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REDD+ Finance Delivery: Lessons from Early Experience

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Delivering REDD+ finance has taken more preparatory work, capacity and tailoring than initially envisaged. Multilateral institutions financing REDD+ have made significant progress, and experience to date will inform and facilitate future implementation. Alongside this, Annex II countries are providing increasing volumes of finance through bilateral channels. There remains very little transparency around these bilateral arrangements. It is essential to ensure that the lessons learned through experience with multilateral institutions and participating stakeholders inform bilateral financing.

The large number of multilateral and bilateral engagements in forest countries creates major coordination challenges. There is an urgent need for more capacity and expertise on the implementation and management of REDD+ within contributor countries, recipient countries, and intermediaries. Creating and maintaining momentum to implement REDD+ requires credible commitments of long-term finance from Annex II countries. Finance should be directed to REDD+ strategies with political buy-in and stakeholder support.

Early experience demonstrates the difficulty of balancing core objectives. For example, speedy disbursement through streamlined processes can conflict with the need for rigorous due diligence and comprehensive application of safeguards. Similarly, there are tensions between national ownership, sovereignty, and contributor country input.

If REDD+ is to be sustainable, it will need to deliver real development benefits equitably at the individual as well as the country level. With limited public resources available, Annex II countries are trying to balance climate and development objectives, and most REDD+ finance is directed through development assistance budgets. The use of ODA budgets to deliver climate finance has been questioned, but this approach does provide the opportunity to support integrated solutions if potential trade-offs between co-benefits can be navigated.

Introduction

REDD+ is an evolving concept, the primary goal of which is to reduce greenhouse gas emissions from forests[1]. However, forests are more than mere carbon capture and storage units. They provide important ecosystem services and are home to over half the planet's biodiversity. They support the livelihoods of 1.6 billion of the world's poorest people and are home to Indigenous Peoples, whose rights to forest use are often tenuous and whose voices have seldom been considered when economic decisions are taken that affect forests. Further, forest conversion for food, fibre, fuels and

[1] The Term REDD+ is shorthand for R*educing Emissions from Deforestation and Forest Degradation, plus conservation and sustainable forest management and enhancement of forest carbon stocks in developing countries.*

extractive resources such as metals and oil often drives employment and economic development at local and national levels.

Implementing REDD+ is therefore a substantial and multi-faceted challenge. It requires readiness and capacity building activities such as policy and legislative reform, governance strengthening, stakeholder engagement and institutional development, in addition to specific tasks such as establishing national forest inventories and monitoring systems, and the initiation of demonstration activities, Private sector participation in REDD+ is limited at this time given the relatively high-risk operating conditions in many forest countries, the challenges of engaging with a large number of diverse stakeholders, and, where profitability is dependent on carbon revenues, the lack of certainty over long term demand for REDD+ credits. Mobilising REDD+ therefore requires public funding.

Annex II governments[2] have pledged and committed substantial financial support to rainforest countries for REDD+ activities. An estimated $7.2 billion has been committed to REDD+ since 2008[3], and specifically, $4.5 billion has so far been pledged as "Fast Start" finance for the 2010-2012 period.

This paper summarises the current status of this international public financial support, and notes the progress made this year in the development of multilateral and bilateral delivery mechanisms. Given that REDD+ financing is in its early stages, it stops short of assessing the impact of this financial support within recipient countries. Instead, it highlights some lessons from experience to date which provide some early indications as to the likely future effectiveness of this financial support.

Status and Progress with REDD+ Finance in 2011

As we approach the final year of the Fast Start period, it is apparent that the start has not been all that fast. A significant proportion of pledged REDD+ finance remains to be allocated to specific funds, programs or initiatives. Where monies have been committed, disbursal to implementing agents has been very slow. The current status of REDD+ finance from Annex II countries is summarised in Table 1 (based on best available information).

However, the reach of this financial support is increasing. As reported in the Voluntary REDD+ Database, 75 countries are planning or implementing REDD+ activities supported by international public finance[4]. These countries represent a broad geography and a range of country circumstances.

