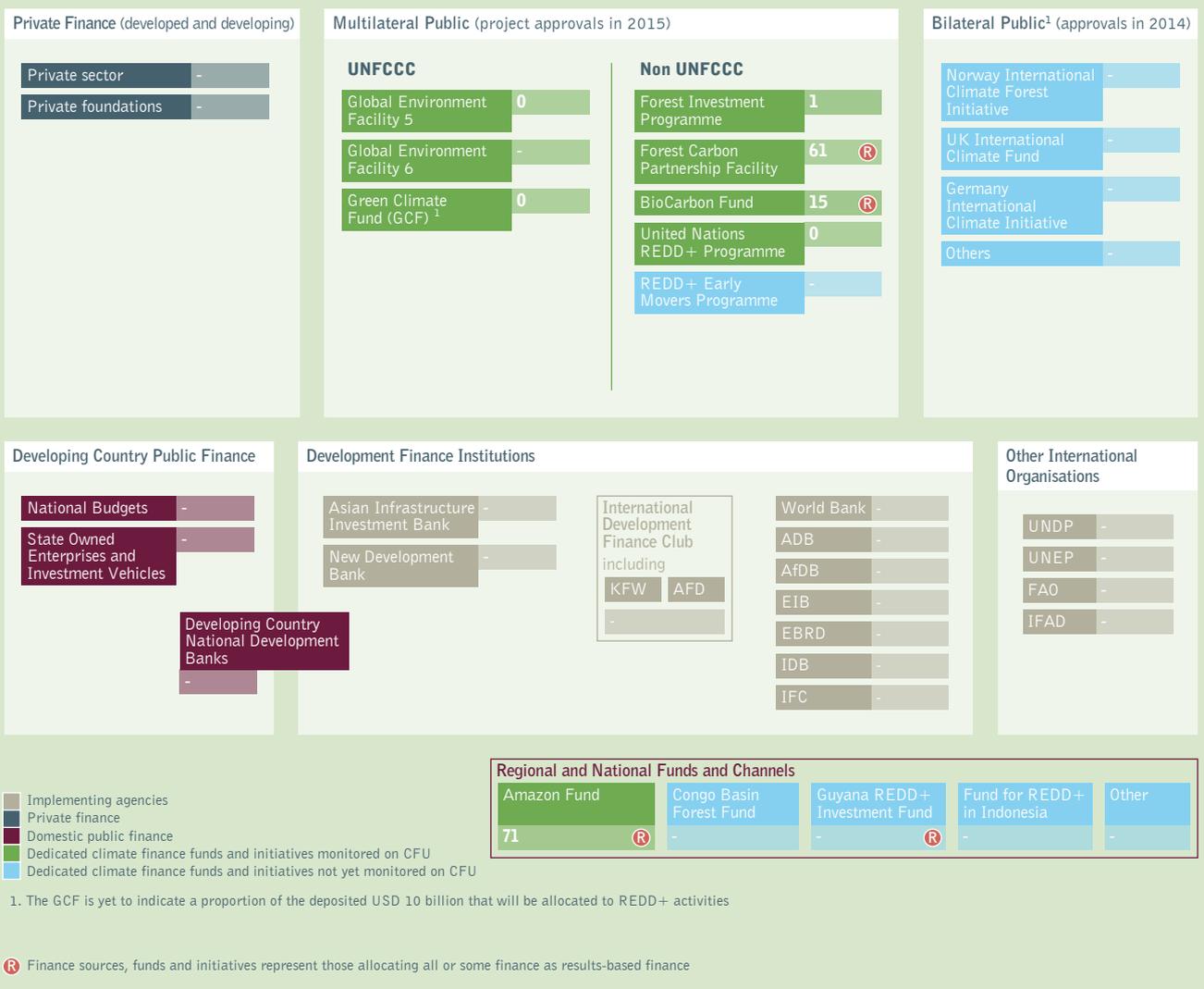


Figure 2: REDD+ funds and initiatives (2008-2016)

