



Climate Finance Thematic Briefing: REDD+ Finance

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Climate Finance Fundamentals **5**

FEBRUARY 2021

Since 2008, USD 5.2 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 2.8 billion has been approved for dedicated REDD+ activities since 2008. The Amazon Fund, with USD 720 million approved for 103 projects in Brazil and the Amazon biome, remains the largest dedicated REDD+ fund.

The last five years have seen relatively stable approvals for REDD+ averaging USD 263 million, in 2020 this amount rose to USD 309 million. The increase is due to the rise of funding from the Green Climate Fund (GCF). By November 2020, it had approved at least 13 projects involving forests, that are considering both adaptation and mitigation, and eight dedicated REDD+ projects with results-based payments for a total of USD 497 million under its multi-year REDD+ pilot programme. 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.

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 usage rights are acknowledged and protected. The Warsaw Framework on REDD+ negotiated at COP 19 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.

Which climate funds support REDD+?

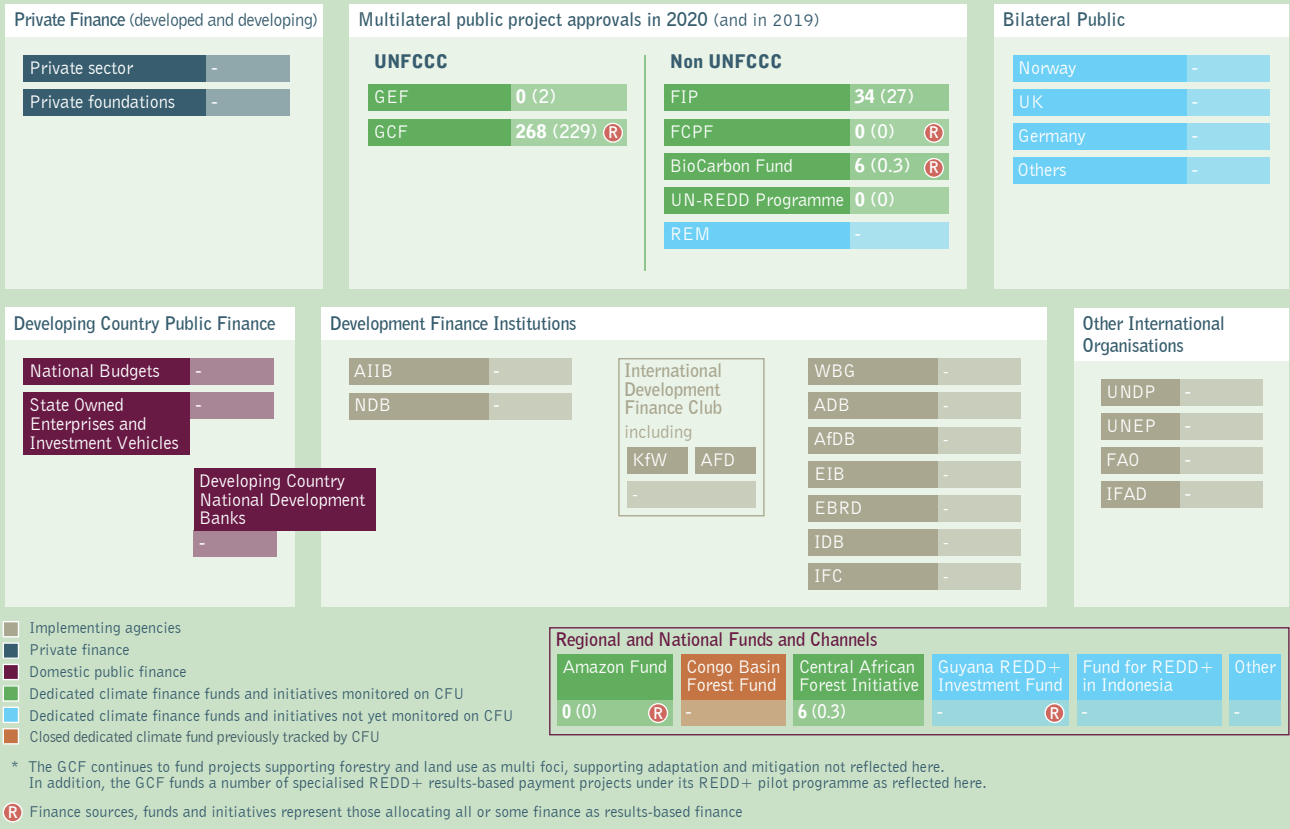
REDD+ finance is provided by several different institutions (Figure 1). The World Bank's Forest Carbon Partnership Facility (FCPF) Carbon and Readiness Funds (FCPF-CF/