So far, the majority of participating countries have secured funding only for readiness, capacity building and demonstration activities (Phases 1 & 2). Only three countries – Brazil, Guyana and Indonesia -- have received commitments for interim funding for full-scale implementation (Phase 3), primarily from the government of Norway. This is partly a result of the current state of readiness in other forest countries, and also of the lack of Annex II country willingness to commit significant funding beyond Phases 1 & 2.

While multilateral funds continue to play a critical role in delivering REDD+ readiness, bilateral arrangements dominate the provision of financial support for capacity building, demonstration and early implementation activities, and support for deployment at scale. In many cases, the use of bilateral channels for public REDD+ financing is a natural extension of existing relationships between Annex II and forest country ministries developed over decades of partnership on forest and development programs. The trend towards increasing use of bilateral channels does, however, reflect some frustration with the performance of multilateral funds to date. Some Annex II countries believe that they can better target funding allocations and demonstrate impact through bilateral

2 Annex II countries are developed countries with an obligation to provide financial resources to developing countries under the United Nations Framework Convention on Climate Change (UNFCCC). They are a sub-group of the Annex I countries.

3 'Analysis of REDD+ Financing Gaps and Overlaps', a report for the REDD+ Partnership by M. Simula, December 2010.

4 See reddplusdatabase.org for details

channels, which in turn can give contributor countries greater control over how REDD+ finance is spent than when multilateral channels are used.[5]

Table 1: Focus of Annex II financial support, and status of REDD+ funds[6]

Total Annex II Country Commitments	Target phases	Multilateral Engagement	Bilateral Activities	Geographic Focus	Pledged ($m)*	Disbursed ($m)*
Australia	1, 2	Forest Carbon Partnership Facility (FCPF), Forest Investment Program (FIP), Global Environment	Demonstration projects, Monitoring Reporting and Verification (MRV) and policy and legal reform	Indonesia, Papua New Guinea, Vietnam, Fiji, Tanzania, Kenya and Cambodia	295	106
France	1, 2	FCPF and GEF	Wide range, including sustainable forest management planning, remote sensing & development of national strategies	Amazonian, Congo & Indonesian forest basins	330	94
Germany	1, 2	FCPF and GEF	Wide range, including technical forestry assistance and institutional capacity building	South America (Amazon region), Africa (Congo Basin) and Asia (Indonesian rainforest)	Insufficient data	413
Japan	1, 2	FCPF, FIP and GEF	Capacity building in MRV methods and technology exchange	Brazil, Burkina Faso, Cambodia, China, Ethiopia, Gabon, India, Indonesia, Kenya, Laos, Malawi, Malaysia, Morocco, Myanmar, Nepal, Nicaragua, Philippines, Senegal, Thailand, Tunisia, Vietnam	508	224
Norway	1, 2, 3	FCPF, FIP, UN-REDD, Congo Basin Forest Fund (CBFF) and GEF	Payment for performance, supporting policy and legal reform and implementation of low carbon / low deforestation development strategies in partner countries	Brazil, Indonesia, Guyana, Tanzania, Mexico, Congo Basin	2805	Not known
UK	1, 2	FCPF, FIP, CBFF	Governance, community forestry and livelihoods	Global, predominantly Africa and Asia	495	Not known
US	1, 2	FCPF, FIP and GEF	MRV and forest inventory, regulatory frameworks, stakeholder engagement	Planned for Asia, Latin America. Potential for other countries/regions to be included	1016	177

** In original source, information provided in GBP. Here converted to USD at rate of $1.65:£1*

Status of REDD+ Funds		Target phase	Pledged ($m)	Deposited ($m)	Approved ($m)	Disbursed ($m)
Multilateral REDD+ Funds	**Managed by**					
Forest Carbon Partnership Facility - Readiness Fund	World Bank (as a World Bank program)	1-2	218	202	12	10
UN-REDD Program	FAO, UNDP, UNEP	1-2	151	97	80	63 (20)
Congo Basin Forest Fund	African Development Bank	1-2	165	165	20	16
Forest Investment Program	World Bank (as a World Bank program)	2	578	262	96	7
Forest Carbon Partnership Facility - Carbon Fund	World Bank (as a World Bank program)	3	174	118	0	0
National REDD+ Funds						
Amazon Fund	Brazilian Development Bank (BNDES)	1-2-3	1028*	53	127	33
Indonesia	UNDP	1-2-3	1000*	30	not known	3
Guyana REDD+ Investment Fund	World Bank	1-2-3	250*	70	not known	2