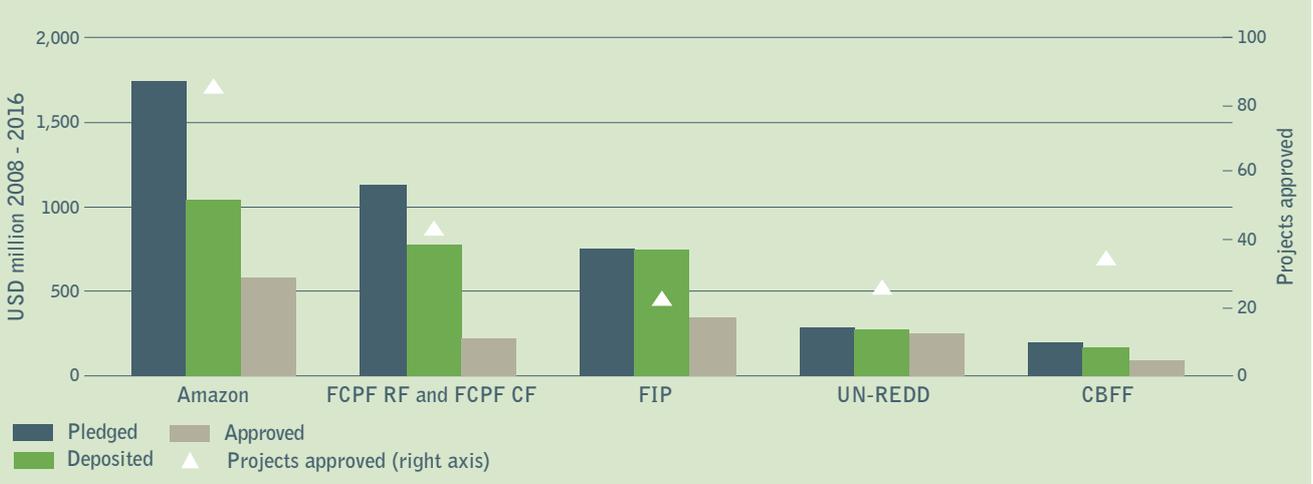
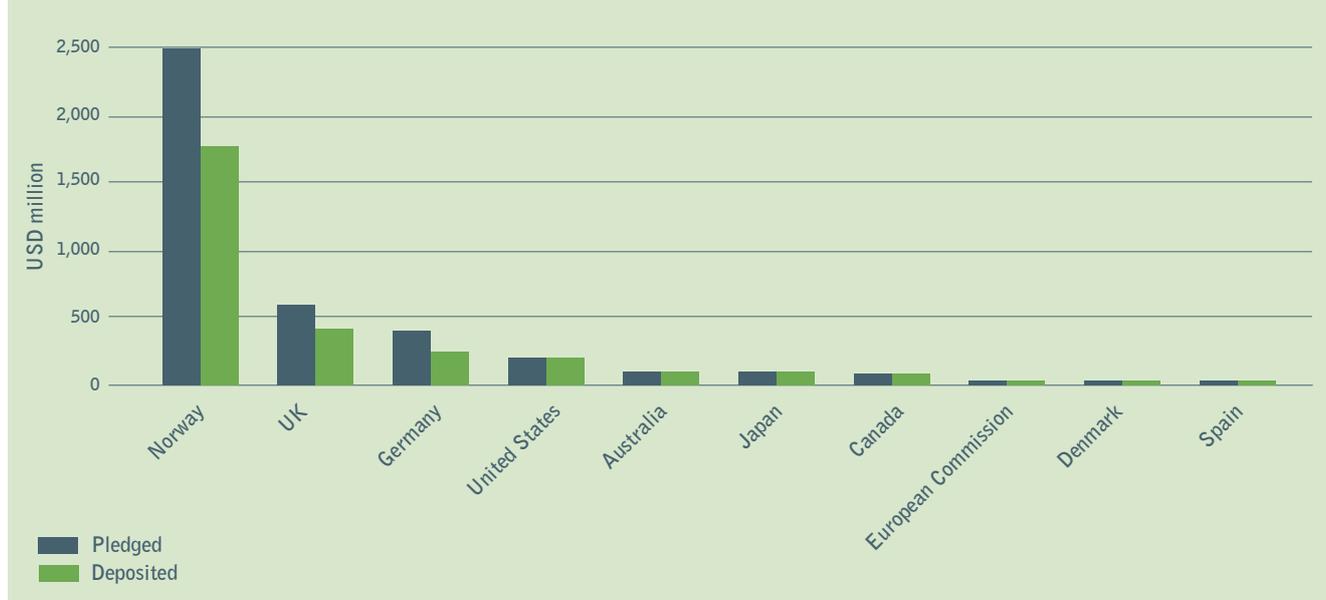


Table 1: Climate funds supporting REDD+ (2008-2016)

Fund / Initiative	Pledged	Deposited	Approved	Projects approved
Amazon Fund	1,747	1037	576	85
Forest Carbon Partnership Facility - Carbon Fund (FCPF-CF)	1,120	765	207	45
Forest Investment Program (FIP)	744	744	335	23
UN-REDD	282	271	249	26
Congo Basin Forest Fund (CBFF)	186	165	83	37

Figure 3: Pledges and deposits to REDD+ funds (2008-2016)



total (Figure 2; Table 1). Some 73% of all the pledges to the five multilateral funds have now been deposited, while project approvals are at 49% of the finance deposited into the REDD+ funds.

Who pledges and deposits REDD+ finance?

Norway has contributed the largest amount of finance to multilateral funds for REDD+ activities (Figure 3). Norway's contribution represents 61% of the total pledged amount. The UK, the US and Germany are also major contributors of REDD+ finance, providing resources to multilateral funds as well as implementing bilaterally.

