Climate Funds Update

HEINRICH BÖLL STIFTUNG NORTH AMERICA

ODI

Climate Finance Thematic Briefing: REDD+ Finance

Climate Finance Fundamentals 5

DECEMBER 2017

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Since 2008, over USD 4 billion has been pledged to 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+, though the announcement of the Green Climate Fund's five-year pilot for REDD+ worth USD 500 million gives forest conservation efforts a timely financing boost. Cumulatively, USD 1.7 billion has been approved for REDD+ activities since 2008; however, just USD 54 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+ came 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), its BioCarbon Fund and 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 972 million for project activities. The Amazon Fund has approved an additional USD 640 million. The 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, alongside benefits for ecosystem services and livelihoods. Though the GCF is not a dedicated REDD+ fund, it announced in 2017 a five-year pilot with USD 500 million for projects with quantifiable and verifiable forest emission reductions.

The REDD+ architecture is changing (Figure 1). The Congo Basin Forest Fund (CBFF) wound down its operations in 2015 following notice from the UK and Norway that they would not release the final 16% of their original pledges, replenish resources, or support a new call for project proposals. This was largely due to conflict and political instability constraining what could be achieved under the CBFF fund model. The Central African Forest Initiative (CAFI) announced in September 2015 that it would 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 commiting to allocate USD 6 billion of tax revenue to incentivise states to retain intact forest. The International Finance Corporation in 2016 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.

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

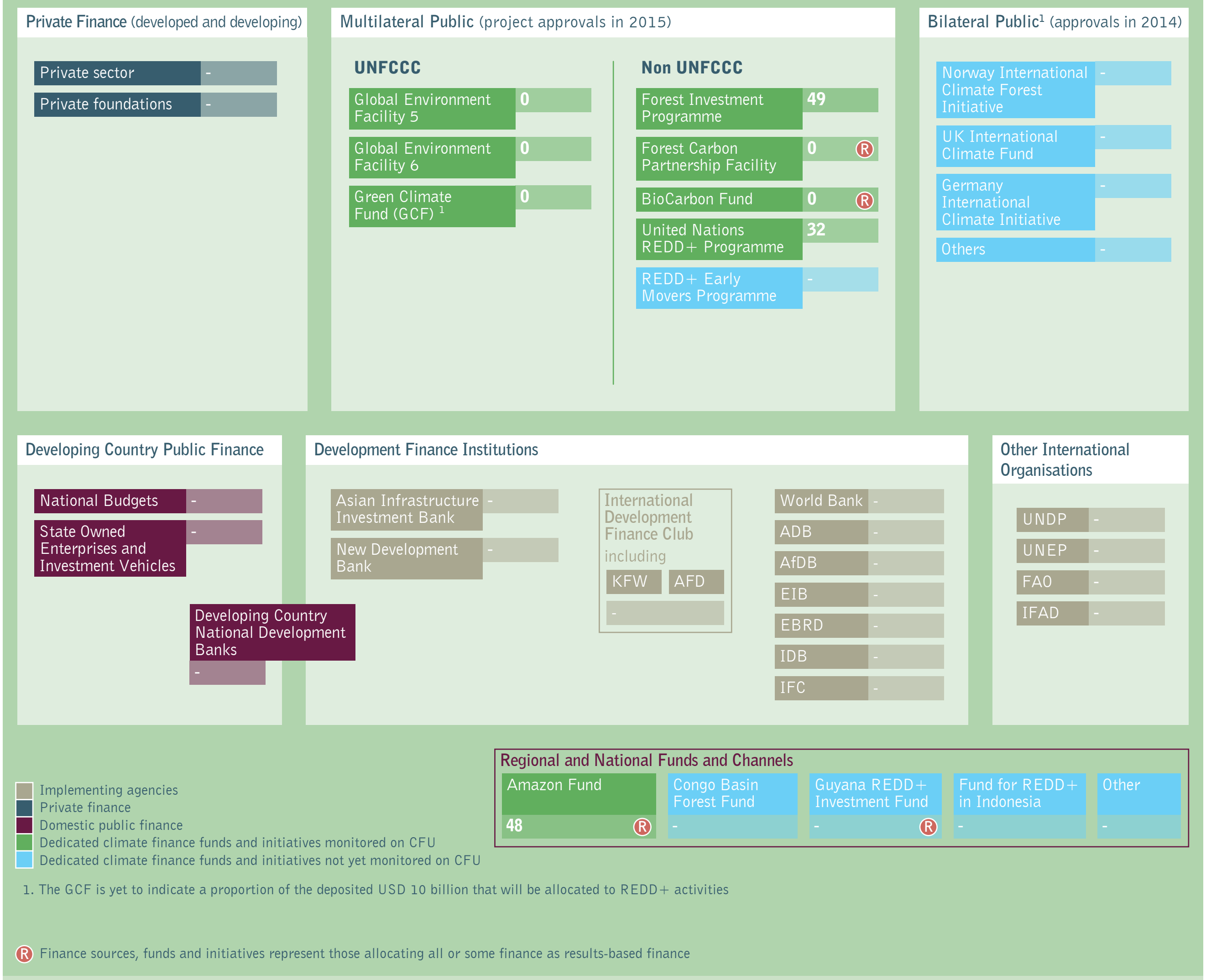


Figure 2: REDD+ funds and initiatives (2003-2017)