** Pledged for period to 2015, and contingent upon delivery of agreed performance*

Developments in Multilateral Funds Activities in 2011: After a Difficult Start, Lessons Are Being Learned

The low disbursal rates to date from the Forest Carbon Partnership Facility – Readiness Fund (FCPF-RF), the UN-REDD Program (UN-REDD) and the Forest Investment Program (FIP) have been well

5 A full discussion of the advantages and disadvantages of multilateral and bilateral funding arrangements can be found in 'Funding for Forests: UK Government Support for REDD+', PwC with Climate Focus, Winrock and IUCN, July 2011.

6 Information on financial support by country taken from 'Funding for Forests: UK Government Support for REDD+', PwC with Climate Focus, Winrock and IUCN, July 2011. Status updates on multilateral funds from climatefundsupdate.org (last accessed 15 November 2011).

documented[7]. In part, this can be attributed to the role that these funds have played in time-consuming but important precursor activities necessary for effective national and global REDD+ programs. These include promoting engagement and understanding across stakeholder groups, and establishing common tools, frameworks and standards, particularly around safeguards for REDD+ programs. In defence of the FIP particularly, it is to be expected that developing robust plans that will enable countries to pursue environmentally and socially sustainable development paths will take time[8].

During 2011, the multilateral funds have continued to engage with stakeholders, including civil society organisations and Indigenous Peoples' groups. They have adopted a number of changes to their operating procedures (see Box 1). Civil society groups and representatives of Indigenous Peoples' groups have played a direct role in the governance of these funds, helping to draw attention to the need for rigorous due diligence and issues of governance as part of REDD+.[9] It is hoped that these revised procedures will be sufficiently robust to address a variety of social and environmental objectives, while at the same time simple and flexible enough that funds can be disbursed on a timely basis, and harmonised to reduce the bureaucracy and capacity required to obtain funding.[10]

Box 1: Changes to the Operating Procedures of Multilateral Funds during 2011

- The FCPR-RF, UN-REDD, FIP and GEF have developed significant communication and co-operation with joint meetings and efforts to harmonise and co-ordinate procedures where possible.
- The FCPF-RF has adapted its approach to safeguards in the readiness phase to better suit the multi-sectoral, programmatic nature of REDD+ readiness (in contrast, previous arrangements were more suited to project based activities).
- The FCPF-RF has established a Common Approach to environmental and social safeguards, and using this, adopted multiple delivery partners to increase distribution channels for FCPF-RF funds.

Certainly, issues remain. For example, under the FCPF-RF, countries are eligible for a Formulation Grant of $200,000 to prepare their readiness roadmap, or Readiness Preparation Proposal (R-PP). However, stakeholders have expressed concerns regarding the level of bureaucracy and disbursal procedures required even to access this relatively small amount of money, as well as the provision of a flat rate grant regardless of individual country circumstance. The FCPF-RF, UN-REDD and FIP have begun an ongoing stakeholder engagement process and a redesign of their funding procedures. Together with the increasing number of countries engaged with these initiatives and progressing through the funding process (see Table 2), these developments are expected to strengthen future outcomes enabled though the provision of this finance and facilitate faster disbursals going forward.

Another notable development during 2011 has been the operationalisation of the FCPF's Carbon Fund (FCPF-CF) in May 2011. The FCPF-CF is the first multilateral initiative that will provide payments to forest countries for verifiable emissions reductions.

By the start of 2011, $165 million had been deposited in the Congo Basin Forest Fund, under the management of the African Development Bank. However, there is very little transparency over the current status of this fund, and it is not clear what approvals or disbursals have been made this year.

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7 'First Program Evaluation for the Forest Carbon Partnership Facility (FCPF)', commissioned from the Nordic Agency for Development and Ecology (NORDECO) by the Participants Committee of the FCPF, 13 June 2011. And 'Discussion of Effectiveness of Multilateral REDD+ Initiatives', IDL Group, October 2011.

