Climate Funds Update

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ODI

Climate Finance Thematic Briefing: REDD+ Finance

Climate Finance Fundamentals 5

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Since 2008, USD 2.89 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 and the extent to which REDD+ will be featured in the 2015 Paris Agreement remains to be seen. The last year has seen very little in new pledges of support for REDD+. There have, however, been some significant changes in the REDD+ 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. Norway is the largest contributor of REDD+ finance, followed by the UK, Germany and the United States. Through REDD+ funds, USD 1.3 billion has been approved for REDD+ activities since 2008 with a 21% increase in the levels of finance approved in the last 12 months.

Introduction

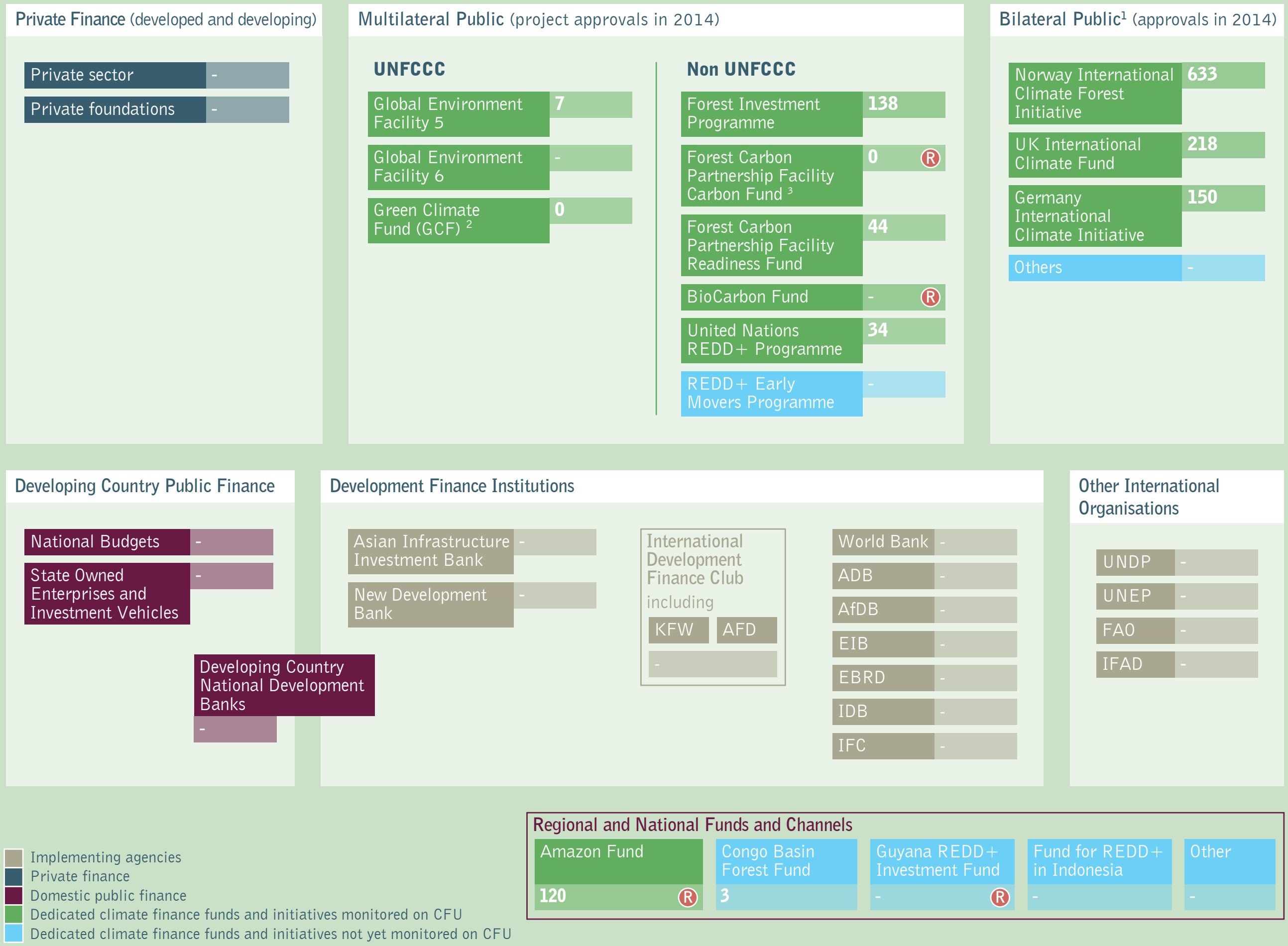
REDD+ has come into prominence following the recognition that land use change, principally deforestation, is responsible for 12 - 20% of global greenhouse gas emissions. Furthermore, tropical forests provide multiple ecosystem services and support the livelihoods of an estimated 1.6 billion of the world's 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 are the main climate funds that focus on 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 660.9 million for project activities. In addition, the Carbon Fund has earmarked, but not formally approved, USD 141.4 million to eight countries for verified emissions reductions. Finally, the Amazon Fund and the African Development Bank administered Congo Basin Forest Fund (CBFF) focus on financing REDD+ in their respective regions, and have approved USD 635.12 million.

