

## Climate Finance Thematic Briefing: REDD+ Finance

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## Climate Finance Fundamentals **5**

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Since 2008, USD 5.6 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 2.9 billion has been approved for dedicated REDD+ activities since 2008. The Amazon Fund, with USD 705 million approved for 102 projects in Brazil and the Amazon biome, remains the largest dedicated REDD+ fund.

The year 2021 has seen relatively low approvals for REDD+ with USD 75 million, whereas this amount was relatively stable during the past five years averaging 263 million. The increase observed in the past years was due to the rise of funding from the Green Climate Fund (GCF). By November 2021, it had approved at least 16 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, which is currently under review and likely to see a renewed financing phase in 2022. 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 stagnating REDD+ flows from the multilateral climate change funds, forest protection and conservation efforts have ramped up in 2021, including with the Glasgow Leaders' Declaration on Forests and Land Use at COP26, and with several other forest protection financing initiatives.

### Introduction

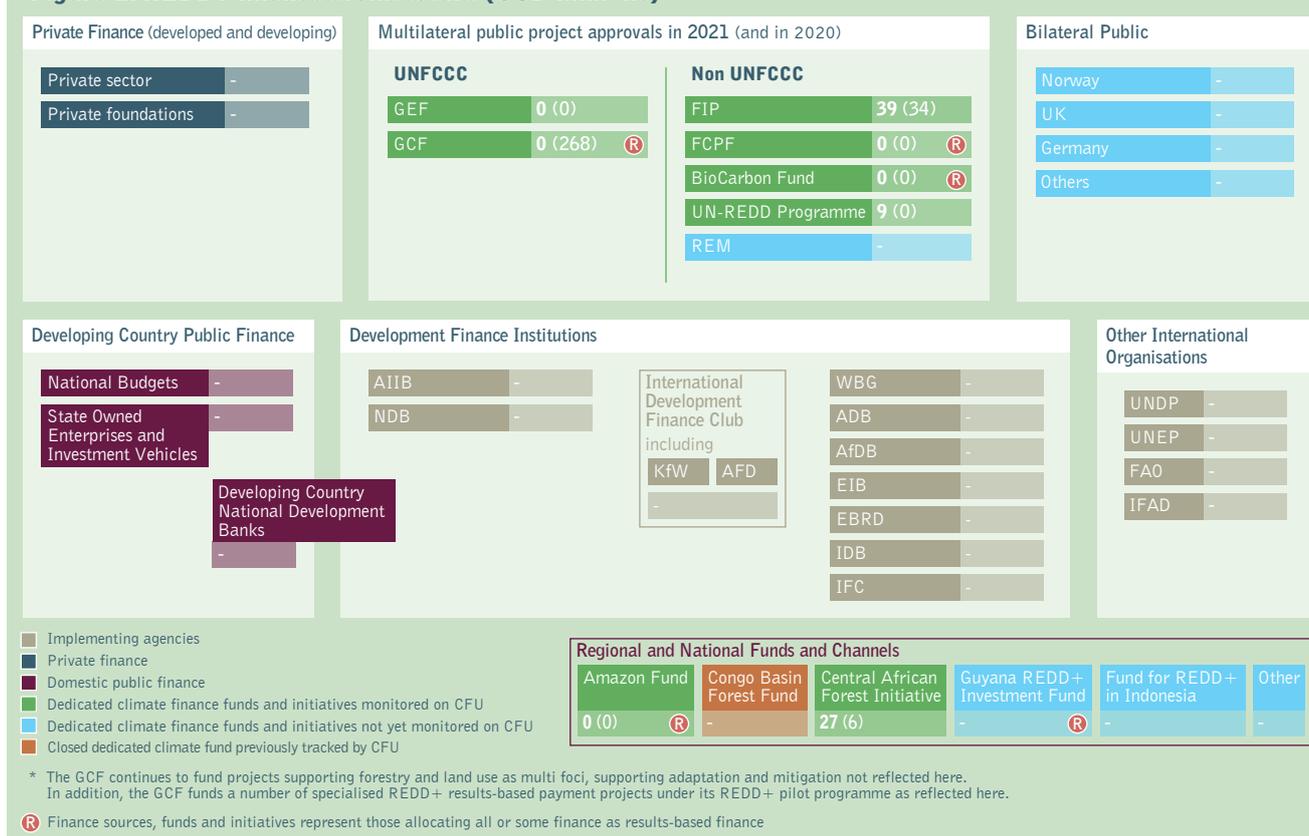
REDD+ came into prominence following the recognition that land-use change, principally deforestation, is responsible for 12%–20% of global greenhouse gas (GHG) emissions. Furthermore, tropical forests provide multiple ecosystem services and support the livelihoods of an estimated 1.6 billion of the world's 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 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. In recent years,

the concept of REDD+ has been included in more holistic approaches focused on the promotion and protection of natural ecosystems as ways to combat climate change. The Glasgow Leader's Declaration on Forests and Land Use at COP26, which now brings together over 140 countries whose territory covers 90% of the world's forests, promises to strengthen collaboration to address forest loss by providing finance, knowledge and tools (UK COP26, 2021a). It remains to be seen if this and several other forest protection financing initiatives announced in Glasgow, including the USD 12 billion Global Forest Finance Pledge of eleven countries and the European Union (UK COP26, 2021b), will reinvigorate multilateral REDD+ funds or relegate them to the sidelines of global forest protection efforts.