8 A recent evaluation of FCPF-RF, UN-REDD, FIP and GEF ('Discussion of Effectiveness of Multilateral REDD+ Initiatives', IDL Group, October 2011) found that countries engaged in the FIP provided more positive responses on the levels of administration relative to funding available, although all also provided the caveat that this was with relation to their experience 'to date'..

9 Crystal Davis and Lauren Goers *Getting Ready with Forest Governance a Review of the Forest Carbon Partnership Facility Readiness Preparation Proposals and the UN-REDD National Programme Documents* WRI working paper 2011 http://pdf.wri.org/working_papers/getting_ready_2011-10.pdf

10 Crystal Davis and Florence Daviet*, Investing in Results: Enhancing Coordination for More Effective Interim REDD+ Financing,* WRI Working Paper 2010 http://www.wri.org/publication/investing-in-results

Table 2: Progress of participating countries in FCPF-RF, UN-REDD and FIP[11]

	As reported at October 2011	As reported at October 2010
FCPF-RF		
Formulation grants signed	18	13
Formulation grants disbursing	11	10
Readiness-Preparation Proposals (R-PPs) submitted	6	0
R-PPs signed and disbursing	3	0 ($0 million disbursed)
UN-REDD		
National programs approved	13 ($54 million disbursed)	8 ($3 million disbursed)
FIP		
Preparing investment plans	4	8
Submitted investment plans	4	0
Endorsed investment plans (one provisionally)	2 ($90 million approved)	0

Bilateral Finance for REDD+: Rising in Prominence

As noted in Table 1, many Annex II countries are supporting capacity building activities through bilateral arrangements. These include more REDD+ specific, technical activities such as MRV development, and also more broadly beneficial activities to address tenure and governance issues. Support for forest programs which pre-date REDD+ but can contribute to the success of REDD+ also continue, such as the UK Government's support to community forestry in Nepal, and the EU's FLEGT (Forest Law Enforcement, Governance and Trade) program.

In addition to readiness and capacity building activities, Norway continues to provide financial support to Brazil, Guyana and Indonesia on a payment for performance basis. In the case of Brazil and Guyana, this is payment for verified emissions reductions (against an agreed reference level). In the case of Indonesia, an advance commitment has been made to meet the costs of start-up measures during the preparation phase of the Letter of Intent between Norway and Indonesia. Future payments will be payable on achieving results of an institutional and legislative nature, followed by payments for verified emission reductions. This finance is channelled through newly established national trust funds for each country. As with the multilateral funds, difficulties have been reported regarding the flow of finance to recipient-country implementing agents.

In Brazil, the Amazon Fund has been operational since 2009, under the management of the Brazilian Development Bank (BNDES). During this time, it has approved 20 projects and predominantly disbursed funds to government and civil society representatives for a mixture of capacity building and early implementation activities. BNDES is currently working with the Norwegian aid agency Norad and the German aid agency GIZ to develop a logical framework for the strategic operation of the Amazon Fund, in co-ordination with development of Brazil's national REDD+ strategy. In Guyana, implementation of projects and programs identified in its Low Carbon Development Strategy is underway. However, problems in accessing funds deposited by Norway in the Guyana REDD+ Investment Fund (GRIF) are reportedly causing delays. In Indonesia, the current UNDP-managed trust fund is regarded as an interim arrangement, and consultations on the draft design of a permanent financial instrument are underway.

Evaluating the Financial Support of Annex II Countries: Key Lessons and Recommendations

It is intended that the financial support provided by Annex II countries for REDD+ development and implementation will lead to outcomes that are effective, efficient and equitable[12]. The nature of activities currently funded and the breadth of forest countries receiving financial support would indicate that a solid foundation for successful national and global REDD+ programs is being

11 FCPF Readiness Progress Dashboards (October 2010 and October 2011), and UN-REDD Program Semi Annual Update (October 2011 and November 2010).

12 Definitions of these terms vary, but can be interpreted as follows: leading to the desired result (effective), achieved with the least waste or at the least cost (efficient), and meeting the needs of the most vulnerable people or providing equal opportunities of access to all countries (equitable).

established. .Some commentators have questioned the use of REDD+ monies to fund the Amaila Falls dam in Guyana, which will flood areas of rainforest and requires a road to be built across the forest. However, this project is intended to address the extractive drivers of deforestation in Guyana, by providing an alternative, clean-energy source.