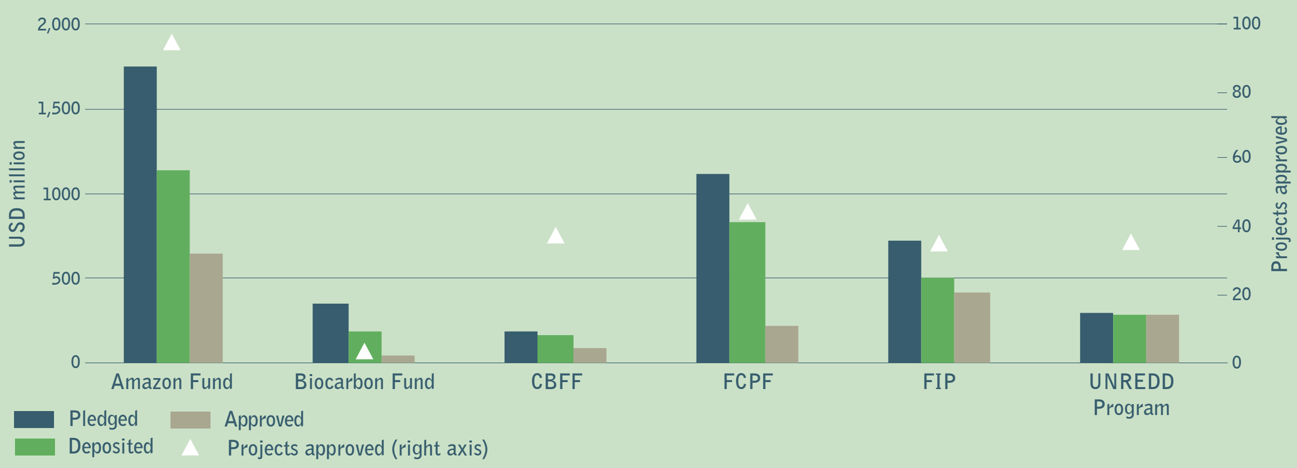
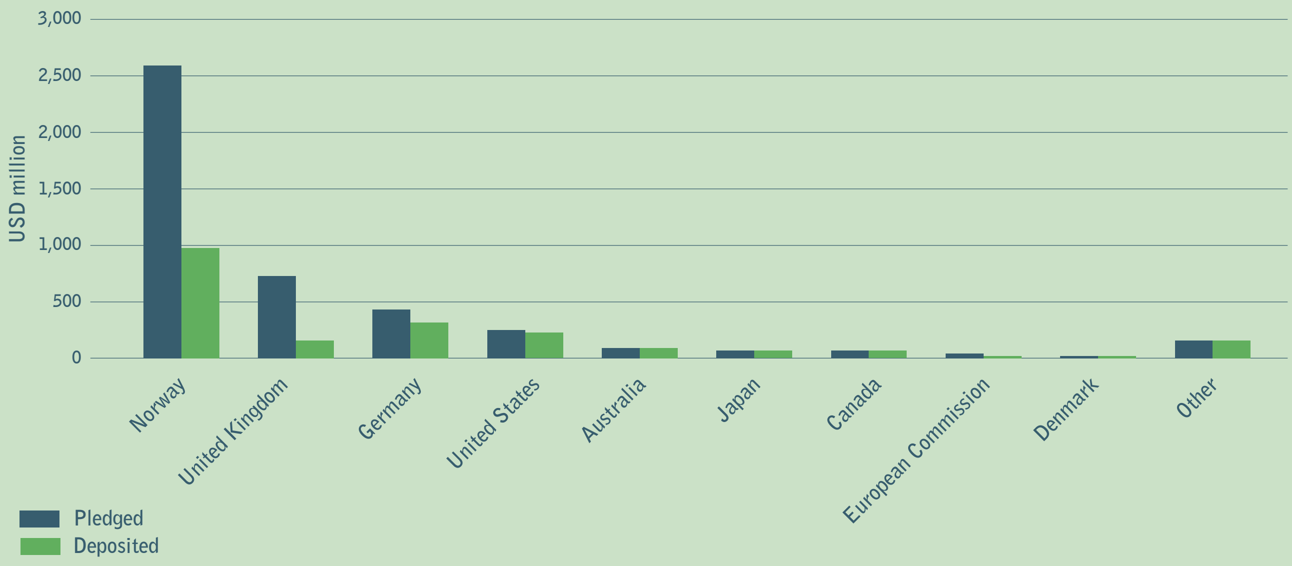


