

REDD+ PARTNERSHIP MEETING

REVIEW OF FUNDING FOR FAST START REDD+

12th April 2010

In 2006, the estimated annual financial flows to the forest sector in developing countries and economies in transition was about 13-25 billion \$US (Ministry for Foreign Affairs of Finland, 2006. Study on International Financing Mechanisms for Sustainable Forest Management). This amount includes all forest related activities.

The Eliasch review estimated that the finance required to halve emissions from the forest sector to 2030 could be around \$17-33 billion per year if included in global carbon trading.

1. DEFINITION OF REDD +

A review of funding for fast start REDD+ intends to clearly define what is considered as REDD+. Indeed, a lot of initiatives focus on forests and climate but do not necessarily relate to REDD+ activities. In this review, choice was made to consider demonstration and readiness activities aimed at testing or preparing activities either to reduce emissions from deforestation and forest degradation, or to maintain or enhance forest carbon stocks in developing countries. Considered under this review are demonstration and readiness activities (i) with a proper monitoring of carbon stocks and fluxes (ii) set up after the 14th of December, 2007, the date of the adoption of the Bali decision 2/CP.13 on REDD+. Under these assumptions, some projects may not appear in the review because of insufficient emphasis on REDD+.

2. METHOD AND SOURCES

Funding for REDD+ activities is done through multiple channels, including multilateral funds, bilateral co-operations, NGOs, foundations, private companies, etc. Activities supported by multilateral funds (FCPF, UN-REDD, REDDES, etc.), important bilateral donors or international NGOs are quite easy to assess due to highly accessible and transparent platforms of information. Information is then cross-checked with figures found in reports and through exchanges with key experts.

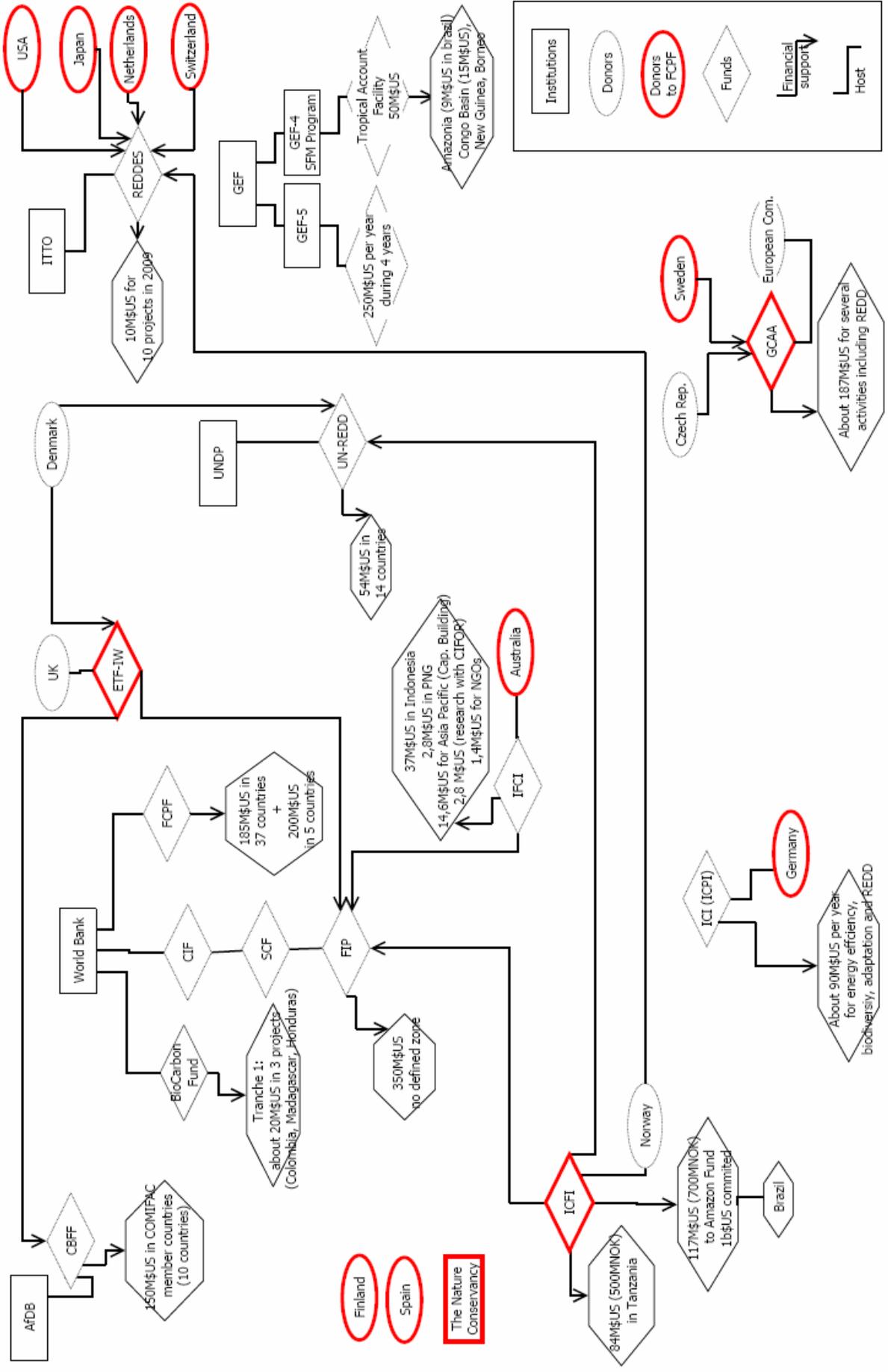
For donors who finance demonstration activities on smaller areas which lack the same visibility, the following sources can be used:

- *Information made available by existing standards open to REDD+ types projects:* Voluntary Carbon Standard (VCS), the CCB standard (Climate, Community and Biodiversity), the Chicago Climate Exchange (CCX), the Social Carbon standard, the Plan Vivo standard, the Australian initiative (Greenhouse Gas Friendly - AAC) or the American Carbon Registry (ACR).
- *Information made available by operators of the voluntary markets,* which is available on the websites and cross-checked with other available sources (information is provided by the designated national authorities of non-Annex I countries, discussions with experts, and surveys are conducted by some operators).
- *Cross-checking with forest carbon projects databases:* from ONF International (updated on the basis of studies and projects developed at an international level), the BioCarbon Fund of the World Bank, Forest Carbon Portal and Carbon Catalog, etc. as well as studies undertaken by CIFOR (Emerging REDD+, A preliminary survey of demonstration and readiness activities), the Meridian institute (REDD Option assessment report), the Woods Hole Research Center (An overview of readiness for REDD), Winrock (Carbon market opportunities for forestry sector of Africa).

3. RESULTS: MAIN DONORS

Funding mapping

The following map illustrates the main financial flows for fast start REDD+. The funding amounts are the objectives of the funds. Donors in red are those participating in FCPF funding.. Details of the funding are presented below.



Main multilateral funds

Forest Carbon Partnership Facility

The Forest Carbon Partnership Facility (FCPF) is a World Bank program currently supporting 37 countries (14 in Africa, 15 in South America and the Caribbean and 8 in Asia and The Pacific). It has dual objectives:

- (i) to build capacity for REDD+ in the 37 countries, via the readiness fund, at 107M\$US. The objective is to reach 185M\$US and 180M\$US have been pledged.
- (ii) to test a program of performance-based incentive payments in 5 pilot countries, via the carbon fund, capitalized at 51M\$US, for an objective of 200M\$US and a pledged amount of 55M\$US.

Global Environment Facility

In 2007, the GEF launched the SFM Program and an associated Tropical Forest Account (TFA), amounting to 50 M\$US. The TFA is a SFM experiment that can be transferred into GEF-5 (2010-2013). The TFA is the GEF financial mechanism for REDD in 17 countries of Amazonia, Congo Basin, New-Guinea and Borneo. A project (n°3779) has been planned in 6 countries of the Congo Basin, for the amount of 28M\$US, of which 15M\$US will be funded by the GEF and 13M\$US by co-financing. At the REDD+ summit in Paris March 11, 2010, Monique Barbut, CEO and Chairman of GEF, announced that in GEF-5, the SFM Program will be based on a fund of 250M\$US per year during four years for climate change, biological diversity and soil degradation, and that this mechanism will enable the mobilization of 3 billion \$US from other donors during that period.

UN-REDD Programme Fund

Three UN Agencies – UNEP, UNDP and the FAO – have collaborated in the establishment of the UN-REDD program. It supports readiness activities in 14 countries: Democratic Republic of Congo, Tanzania, Zambia, Cambodia, Indonesia, Nepal, Papua New Guinea, Vietnam, Sri Lanka, Argentina, Bolivia, Ecuador, Panama and Paraguay. Norway is funding 52.2 M\$US, while Denmark pledged 2 M\$US. The disbursement is currently estimated at 37.4 M\$US in 6 countries.