While it is difficult at this stage to evaluate the outcomes of specific financial support, early experience provides the following lessons and indications regarding likely future impact:

Improvements to reporting standards are required to facilitate transparency and accountability. The complete picture of REDD+ funding remains obscure as data is scattered, inconsistent and incomplete. This applies both to country-level reporting and fund-level reporting. For example, it is not currently clear how much of the $4.5 billion of pledged support for REDD+ has been allocated to specific initiatives, nor the extent to which this spend is additional to pre-existing commitments (as was intended). As another example, the African Development Bank-managed CBFF opened a second call for proposals between December 2009 and February 2010, but its outcomes – specifically which proposals have been funded, and at what level—are not clear. Since 2010, the REDD+ Partnership has been working to improve transparency, but these and similar efforts[13] remain hampered by the voluntary and ad hoc nature of finance reporting.

Recommendations*:* Adopt consistent reporting standards and definitions, and consider mandatory reporting requirements. These reporting requirements must be adhered to by all participants – contributing countries, forest countries, multilateral funds and other intermediary organisations.

Further clarity is required on Annex II country objectives, and consequently the appropriateness of the use of Overseas Delivery Assistance (ODA) budgets for the delivery of REDD+ finance. REDD+ has the potential not just to reduce emissions, but also to support poverty alleviation and biodiversity conservation. At present, the majority of financial support from Annex II countries is delivered in the form of ODA. This includes both support for readiness and capacity building activities channelled via multilateral and bilateral arrangements, and also Norway's payments to Brazil and Guyana for verified emissions reductions. In this context, the priority that should be given to reducing emissions is not clear. This in turn leads to uncertainty regarding how to spend these funds and the nature of the evaluation criteria that should be used. Further, questions have been raised about how appropriate it is to use ODA budgets to channel climate finance, and in particular long-term payments for emissions reductions[14]. Classifying REDD finance as ODA impacts on the selection of finance recipients, as aid delivery usually distinguishes between country contexts, focusing on the poorest or most fragile states, whereas in REDD+, all verified emissions reductions are equally eligible. Furthermore, aid is often heavily shaped by donor country preferences, whereas REDD+ is intended to be driven by forest country priorities, with the UNFCCC as the forum for international debate on its form and impact.

Recommendations: 1) Greater clarity is needed from Annex II countries regarding the objectives of REDD+ spend, particularly the balance and interaction between climate and development objectives. 2) The debate on the use of ODA for climate finance, particularly payment for emissions reductions also needs to continue.

Improved co-ordination and harmonisation across funding channels and mechanisms is required to limit transaction costs and maximise the likelihood of achieving synergies and scaled impact. Each multilateral fund and bilateral donor tends to pursue its own objectives in accordance with its own standards, procedures, and safeguards. This results in significant logistical challenges for applicant countries. For example, following initial engagement with the FCPF-RF, UN-REDD and FIP, participant countries reported increased costs of engagement arising from duplicative processes across the

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13 Most notably, climatefundsupdate.org, faststartfinance.org and wri.org.

14 'Going beyond aid effectiveness to guide the delivery of climate finance', ODI Background Paper, N. Bird and J. Glennie, August 2011

funds, such as separate application forms and separate country visits[15]. Efforts are being made to address these issues (see Box 1). In arrangements with multiple intermediaries, this problem is intensified. For example, the GRIF is subject to the policies and procedures of the World Bank, implementing parties such as UNDP and IDB and also the requirements of Norwegian development aid.

Recommendations: 1) Continue the process of harmonising rules and procedures across funds and intermediaries wherever possible ensuring inclusiveness and transparency in these processes. 2) Continue to clarify and communicate the roles of each multilateral fund, with a focus on identifying key relative strengths, and how each fund links to, or complements, others.

