

CLIMATE FINANCE THEMATIC BRIEFING: REDD+ FINANCE

CLIMATE FINANCE **5** FUNDAMENTALS

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Since 2008, USD 6.4 billion has been pledged to multilateral climate funds that support efforts to reduce emissions from deforestation and degradation plus conservation (REDD+). There is and remains a longstanding interest in the potential to harness market-based mechanisms to support REDD+ programmes. Cumulatively, USD 4 billion has been approved for dedicated REDD+ activities since 2008. In 2023, the Forest Carbon Partnership Facility is the dedicated REDD+ fund with the largest amount of financing approved with USD 1 billion for 61 projects, surpassing approved funding by the Forest Investment Program of the Climate Investment Funds and the Amazon Fund, whose operations, after having been frozen since 2019, resumed in 2023 under Brazil's new government. These funds have differing operating modalities however, from supporting readiness to deliver emission reductions to paying directly for emission reductions, that complicate fund comparisons.

The year 2023 has seen relatively low approvals for REDD+ with USD 88 million as compared to an average approval of USD 362 million during the past five years. This is reflective of a period of formalisation of emission reduction purchase agreements across the 15 emission reductions programmes from the Forest Carbon Partnership Facility (FCPF) carbon fund as well as the end of the Green Climate Fund (GCF) REDD+ results based payment pilot. By November 2023, the GCF had approved at least 19 cross-cutting projects involving forests, that are considering both adaptation and mitigation elements, and eight dedicated REDD+ projects with results-based payments for a total of USD 497 million under its concluded multi-year REDD+ pilot programme. A second REDD+ programming phase is planned to start in 2024. These projects reflect efforts to support developing countries' move beyond readiness and capacity building to demonstration programmes and emission reductions with payments based on verified results. Despite a slow down in REDD+ approvals from the multilateral climate change funds in 2023, forest protection and conservation efforts continue to ramp up. This includes the 2021 Glasgow Leaders' Declaration on Forests and Land Use at COP26, as well as Brazil's global tropical forest conservation fund proposal announced at COP28.

Introduction

REDD+ came into prominence following the recognition that land-use change, principally deforestation, is responsible for 12%–20% of global greenhouse gas (GHG) 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 consent and

usage rights are acknowledged and protected. The Warsaw Framework on REDD+ negotiated at COP19 highlighted the importance of safeguards implementation in addition to a focus on financing for verified emissions reductions results (UNFCCC, 2014). 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.

based on emission reductions at landscape or national level. In contrast, the BioCarbon Fund, the World Bank's Forest Carbon Partnership Facility (FCPF) Carbon Fund (FCPF-CF), and the GCF REDD+ results-based payment pilot directly deliver and pay emission reductions at the project level. This can be ex-ante as in the case of the BioCarbon Fund and FCPF-CF, where emission reduction purchase agreements are signed and payments are only released on delivery, or ex-post, as in the GCF REDD+ results-based payment pilot, where payments were provided after verified emission reductions had already been delivered.

Emission reduction purchase agreements (ERPAs) account for 65% of the USD 1.9 billion approved for REDD+ activities in the past six years. The FCPF Carbon Fund approved 15 ERPAs between 2018–2021 and the BioCarbon Fund approved one ERPA in 2023, unlocking up to USD 15 million in result-based payment to Ethiopia. To date, only six partner countries of the FCPF Carbon Fund have received results-based payments, totaling USD 53.1 million. In contrast, eight results-based REDD+ projects were delivered under the GCF between 2019–2020 with partner countries receiving USD 497 million. With the GCF REDD+ pilot programme currently under review, the GCF

is expected to present updated terms and modalities for a second REDD+ financing phase in 2024.

In 2023, CFU shifted accounting to include the ERPAs as project 'approvals', whereas before these were excluded due to their uncertain delivery to the country in question in order to be able to reflect the first disbursements against those agreements. In light of this accounting change, CFF5 in 2023 shows different approvals numbers for REDD+ than in earlier years.

Together, while recognising these different modalities, the multilateral REDD+ funds have approved USD 4 billion for project activities (Figure 2, Table 1).

Who pledges and deposits REDD+ finance?

Norway has contributed the largest amount of finance to multilateral funds for REDD+ activities, including the bulk of funding for the Amazon Fund (Figure 3). Norway's contribution represents 48% of the total pledged amount. Germany, the United Kingdom, and the United States are also major contributors of REDD+ finance, providing resources to multilateral funds as well as implementing bilaterally.