Forest Investment Program

The Forest Investment Program (FIP) is a program within the World Bank Strategic Climate Fund (a multi-donor Trust Fund within the World Bank Climate Investment Funds). The FIP objective is to mobilize significantly increased funds for REDD+ and SFM. The goal is to reach 350 M\$US. To date, pledges amount to 330 M\$US (Australia: 10 M\$AUD or 9,3 M\$US, Denmark: 10 M\$US, Norway: up to 150 M\$US, United Kingdom: up to 100 M£ or 152,5 M\$US, USA: 20 M\$US), but capitalization has not yet started.

International Tropical Timber Organization – REDDES

REDDES is a multilateral fund in development by the International Tropical Timber Organization. REDDES intends to support 4 types of activities: (i) assessment and diagnosis, (ii) enabling conditions and capacity building, (iii) demonstration activities and (iv) scaling up and dissemination. Norway pledged an amount of 3.5 M\$US and Japan, the USA and Switzerland have also expressed interest in contributing to the REDDES program. In 2009, the REDDES program disbursed 4M\$US in nine demonstration projects in Brazil (monitoring), Guatemala (Social processes for SFM), Guyana (resources assessment and monitoring), Peru (PES), Dem. Rep. of Congo (carbon stock inventory), Ghana (collaborative management for REDD), China (PES in degraded/secondary forests) and Indonesia (SFM ; REDD in south Sumatra peatland) and in the creation of a voluntary carbon marketing scheme. ITTO REDDES Cycle Calendar for 2010 was available since March 2010 but has not been found for this review.

BioCarbon Fund

The BioCarbon fund is a World Bank initiative. The Fund finances demonstration activities through the purchase of carbon offsets on projects fulfilling identified criteria. The fund includes two windows:

- Window 1, started May 2004, capitalized with 53,8 M\$US
- Window 2, started March 2007, capitalized with 36,6 M\$US

In window 1, BioCF financed three REDD projects: (i) San Nicolás Agroforestry project in Colombia, (ii) Pico Bonito Forest Restoration projects in Honduras and (iii) Andasibe-Mantadia Biodiversity Corridor project in Madagascar. Projects eligible for window 2 have not yet been presented.

Main bilateral programs

Congo Basin Forest Fund

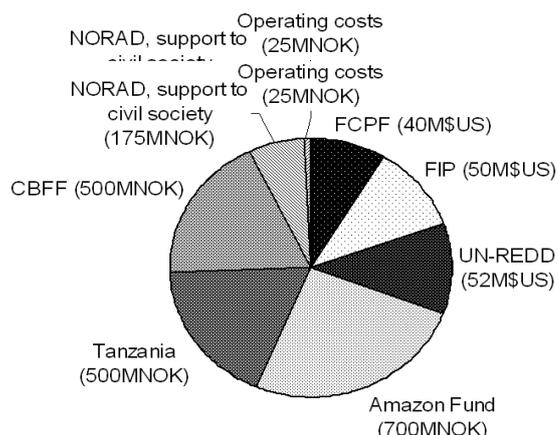
The Congo Basin Forest Fund (CBFF) was set up in June 2008. It focuses on the member States of the COMIFAC: Burundi, Cameroon, Central African Republic, Chad, Congo Republic, Democratic Republic of Congo Gabon, Equatorial Guinea, Rwanda, and Sao Tome & Principe. CBFF aims to complement existing activities and support transformative and innovative proposals which will develop the capacity of the people and institutions of the Congo Basin. CBFF envisions enabling those of the Congo Basin to manage their

forests, help local communities find livelihoods that are consistent with the conservation of forests and reduce the rate of deforestation. It will provide a source of accessible funding and encourage governments, civil society, NGOs and the private sector to work together. The CBFF is initially being financed by a grant of 100 M£ (152 M\$US) from the British and Norwegian Governments (equal pledges).