Table 1: Climate funds supporting REDD+ (2003-2017)

Fund / Initiative	Pledged	Deposited	Approved	Projects approved
Amazon Fund	1747.44	1136.00	639.59	94
Biocarbon Fund	349.76	190.64	46.00	3
Congo Basin Forest Fund (CBFF)	186.02	164.65	83.11	37
Forest Carbon Partnership Facility (FCPF)	1112.00	826.00	216.67	44
Forest Investment Program (FIP)	722.46	501.12	419.61	35
UNREDD Program	290.90	285.05	289.41	35

Figure 3: Pledges and deposits to REDD+ funds (2003-2017)



In 2017, a few REDD+ projects totaling USD 54 million were agreed. The Forest Investment Programme approved an additional three projects, totaling USD 30 million, while the Amazon Fund approved a further USD 23 million in 2017 (Figure 2; Table 1). Some 70% of all the pledges to the five multilateral funds have now been deposited, while project approvals are at 55% 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 59% 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 nearly half of the total approved REDD+ finance is concentrated in Brazil. The Democratic Republic of Congo, Ghana, Mexico and Indonesia, all have over USD 50 million approved from multilateral REDD+ funds. In 2017, the Amazon Fund approved USD 15.8 million for a project for environmental monitoring via satellite in the Amazon Biome and the Forest Invesment Program (FIP) this year supported the USD 22 million Mozambique Forest Investment Project.

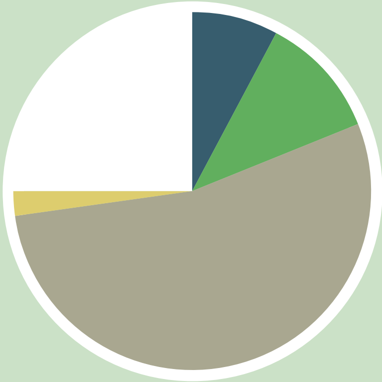
Figure 4 shows 54% of approved multilateral REDD+ funding, or USD 920 million targets Latin America and the Caribbean. The Amazon Fund provides support to 94 projects in Brazil and the Amazon biome and accounts for 70% or USD 640 million of this amount and the FIP provides USD 76 million to Brazil and USD 69 million to Mexico.

25% of multilateral funding or USD 428 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 92 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-CF/RF 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 though cross-cutting projects that include both mitigation and adaptation elements. In 2017 the GCF approved the 'Bhutan for life' project that will secure the country's protected areas (with USD 26.6 million in GCF grant funding and co-finanicng from the Government of Bhutan, WWF and the DT Families Foundation) and maintain the country's carbon neutrality through avoided deforestation.

Figure 4: Regional distribution of approved multilateral REDD+ finance from major funds (2003-2017)



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

- **Six development finance proposals to expand climate investment**. Ilmi Granoff, Darius Nassiry, Neil Bird, Chris Humphrey, Paddy Carter, Alberto Lemma and Annalisa Prizzon describe six promising finance proposals to support greater ambition for low-carbon development. Available at: **http://bit.ly/2n4VLm8**
- **Budgeting for NDC action: initial lessons from four climate-vulnerable countries**. Neil Bird examines the evidence of resourcing NDC policies and actions in four sub-Saharan African countries; Ethiopia, Ghana, Kenya and Uganda. Available at: **http://bit.ly/2EtPkWC**
- **Resource Guide for NDC Finance**. James Rawlins with Matthew Halstead and Charlene Watson present a selection of resources on financing nationally determined contributions (NDCs). Available at: **http://bit.ly/2EbuPKU**
- **Financing our shared future: navigating the humanitarian, development and climate finance agendas**. Charlene Watson outlines what we know about the financing targets and needs, where there is agreement between the agendas on financing issues and where tensions may emerge. Available at: **http://bit.ly/2FTADcD**
- **Promoting Rights-Based Climate Finance for People and the Planet.** A joint discussion paper by hbs and the OHCHR's Right to Development Division outline how existing climate financing mechanisms, including the GCF as a case study, can strengthen their integration of human rights considerations. Available at: **http://bit.ly/2nQPsFq**
- **Financing Loss and Damage: A Look at Governance and Implementation Options.** Julie-Anne Richards and Liane Schalatek discuss categorizations of loss and damage approaches, financing options and whether existing climate funds could channel loss and damage financing. Available at: **http://bit.ly/2nT55wa**
- **Contracts for Sustainable Infrastructure.** In this joint publication by hbs and IISD, Martin Dietrich Brauch outlines how public private partnership (PPP) contracts need to be constructed to ensure the economic, social and environmental and climate co-benefits of infrastructure investments. Available at: **http://bit.ly/2nQNBjQ**

Contact us for more information at **info@climatefundsupdate.org**

References

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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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