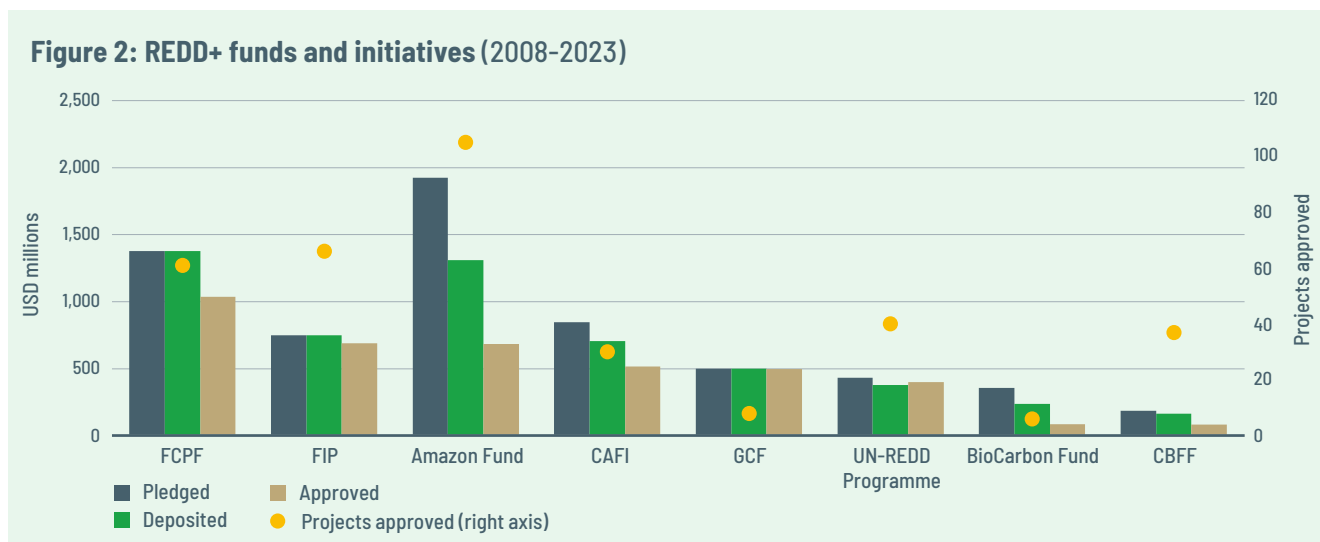
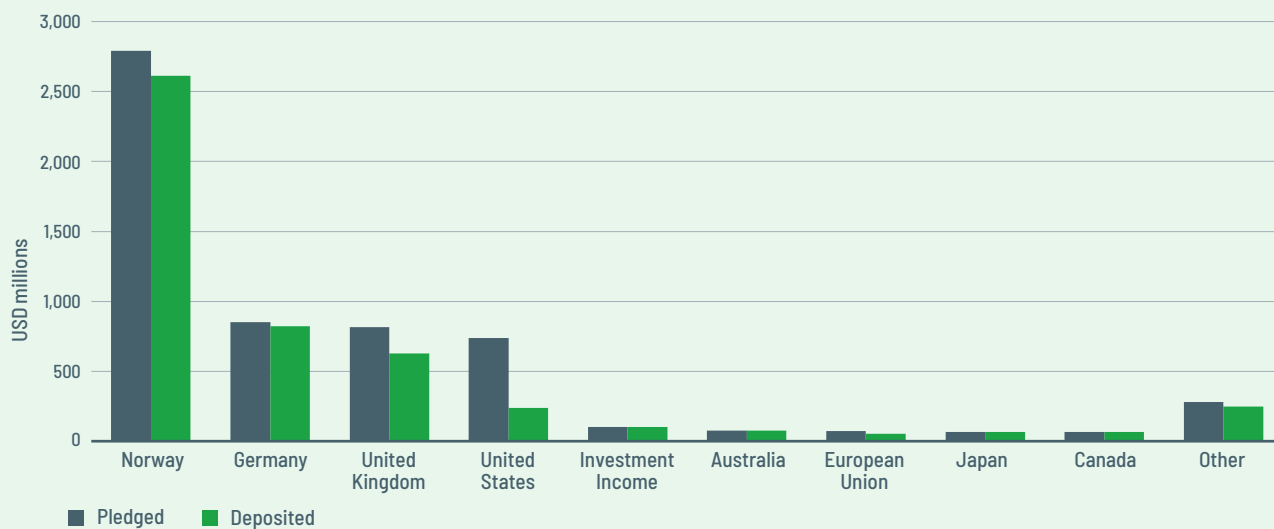


Table 1: Climate funds supporting REDD+ (2008–2023, USD millions)

Fund	Pledged	Deposited	Approved	Projects approved
Forest Carbon Partnership Facility (FCPF) ¹	1,376.3	1,376.3	1,035.6	61
Forest Investment Program (FIP)	749.6	749.6	688.9	66
Amazon Fund	1,925.3	1,309.5	683.6	105
Central African Forest Initiative (CAFI)	845.4	705.2	517.1	30
Green Climate Fund (GCF) ²	500.0	500.0	496.7	8
UN-REDD Programme	433.3	377.7	400.7	40
BioCarbon Fund	355.8	238.8	86.0	6
Congo Basin Forest Fund (CBFF) ³	186.0	164.7	83.1	37