Norwegian International Climate and Forest Initiative

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The Norwegian government has announced the launch of an International Climate and Forest Initiative in Bali in December 2007. This initiative amounts to 2.7 billion NOK (460 M\$US), distributed as follows:



Australian International Forest Carbon Initiative

The Australian International Forest Carbon Initiative supports international efforts on REDD. It is administered jointly by the Australian Department of Climate Change and AusAID. Its objectives are to increase international forest carbon monitoring and accounting capacity, undertake practical demonstration activities and support international efforts to develop market-based approaches to deforestation. The fund will be capitalized up to 200 M\$AU (185 M\$US), of which approximately 68M\$AU (55.5M\$US) had been disbursed to end June 2009. Currently, the following funding has been allocated:

- 40 M\$AU (37.1 M\$US) for the Indonesia-Australia Forest Carbon Partnership, incorporating 30 M\$AU (27,8 M\$US) for the Kalimantan Forests and Climate Partnership and a 10 M\$AU (9.3 M\$US) bilateral package to support Indonesian forests and climate policies;
- 3 M\$AU (2.8 M\$US) for the Papua New Guinea-Australia Forest Carbon Partnership;
- 15,8 M\$AU (14.6 M\$US) for the Asia Pacific Forestry Skills and Capacity Building Program;
- 11,7 M\$AU (10.8 M\$US) for the World Bank Forest Carbon Partnership Facility;
- 10 M\$AU (9.3 M\$US) for the World Bank Forest Investment Program;
- 3 M\$AU (2.8 M\$US) for a research partnership with CIFOR;
- 1.5 M\$AU (1.4 M\$US) for non-government organizations through International Forest Carbon Initiative Concept Development Grants.

UK's Environmental Transformation Fund - International Window

At the G8 summit in July 2008, the ETF-IW launched 800 M£ (1,22 billion \$US) that will be used to help capitalize the World Bank-administered Climate Investment Funds (CIFs), the FCPF (with 15 M£ or 23 M\$US) and the CBFF (with 50 M£ or 76 M\$US). The deposits by DFID and DECC were 100 M£ (152.5 M\$US) in 2008/09 and 200 M£ (305 M\$US) in 2009/10.

European Union's Global Climate Change Alliance

GCCA target group consists of the most vulnerable developing countries, in particular LDCs and SIDS. Around 100 M EUR (134 M US\$) has been earmarked for this initiative for the period 2008-2010, of which 4,4 MEUR from Sweden and 0,2 MEUR from the Czech Republic. Support programmes were identified in 2008 in Vanuatu, Tanzania, Cambodia and Maldives and in 2009 in Bangladesh, Guyana, Jamaica, Mali, Mauritius, Rwanda, Senegal and Seychelles. Additional countries have been selected for a support out of the 2010 EU budget and actions are being designed in Ethiopia, Mozambique, Sierra Leone, Malawi, Gambia, Solomon islands, Pacific small Islands, Belize and Nepal. Priority actions for support are determined with partner countries within the following 5 areas: (i) adaptation, (ii) enhancing participation in Clean Development Mecanism (iii) promoting disaster risk reduction, (iv) integrating climate change into poverty reduction efforts and (v) REDD (building reporting systems and national capacity to monitor deforestation; strengthening institutions and developing national strategies to combat deforestation; supporting innovative performance-based mechanisms to provide positive incentives for REDD; expanding programs like FLEGT (Forest Law Enforcement, Governance and Trade) that improve sustainable natural resources governance and reduce emissions). In addition, a regional approach has been promoted through the supports decided early 2010 to the Caribbean region, the Pacific, and Africa regional and pan-african climate initiatives. Additional amount of 40 MEUR (53MUS\$) was allocated for this purpose.

German International Climate Protection Initiative

In 2008, Germany auctioned 8,8 % of emissions permits allocated in the EU ETS. About 30 % of these revenues fund projects related to climate change. This is about 400 M€ (538 M\$US) of which 120 M€ (161 M\$US) per year fund projects in developing an emerging countries, a half on energy efficiency projects and the other on adaptation projects or biodiversity. Information of the duration of this initiative is not available. This fund disbursed 100,6 M€ (134 M\$US) in 2008 and 50 M€ (67 M\$US) in 2009 upon the 120 M€ deposited. These amounts were disbursed to support approximately 112 projects in developing, newly industrializing and transition countries. Together with the funds provided by the project implementing agencies and other (non-governmental) financial sources, the overall project volume amounts to more than 600 M\$US. Of these approximately 30 are for adaptation, 30 for REDD and Biodiversity, and the rest are mainly for mitigation. The unspent funds are returned to the Federal Treasury. The funds will primarily flow into bilateral projects. Additionally, involvement in international climate funds in the context of the UNFCCC is also planned.

Voluntary carbon market

The voluntary carbon market is another important source of funding for fast start REDD+ activities. For example, in 2008, it represented an amount of 25M€ for forestry project, of which REDD projects accounted for 15% (3,75M€ or 5M\$US).