The REDD+ architecture is changing, however (Figure 1). The CBFF recently confirmed that it will 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. A new Central African Forest Initiative (CAFI) was announced in September 2015 to support the Congo Basin region, however, with USD 250 million already committed by Norway as results based payments for emission reductions. In addition, 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 opotential for climate change mitigation, alongside benefits for ecosystem services and livelihoods.

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



1. Bilateral public finance excludes the contributions of countries to the multilateral funds
2. The GCF is yet to indicate a proportion of the deposited USD 10 billion that will be allocated to REDD+ activities
3. Funding from the Forest Carbon Partnership Facility Carbon Fund is earmarked for countries but not yet approved

R Finance sources, funds and initiatives represent those allocating all or some finance as results-based finance

Figure 2: Dedicated REDD+ funds and initiatives (2008-2015)

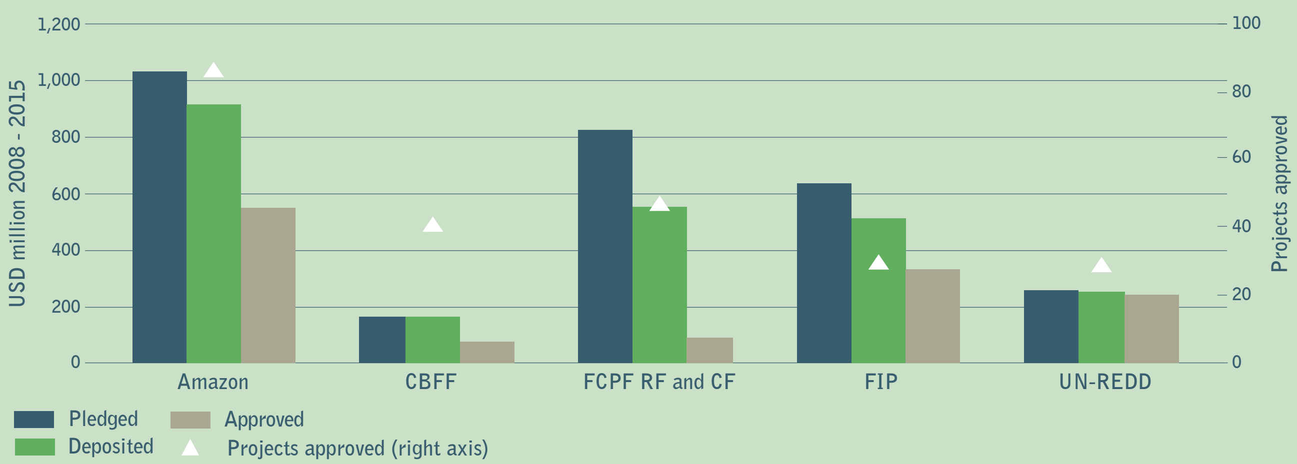
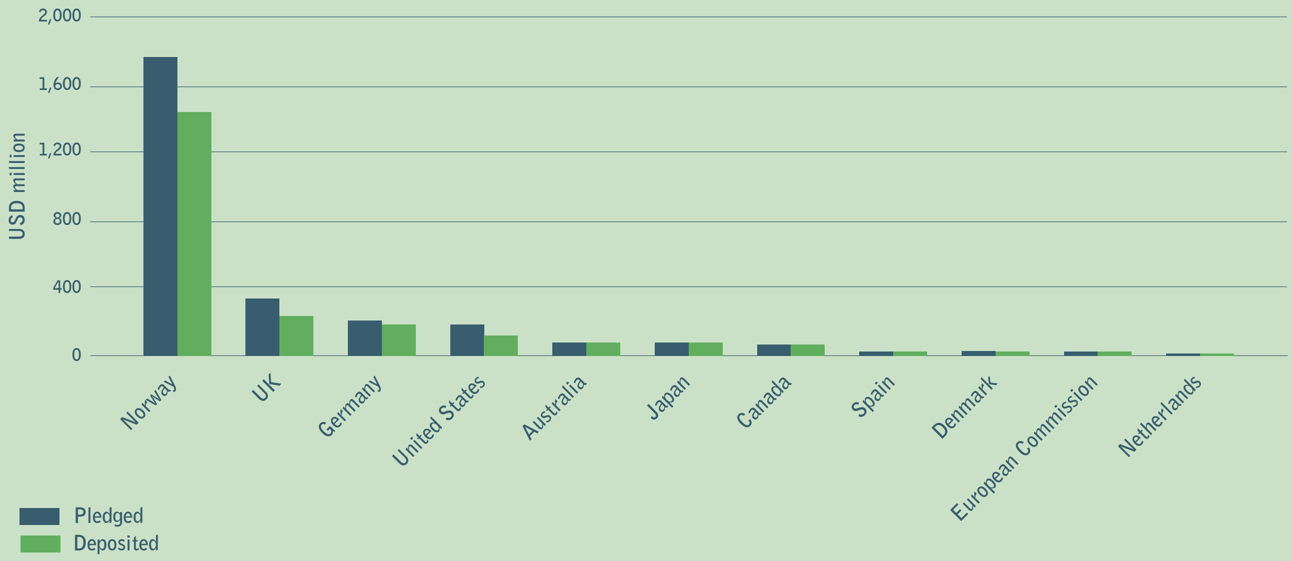