Further consideration is required regarding the rules and procedures appropriate to the circumstances faced, particularly with regard to environmental and social safeguards. For example, in response to previous criticism for over-rigorous procedures inappropriate to the disbursal of small sums for readiness strategy development, in 2011, the FCPF-RF adapted its procedures to better meet the demands of REDD+ readiness finance and facilitate speedy disbursement (see Box 1). However, these revised procedures have been criticised for weakening safeguard policies by requiring that its delivery partners have only "substantial equivalence" on the *material* elements of the World Bank's environmental and social safeguard policies and other appropriate FCPF regulations. The approach to striking the right balance between safeguarding against environmental and social harm and enabling flexible and timely disbursement is still under debate.

Recommendations: A wider and deeper debate should be initiated across multilateral and national trust funds regarding the disbursal rules and procedures appropriate to the variety of circumstances faced. This should build on the considerable effort that has already been made to harmonise policies and procedures across the multilateral funds.

In terms of managing and administering monies, further thought needs to be given to the level of expertise and capacity required to manage and administer Annex II country support. Bureaucratic bottlenecks have been experienced in the operations of both the FCPF-RF[16] and the Amazon Fund[17] due to a lack of on the ground capacity to manage the process in potential recipient countries. UN-REDD has arguably had greater success through its ability to deploy in-country office staff to support recipient governments more closely through the application process. Further, in the case of the BNDES and the CBFF, concerns have been raised regarding their experience and consequently expertise in assessing environmental programs and sustainable development issues. In addition, where external expertise has been utilised, it is important to seize opportunities to develop domestic capabilities and maintain national ownership, which has not always been the case.

Recommendations: Utilising the early experience of the Amazon Fund and established institutions such as the World Bank, promote cross-institution training and lesson-learning.

A greater degree of technical support and assistance than may be required from contributing governments alongside their financial support. For example, in its bilateral arrangements to date, Norway has adopted a "light touch" approach with limited in country presence. But evaluators have noted instances where deeper engagement and interaction with recipient country stakeholders would have been valuable: "In its drive to establish performance-based payments for emissions reductions in Indonesia, NICFI risks compromising its broader development cooperation objectives and social and environmental justice. Lack of staff on the ground may compromise eventual outcomes, and the evaluators consider the 'light touch' approach to be risky." With respect to its

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15 'First Program Evaluation for the Forest Carbon Partnership Facility (FCPF)', commissioned from the Nordic Agency for Development and Ecology (NORDECO) by the Participants Committee of the FCPF, 13 June 2011.

16 Ibid

17 'The Amazon Fund: Radical Simplicity and Bold Ambition. Insights for Building National Institutions for Low Carbon Development', S. Zadek, M. Forstater and F. Polacow, November 2010.

support to Guyana, evaluators suggested a need for greater Norwegian presence in Guyana to facilitate program delivery.[18] The challenge here is to strike an acceptable balance between national sovereignty and contributor country oversight.

Recommendation: All parties may benefit from greater contributor engagement in recipient countries.

Greater co-ordination within recipient countries is essential to maximise synergies and scale impact. In some recipient countries, concerns have been expressed that competing interests between multiple recipient ministries may limit the likelihood of developing and implementing an effective REDD+ strategy. The lack of a common vision, co-ordination and co-operation between ministries, is likely to delay or deter further commitments of financial support.

Recommendations: Recipient countries should establish a clear mandate and focal point in each forest country with sufficient authority to develop and manage a co-ordinated cross-ministerial strategy and implementation program. Contributor countries must be disciplined about working through these appointed focal points rather than seeking alternative entry points for REDD+ finance.

Credible signals regarding significant ongoing financial support are needed to ensure that early efforts are sustained, lessons are learned and the necessary absorptive capacity is created. Commitments of finance at scale are critical for forest countries to mobilise and sustain political will and in-country capacity to REDD+ activities over other national priorities[19]. Recent evaluations of Norway's pledged support to Brazil, Indonesia and Guyana, stressed that these pledges were impactful in “elevating the position of REDD+ on the national agenda, catalysing action to address critical bottlenecks in REDD+ readiness, broadening government and civil society participation and stimulating national debate on REDD+”[20]. In the absence of credible long term financing commitments, many recipient countries may not be able to undertake the necessary reforms. At present, only Norway has made bilateral commitments to provide interim financial support to early moving forest countries. The $175 million pledged to FCPF-CF to date is inadequate to provide the necessary signal and restricts it to a pilot initiative[21].