### 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 1.4 billion for project activities (Figure 2, Table 1).

**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                                                                   |                                  |                                                               |

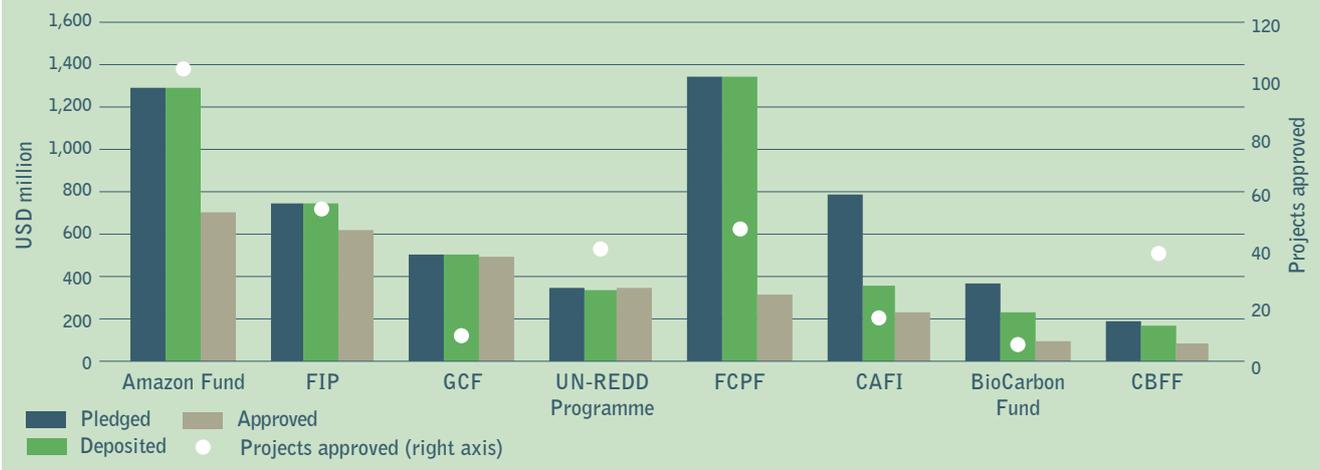
Many of these multilateral funds supporting REDD+ have focused on building readiness. REDD+ finance is, however, increasingly targeted at supporting developing countries to move beyond capacity building and readiness towards demonstration programmes and emission reductions with finance offered on a payment-for-performance 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.

**Table 1: Climate funds supporting REDD+ (2008–2021, USD millions)**

| Fund                                        | Pledged | Deposited | Approved | Projects approved |
|---------------------------------------------|---------|-----------|----------|-------------------|
| Amazon Fund                                 | 1,288.2 | 1,228.2   | 705.3    | 102               |
| Forest Investment Program (FIP)             | 748.6   | 748.6     | 617.7    | 53                |
| Green Climate Fund (GCF) <sup>1</sup>       | 500.0   | 500.0     | 496.7    | 8                 |
| UN-REDD Programme                           | 344.9   | 339.1     | 342.0    | 39                |
| Forest Carbon Partnership Facility (FCPF)   | 1,343.3 | 1,343.3   | 314.3    | 46                |
| Central African Forest Initiative (CAFI)    | 784.0   | 353.2     | 228.5    | 15                |
| BioCarbon Fund                              | 367.4   | 230.4     | 98.3     | 5                 |
| Congo Basin Forest Fund (CBFF) <sup>2</sup> | 186.0   | 164.7     | 83.1     | 37                |

**Figure 2: REDD+ funds and initiatives (2008–2021)**



In contrast, the Amazon Fund, considered to be a results-based payment mechanism, has approved USD 705 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. 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 2022.