Table 1: Dedicated REDD+ funds (2008-2015)

Fund / Initiative	Pledged	Deposited	Approved	Projects approved
Amazon Fund	1,034.1	917.2	553.0	78
Forest Carbon Partnership Facility - Carbon Fund (FCPF-CF)	470.2	258.1	0	0
Forest Carbon Partnership Facility - Readiness Fund (FCPF-RF)	357.6	298.0	87.66	42
Forest Investment Program (FIP)	583	528	333.2	27
UN-REDD	256.81	255.0	240.07	26
Congo Basin Forest Fund (CBFF)	164.65	164.65	82.12	37

Figure 3: Pledges and deposits to REDD+ funds (2008-2015)



The winding down of the CBFF and exchange rate fluctuations have impacted the overall REDD+ finance available in 2015 (Figure 2; Table 1). Pledges to the five main REDD+ focused funds have increased by just 2.7% (or USD 76 million) over the past 12 months. The FCPF-CF secured the most significant additional pledges in 2015 and has been extended by five years up to 2025, to allow time for countries to move from readiness towards emissions reductions under the Carbon Fund. 88% 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 finance for REDD+?

Norway has contributed the largest amount of finance to multilateral funds for REDD+ activities (Figure 3). Norway's contribution represents 60% 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?

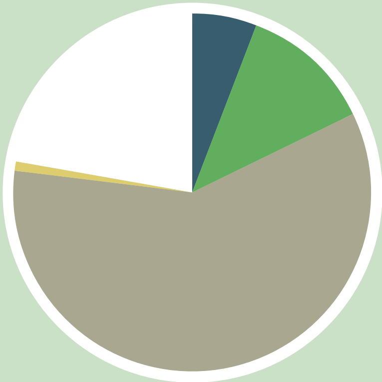
CFU data records 48 countries as recipients of multilateral REDD+ finance, although about half of the total approved REDD+ finance is concentrated in Brazil. Indonesia, also one of the biggest recipients of REDD+ finance, receives the majority of funding through bilateral relationships with Norway and Australia. Multilateral funds have approved just USD 25.5 million for REDD+ activities in Indonesia. In addition, three global REDD+ programs have been approved so far amounting to USD 158 million. The largest is the USD 128.9 million UN-REDD Support to Country Act, which aims to benefit all UN-REDD Programme partner countries simultaneously by developing and delivering knowledge-based services, products and expertise to assist their progress through the full REDD+ process from initial readiness to full implementation and results-based actions.

Figure 4 shows 59% of approved multilateral REDD+ funding, or USD 771.4 million targets Latin America and the Caribbean. The Amazon Fund support to 77 projects in Brazil and the Amazon biome accounts for 72% or USD 553 million of this amount and the FIP provides USD 91.55 million to Brazil and USD 60 million to Mexico.

22% of multilateral funding or USD 287.5 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.

Figure 4: Regional distribution of approved multilateral REDD+ finance (2008-2015)



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

- **Financing Intended Nationally Determined Contributions (INDCs): Enabling Implementation**. Meryln Hedger and Smita Nakhooda analyse the current and potential role for finance in INDCs published to date (October 2015). Available at: **http://bit.ly/1PzzKqc**
- **Climate Finance for Cities: How can climate funds best support low-carbon and climate resilient urban development?** Sam Barnard reviews the approaches taken by multilateral climate funds to support climate action in cities (June 2015). Available at: **http://bit.ly/1eTq23L**
- **What counts: tools to help define and understand progress towards the $100 billion climate finance commitment.** With Paul Bodnar, Jessica Brown, ODI's Smita Nakhooda, layout five simple tools to consider what should count to the 2020 target (August 2015). Available at: **http://bit.ly/1PzzQ0Y**
- **10 things to know about climate change and financing for development.** Smita Nakhooda and Charlene Watson highlight what you need to know about climate change and development finance (July 2015). Available at: **http://bit.ly/1RuUVgr**
- **From Innovative Mandate to Meaningful Implementation: Ensuring Gender-Responsive Green Climate Fund Projects and Programmes.** Liane Schalatek looks at the potential for the GCF to support gender responsive climate action (November 2015). Available at: **http://bit.ly/1HtEyMB**

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

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Climate Funds Update: www.climatefundsupdate.org (data accessed November 2015)

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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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