Figure 3: Pledges and deposits to REDD+ funds in Table 1 (2008-2023)⁴



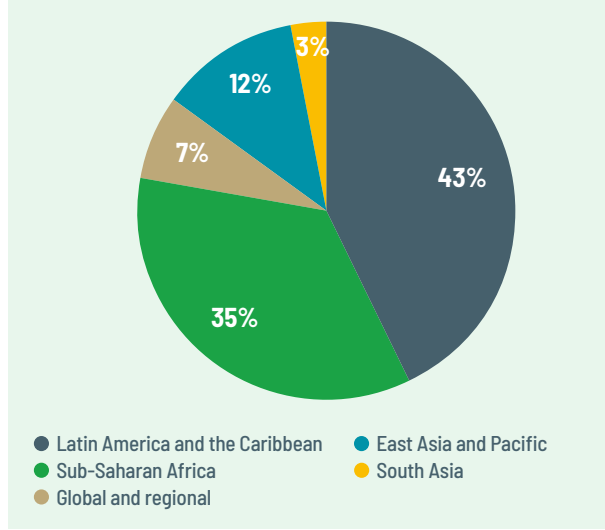
Who receives the money and what kind of projects are funded?

Figure 4 shows 43% of approved multilateral REDD+ funding or USD 1.7 billion targets Latin America. The Amazon Fund provides support to 105 projects in Brazil and the Amazon biome and accounts for 40% or USD 684 million of this amount. In a funding hiatus since 2019 when the previous Brazilian administration suspended its activities, under a new Brazilian government it resumed its funding operations in early 2023 and approved three new projects during the year (Wilson Center, 2023). The next largest recipient region is sub-Saharan Africa, with 35% of multilateral REDD+ funding or USD 1.4 billion approved for projects. The biggest recipient of overall dedicated REDD+ finance in the region is the Democratic Republic of Congo (DRC), for which project approvals stand at USD 452 million. In Asia, Indonesia is the largest country recipient of REDD+ finance, with USD 285 million in REDD+ approvals.

Climate Funds Update (CFU) data records 60 countries as recipients of multilateral REDD+ finance, although close to a fourth of the total approved REDD+ finance is concentrated in Brazil (22%). The DRC, Indonesia, Ghana and the Congo Republic all follow as top recipients of REDD+ finance, with over USD 130 million each of multilateral funding for REDD+ approved. Although not a dedicated REDD+ fund, by December 2020 the GCF approved eight projects under its REDD+ pilot programme, amounting to USD 497 million for results-based REDD+, thus exhausting the funding envelope for the programme; discussions about a next phase of GCF REDD+ funding, including on increasing its scale, are ongoing. Seven of the REDD+ pilot projects are based in Latin America, with the eighth in Indonesia. Among dedicated multilateral REDD+ funds, the FIP approved eight new projects in 2023 while the CAFI and the UN-REDD Programme approved two and one projects, respectively. Finally, the BioCarbon Fund approved its first ERPA in 2023. Out of these twelve projects, five projects are located in sub-Saharan Africa, three are in Asia, three are regional projects and one is deployed in Central America.

More funds that target both adaptation and mitigation are supporting forestry relevant projects, however. GEF-7 approved one project to strengthen institutional and technical capacities in sectors including forestry in Vanuatu (USD 1 million) in 2022, for example, while the GCF has approved 19 more projects and programmes with a focus on forestry and land use since 2020. In 2023, it approved three new projects including USD 189 million to decrease the pressure to clear forests for agricultural purposes in eleven countries, USD 39 million to support Rwanda in expanding and preserving natural forests and USD 36 million to promote the transition to sustainable and climate-resilient management of forests and landscapes in Lao PDR.

Figure 4: Regional distribution of approved multilateral REDD+ finance from major funds (2008-2023)



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Endnotes

1. While signed during the 2018–2021 period, the FCPF's 15 Carbon Fund emission reductions purchase agreements were only included in the 2023 update of the CFU as 'approvals' by the funds due to method shifts. Their inclusion in 2023 data, added USD 721.3 million to REDD+ approvals, accounting for differences between CFU materials published in 2023 with respect to REDD+, including for example FCPF rising to be the REDD+ fund with the largest amount of financing approved from fifth place.
2. The GCF is a multi-foci fund, not a dedicated REDD+ fund. The amount reported in this table does not reflect all pledges for the GCF, but only the amount specifically set aside for REDD+ results-based payments under the GCF's initial USD 500 million pilot programme.
3. The Congo Basin Forest Fund (CBFF) operated for a ten year period from 2008–2018 and was formally closed in 2018; it has been succeeded in the region by the Central African Forest Initiative (CAFI).
4. It is not possible to determine the share of pledges arising from particular countries for the REDD+ spending to the GCF which are excluded here.

The Climate Finance Fundamentals are based on Climate Funds Update data and up to 2021 also available in French and Spanish at www.climatefundsupdate.org

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