Who receives the money and what kind of projects are funded?

CFU data records 55 countries as recipients of multilateral REDD+ finance, although about half of the total approved REDD+ finance is concentrated in Brazil. Indonesia, also one of the biggest recipients of REDD+ finance, receives the majority of funding through bilateral relationships with Norway and Australia. Multilateral funds have approved just USD 32 million for REDD+ activities in Indonesia. In 2016, the Amazon Fund approved USD 8 million for a project to help implement the Rural Environmental Registration (CAR) in the state of Ceará and the Forest Investment Program (FIP) is supporting the USD 9.3 million Development of Systems to Prevent Forest Fires and Monitor Vegetation Cover in the Brazilian Cerrado program.

Figure 4 shows 56% of approved multilateral REDD+ funding, or USD 819 million targets Latin America and the

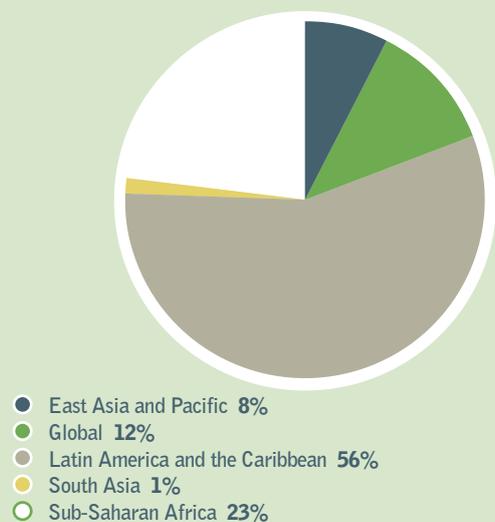
Caribbean. The Amazon Fund support to 78 projects in Brazil and the Amazon biome and accounts for 70% or USD 576 million of this amount and the FIP provides USD 77 million to Brazil and USD 60 million to Mexico.

23% of multilateral funding or USD 334 million has been approved for projects in Sub-Saharan Africa. The biggest recipient of overall REDD+ finance in the region is the DRC, which has received USD 90 million.

REDD+ finance is increasingly targeted at supporting developing countries to move beyond capacity building and readiness towards demonstration programmes and emission reductions with finance offered on a payment for performance basis. Funds supporting this transition such as the FCPF and FIP have sought to reorganise to provide more support to partner countries. As of July 2015, the World Bank, trustee to the FCPF RF, CF and FIP, reorganised operating units to offer more coherence and coordination across the three funds.

The GCF is also increasingly supporting forest based climate action through cross-cutting projects that include both mitigation and adaptation elements. In 2016 the GCF approved a Sustainable Landscapes project in Eastern Madagascar (USD 18.5 million) and the Development of Argan Orchards in Degraded Environment in Morocco project (USD 39.3 million), both of which will likely result in emissions reductions.

Figure 4: Regional distribution of approved multilateral REDD+ finance from major funds (2008-2016)



In addition to the series of 12 Climate Finance Fundamentals, these recent ODI and HBS publications may be of interest:

- **Adaptation finance and the infrastructure agenda.** Smita Nakhoda and Charlene Watson review international efforts to support adaptation and their linkages with efforts to mobilise new finance for infrastructure. Available at: <http://bit.ly/2dMu8P3>
- **The AIIB and investment in action on climate change.** Darius Nassiry and Smita Nakhoda explore how the AIIB can expand markets for solar, wind and grid technologies, and extend China's leadership in the region in a manner consistent with the commitments to take ambitious action on climate change made by its member countries and prospective member countries as signatories to the Paris Agreement. Available at: <http://bit.ly/2fk5EEx>
- **Financing sustainable development: The critical role of risk and resilience.** Charlene Watson and Jan Kellett make the case that better risk management and the building of resilience are imperative for sustainable development. Available at: <http://bit.ly/2efIUtX>
- **Mutually Reinforcing: Climate Justice, Equitable Climate Finance and the Right to Development.** Liane Schalatek explores the ramifications of the right to development as an inalienable human right for the global challenge of climate change more broadly and more specifically for the concept of climate justice and its application to climate finance provision. Available at: <http://bit.ly/2eWfuRw>
- **In Search of Policy Coherence: Aligning OECD Infrastructure Advice with Sustainable Development.** Motoko Aizawa and Waleria Schuele discuss the privileged relationship of the OECD with the G20 in acting as a powerful voice on policy related to infrastructure investment and development globally and call for the OECD to use its political clout to demonstrate full policy coherence for investment in sustainable development. Available at: <http://bit.ly/1YeHkeE>

Contact us for more information at info@climatefundsupdate.org

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The Climate Finance Fundamentals are based on Climate Funds Update data and available in English, French and Spanish at www.climatefundsupdate.org

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