Recommendation: Annex II countries should allocate their outstanding pledged finance[22] and commit to provide significant, sustainable financial support for faster moving forest countries. These commitments would be to support REDD+ strategies and programs with political buy-in and stakeholder support or payment for performance. They would go alongside the ongoing provision of resources for readiness and capacity building activities for all countries that require it.

Further work is needed to ensure that the financial resources that are available are deployed in a coherent manner on activities with the potential to deliver impact at scale. The Amazon Fund's lack of a clear framework for strategic operations has been identified as a significant issue likely to

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18 Real Time Evaluation of Norway’s International Climate and Forest Initiative (NCIFI), Country Report Indonesia, and Country Report Guyana, both March 2011.

19 This insight builds on the author’s experience interviewing forest and Annex II government representatives for the interim review of REDD+ finance completed for The Prince’s Charities International Sustainability Unit.

20 Real-Time Evaluation of Norway's International Climate and Forest Initiative (NICFI): Executive Summaries of Country Reports. March 2011. Available at regjeringen.no/en/dep/md/Selected-topics/klima/the-government-of-norways-international-.html?id=548491

21 With the FCPF-CF aiming to leverage private finance, total finance available from this fund should increase. However, private sector appetite may be hindered in the short to medium terms by the lack of demand for carbon credits in absence of successor to Kyoto Protocol and no current understanding of the role REDD+ credits may play in that.

22 “In December 2010, a report to the REDD+ Partnership noted that “It can be concluded that a significant share of the Fast Start Financing for REDD+ is still in the planning process for 2011-2012”. This appears to remain the case today. Australia for example, has pledged AUS $146 million in Fast Start Finance for REDD+. As at August 2011, all of this has been committed but only two thirds has been allocated to specific programs and initiatives. Likewise, of the £300 million the UK government has pledged, less than half has been allocated to specific programs and initiatives.” From ‘Emergency Finance for Tropical Forests, Two years on: Is Interim REDD+ Finance Being Delivered as Needed?’, The Prince’s Charities International Sustainability Unit, September 2011,

limit its potential effectiveness: "whilst the projects given support are relevant to the overall goals of the Fund and create synergy with other support given by BNDES, they are not optimal in addressing critical deforestation or forest livelihood threats"[23]. A recent appraisal of potential investment sources found that while public policy increasingly recognises the need to address the drivers of deforestation, at this stage there is little evidence that public REDD+ funds (including the Amazon Fund and the Congo Basin Forest Fund) are looking to invest in projects which address the agricultural drivers of deforestation. In many cases, the terms of reference for those funds do not expressly indicate the eligibility of such projects for funding, and examples of projects and activities funded to date do not indicate otherwise. A notable exception to this is the FIP, which explicitly commits to addressing the drivers of deforestation.[24] A further key element of achieving scale is leveraging public funds to attract private investment, for which a credible and publically supported investment strategy is critical. For example, on the back of a $60 million slice of Norway's financial support, Guyana has been able to attract approximately $600 million from private sector investors.[25]

Recommendations: The terms of all existing funds should be reviewed (and if necessary revised) to ensure they encourage and support activities which address the drivers of deforestation at scale and leverage private finance. Recipient countries need to invest the time and resources to develop credible and robust national investment plans through inclusive and transparent processes to guide fund allocation decisions.

Climate Finance Policy Briefs

This series of policy briefs provides an independent commentary on current themes associated with the international debate on climates finance. The papers are prepared by the Heinrich Boell Foundation and ODI and posted on the climate funds update website (www.climatefundsupdate.org).

23 Real Time Evaluation of Norway's International Climate and Forest Initiative (NCIFI), Country Report: Brazil, March 2011.

24 'A Review of Potential Investment Sources for Agricultural Projects aimed at Reducing Deforestation and Forest Degradation', the Terrestrial Carbon Group, June 2011.

25 The project itself has been a source of some controversy; the point of our analysis is to illustrate that public money can be used to attract private sector co-finance for REDD+ programs.