### Who pledges and deposits REDD+ finance?

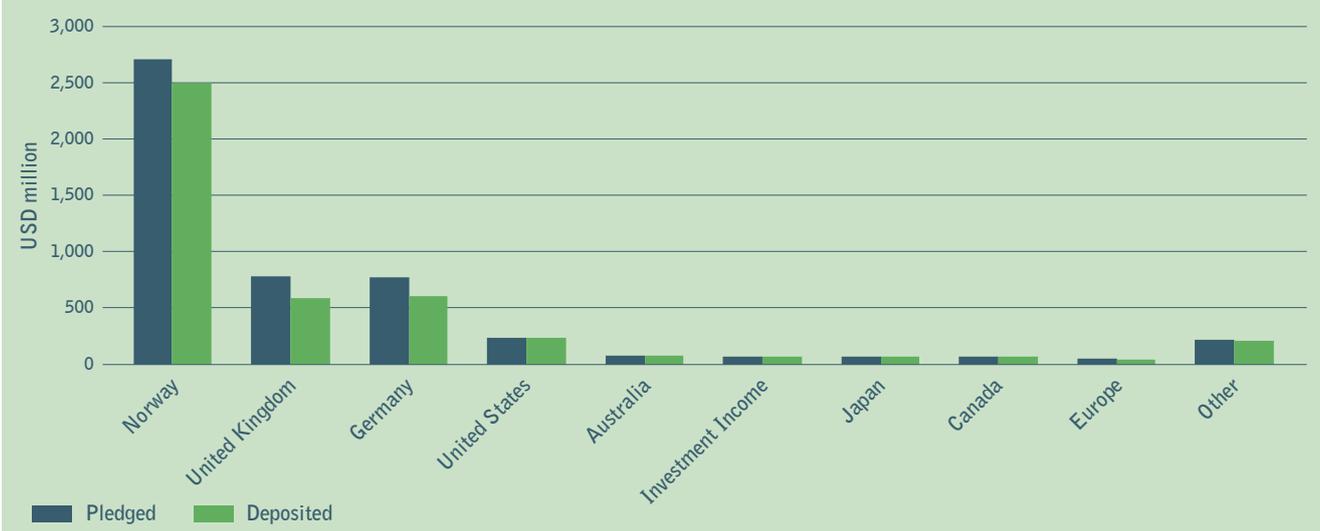
Norway has contributed the largest amount of finance to multilateral funds for REDD+ activities (Figure 3). Norway's contribution represents 53% of the total pledged amount. The United Kingdom, Germany and the United States are also major contributors of REDD+ finance, providing resources to multilateral funds as well as implementing bilaterally.

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

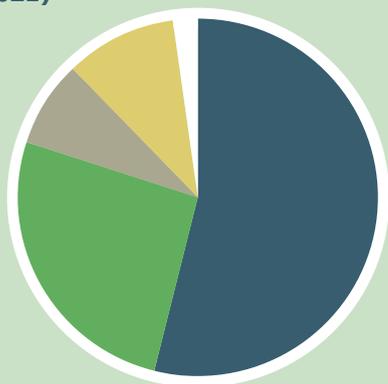
Figure 4 shows 54% of approved multilateral REDD+ funding or USD 1.5 billion targets Latin America. The Amazon Fund provides support to 102 projects in Brazil and the Amazon biome and accounts for 46% or USD 705 million of this amount. The next largest recipient region is sub-Saharan Africa, with 26% of multilateral REDD+ funding or USD 764 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 263 million. In Asia, Indonesia is the largest country recipient of REDD+ finance, with USD 179 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 (31%). The DRC, Indonesia, Argentina and Mexico all follow as top recipients of REDD+ finance, with over USD 84 million each of multilateral funding for REDD+ approved. Although not a dedicated REDD+ fund, by December 2020 the GCF

**Figure 3: Pledges and deposits to REDD+ funds in Table 1 (2008-2021)<sup>3</sup>**



**Figure 4: Regional distribution of approved multilateral REDD+ finance from major funds (2008-2021)**



- Latin America and the Caribbean 54%
- Sub-Saharan Africa 26%
- Global and regional 8%
- East Asia and Pacific 10%
- South Asia 2%

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 UN-REDD Programme, Central African Forest Initiative (CAFI) and FIP approved new projects in 2021, including six multi-country programmes and those in Brazil, the Central African Republic, the Congo Republic, Guatemala and Nepal.

More funds that target both adaptation and mitigation are supporting forestry relevant projects, however. GEF-7 approved one project to improve watersheds on agricultural land in Mexico (USD 4.6 million) and two projects to strengthen institutional and technical capacities in sectors including forestry in the DRC and Vanuatu (USD 2 million and USD 1 million respectively) in 2021, for example, while the GCF has approved 16 more projects and programmes with a focus on forestry and land use since 2020, including USD 279 million to reduce the impacts of climate change in the Amazon biome in six countries and USD 165 million in Ethiopia for resilient landscapes and livelihoods.

#### 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.climatefundsupdate.org](http://www.climatefundsupdate.org)

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