RF), its BioCarbon Fund and the Forest Investment Program (FIP) of the Climate Investment Funds (CIFs), and the UN-REDD Programme are multilateral funds for REDD+ that together have approved USD 1.3 billion for project activities (Figure 2, Table 1).

Many of these multilateral funds supporting REDD+ have focused on building readiness. REDD+ finance is, however, 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 Carbon and Readiness Funds and FIP – reorganised operating units to offer more coherence and coordination across the three funds. Results-based payments from the FCPF Carbon Fund are yet to be realised, however.

In contrast, the Amazon Fund, considered to be a results-based payment mechanism, has approved USD 720 million and the GCF in 2019 made its first approvals towards 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.

Figure 1: REDD+ finance architecture (USD millions)



Multilateral Funds and Initiatives		Development Finance Institutions	
BioCarbon Fund	BioCarbon Fund (World Bank)	ADB	Asian Development Bank
FCPF	Forest Carbon Partnership Facility	AFD	Agence Française de Développement (French development agency)
FIP	Forest Investment Program (implemented through WB, ADB, AfDB, EBRD and IDB)	AfDB	African Development Bank
GCF	Green Climate Fund	AIIB	Asian Infrastructure Investment Bank
GEF	Global Environment Facility	EBRD	European Bank for Reconstruction and Development
REM	REDD+ Early Movers Programme	EIB	European Investment Bank
UN-REDD Programme	United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation	IDB	Inter-American Development Bank
		IFC	International Finance Corporation (World Bank)
		KfW	Kreditanstalt für Wiederaufbau (German development bank)
		NDB	New Development Bank
		WBG	World Bank Group
Other International Organisations			
FAO	Food and Agriculture Organization of the United Nations		
IFAD	International Fund for Agricultural Development		
UNDP	United Nations Development Programme		
UNEP	United Nations Environment Programme		

Figure 2: REDD+ funds and initiatives (2008–2020)