4. IDENTIFICATION OF INFORMATION GAPS

This review faced difficulties due to lack of funding for fast start REDD+ information available in the public domain. In addition, activities are quite recent and project developers may fear competitors or criticism which could undermine the success of their projects. The dynamism of the sector also increases rapid change making it difficult to follow all the initiatives; new activities are emerging while others exist only on paper but are not implemented.

When information on activities is available, it is often imprecise. Activities supported are oftentimes not detailed thus making it difficult to know if a project concerns REDD+ activities or not. Furthermore, the financial amounts involved in the projects are rarely mentioned (in 23% of the cases in this review), as the estimates of emission reduction (in 33% of the cases). This is particularly true for projects developed by NGOs and foundations

Some amounts seem to be accounted for several times for two reasons: several participants of a project can declare the same amounts in their own activities and a wide initiative can declare amounts already declared in smaller programs. Some projects are also presented as REDD+ activities but started before the Bali decision on REDD+ was adopted.

As seen in this review, many initiatives have been launched to allow for this support. The issue is now to coordinate those initiatives in a structure open to North-South dialogue in order to optimize resources allocation and to preserve tropical forests and climate. This involves a need to assess the difference between the existing funding for REDD+ and the estimate of the needs made by Eliasch. This review needs to be pursued to correctly identify the existing funding initiatives, including the amounts involved, the activities supported and, when available, the areas and emission reduction estimations. Methods used to collect the information should include a survey for international agencies who finance REDD+ readiness or demonstration activities, and for focal points on REDD+ in developing countries. Clarification of the current funding situation will allow funding gaps to be identified and will highlight activities funded by several canals. This process will allow recommendations to be made on how best to optimize resource allocation for fast start REDD+ funding.

ANNEXE

One shot projects

Many demonstration or readiness projects can be identified. Some projects focus on small areas, representing small amounts of carbon, while others are financed by many bodies and are difficult to place on the map. The review identified 120 projects that correspond to the chosen definition. Figures presented are to consider with care.

Country	Projects	Area (ha)	% of cases where area is mentioned	Amount (M\$)	%	tCO2eq	%
Angola	1		0		0		0
Benin	1	1 520	100	2.50	100		0
Cameroon	3		0		0		0
Central African Republic	2		0		0		0
DRC	4	32 800	25		0		0
Ethiopia	1		0	1.00	100		0
Gabon	2		0		0		0
Kenya	3	40 169	67	6.80	33	3 500 000	33
Liberia	1		0		0		0
Madagascar	6	780 000	50	1.97	33	9 500 000	17
Mozambique	4	46 440	50	1.13	25	1 663 032	50
Uganda	1	5 000	100	1.00	100		0
Congo Republic	1		0		0		0
Total Africa	30	905 929	33	14.40	23	14 663 032	13
Belize	2	105 000	50	5.60	50	8 800 000	50
Costa Rica	2	14 500	100	11.10	100	45 614 887	100
Guatemala	4	995 239	100	2.83	50	110 900 000	75
Honduras	1	1 550	100	0.50	100	2 500 000	100
Mexico	4	193 100	75	3.68	25	22 020	25
Panama	1	3 145	100		0	43 689 900 000 (seems too high)	100
Salvador	1		100		0	6 692 738	100
Total Central America	15	1 312 534	87	23.71	47	174 529 645	67
Bolivia	2	642 183	50	9.50	50	5 800 000	50
Brazil	16	23 913 224	75	3.09	13	278 343 486	44
Chile	1		0		0		0
Colombia	3	89 800	67	18.00	33	200 000	33
Ecuador	6	4 173 861	67	1.53	17	100 000	17
Paraguay	1	64 400	100		0	27 000 000	100
Peru	11	3 064 642	100	4.93	18	87 265 892	27
Total South America	40	31 948 111	78	37.05	18	398 709 378	35
Cambodia	3	319 478	100		0	7 393 440	67
Indonesia	27	26 948 868	67	21.63	15	110 757 715	30
Malaysia	1	25 000	100		0	1 000 000	100
PNG	1		0	3.00	100		0
Vietnam	1		0		0		0
Total Asia	33	27 293 346	67	24.63	15	119 151 155	33
New Zealand	1	27 000	100		0	600 000	100
Vanuatu	1		0	0.20	100		0
Total Oceania	2	27 000	50	0.20	50	600 000	50
Total	120	61 486 919	64	99.98	23	707 653 210	33