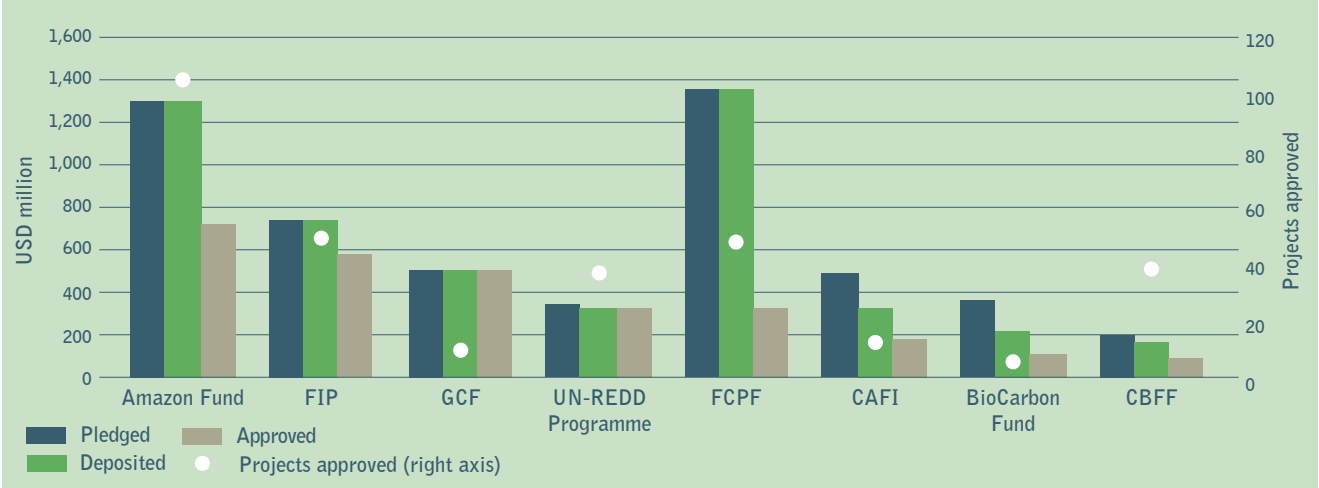


Table 1: Climate funds supporting REDD+ (2008–2020, USD millions)

Fund	Pledged	Deposited	Approved	Projects approved
Amazon Fund	1,288.2	1,228.2	719.7	103
Forest Investment Program (FIP)	735.9	735.9	573.7	48
Green Climate Fund (GCF) ¹	500.0	500.0	496.7	8
UN-REDD Programme	329.0	323.9	323.5	35
Forest Carbon Partnership Facility (FCPF)	1,341.0	1,341.0	311.2	46
Central Africa Forest Initiative (CAFI)	478.76	319.59	182.2	11
BioCarbon Fund	349.9	219.4	107.0	5
Congo Basin Forest Fund (CBFF) ²	186.0	164.7	83.1	37

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 55% of the total pledged amount. The United Kingdom, Germany and the United States 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?

Figure 4 shows 56% of approved multilateral REDD+ funding or USD 1.6 billion targets Latin America. The Amazon Fund provides support to 103 projects in Brazil and the Amazon biome and accounts for 46% or USD 720 million of this amount. The next largest recipient region is sub-Saharan Africa, with 25% of multilateral REDD+ funding or USD 679 million 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 242 million. In Asia, Indonesia is the largest country recipient of REDD+ finance, with USD 178 million in REDD+ approvals.

Climate Funds Update (CFU) data records 57 countries as recipients of multilateral REDD+ finance, although close to a third of the total approved REDD+ finance is concentrated in Brazil (32%). The DRC, Indonesia,

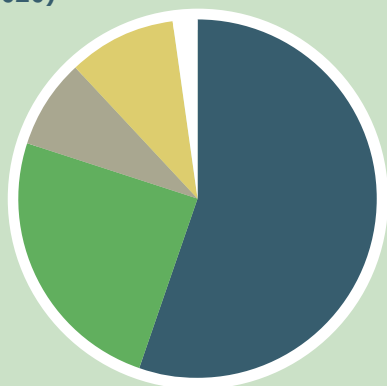
Argentina and Mexico all follow as top recipients of REDD+ finance, with over USD 90 million of multilateral funding for REDD+ approved. Although not a dedicated REDD+ fund, by December 2020 the GCF approved eight projects under its REDD+ pilot programme, amounting to USD 497 million for results-based 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, only CAFI and FIP approved new projects in 2020, including two multi-country programmes and those in the Republic of the Congo, Gabon and Nepal.

More funds that target both adaptation and mitigation are supporting forestry relevant projects, however. GEF-7 approved two projects to improve watersheds on agricultural land in Mauritania and South Sudan in 2020 (USD 4.4 million and USD 9.4 million respectively), for example, while the GCF approved 13 more projects with a focus on forestry and land use in 2020, including USD 165 million in Ethiopia for resilient landscapes and livelihoods and USD 64 million in Nicaragua integrating climate action to reduce deforestation and increase resilience.

Figure 3: Pledges and deposits to REDD+ funds in Table 1 (2008-2020)³



Figure 4: Regional distribution of approved multilateral REDD+ finance from major funds (2008–2020)



- Latin America and the Caribbean 56%
- Sub-Saharan Africa 25%
- Global and regional 8%
- East Asia and Pacific 10%
- South Asia 2%

References and further reading

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Endnotes

1. 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 USD 500 million pilot programme.
2. 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).
3. 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 available in English, French and Spanish at www.climatefundupdate.org

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