



## Climate Finance Thematic Briefing: REDD+ Finance

## Climate Finance Fundamentals **5**

DECEMBER 2014

Marigold Norman, Alice Caravani, Smita Nakhooda, Charlene Watson, ODI and Liane Schalatek, HBF

Since 2008, USD 2.81 billion has been pledged to five multilateral climate funds that support efforts to reduce emissions from deforestation and degradation plus conservation (REDD+). Despite strong interest in the potential to harness market based mechanisms to support REDD+ programmes, the future of such mechanisms remains highly uncertain. Despite this, the past 12 months have seen some significant new financial and political commitments for REDD+ with the Warsaw Framework of COP 19 and new pledges at the UN Climate Summit in September 2014 as well as an acceleration of funding activities. 80% of overall funding pledged has been deposited to date: Norway is the largest contributor of REDD+ finance, followed by the UK, Germany and the United States. Through these funds USD 1.07 billion has been approved for REDD+ activities since 2008 with a 65% increase in the levels of finance approved in the last 12 months.

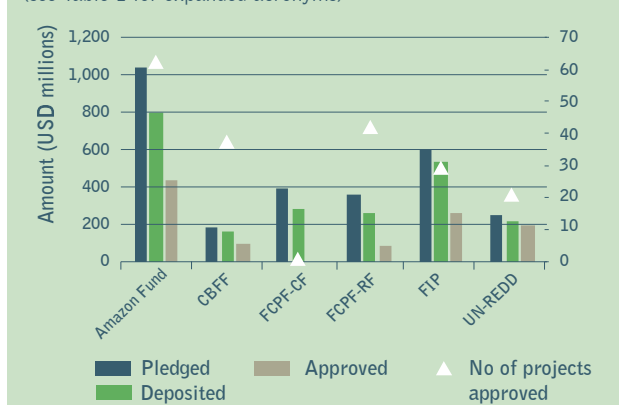
### Overview

REDD+ has come into prominence following the recognition that land use change, principally deforestation, is responsible for 12 - 20% of global greenhouse gas 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-sensitive beneficiary schemes and traditional and indigenous usage rights are acknowledged and protected. The Warsaw Framework on REDD+ negotiated at COP 19 has highlighted the importance of safeguards implementation in addition to focus on financing for verified emissions reductions results. 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 focus on REDD+ finance?

REDD+ finance is provided by several different institutions. The World Bank's Forest Carbon Partnership Facility Carbon and Readiness Funds (FCPF-CF/RF), the Forest Investment Program (FIP) of the Climate Investment Funds, and the UN-REDD program are multilateral funds for REDD+ that have

**Figure 1: Dedicated REDD+ funds and initiatives**  
(see Table 1 for expanded acronyms)



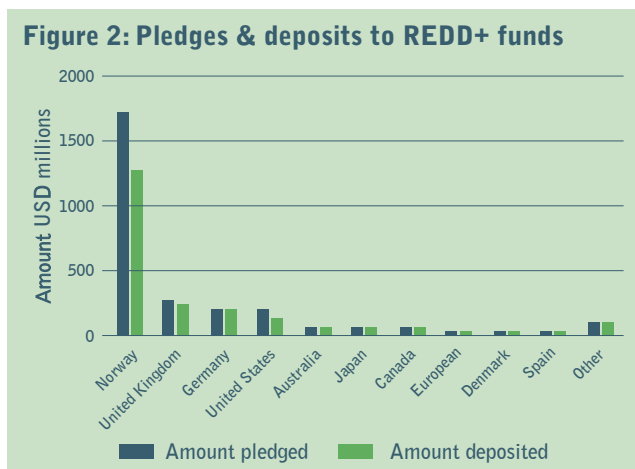
**Table 1: Dedicated REDD+ funds.**

Fund / Initiative <sup>1</sup>	Pledged (USD M)	Deposited	Approved	No of projects approved
Amazon Fund	1,033.60	792.19	431.38	62
Forest Carbon Partnership Facility - Carbon Fund (FCPF-CF)	388.40	280.62	0	0
Forest Carbon Partnership Facility - Readiness Fund (FCPF-RF)	355.13	257.93	87.86	42
Forest Investment Program (FIP)	599	530	258.97	29
UN-REDD	248.84	215.22	192.54	21
Congo Basin Forest Fund (CBFF)	186.02	164.65	95.38	37

approved USD 539.37 million. In addition, the Carbon Fund has earmarked USD 63 million for Costa Rica for verified emissions reductions. Payments will be based on results, and as such, the Carbon Fund has not yet formally approved finance for projects. Finally, the Amazon Fund and the African Development Bank administered Congo Basin Forest Fund (CBFF) focus on financing REDD+ in their respective regions, and have approved USD 527 million in funding so far.

Pledges to the five main REDD+ focused funds have increased by 15% (or USD 364 million) over the past 12 months. The FCPF-RF and CF have secured the most significant pledges. In addition, 80% of all the pledges to the five multilateral funds have now been deposited, a sharp increase in the last 12 months. Project approvals have also risen, with a 65% increase in levels of finance approved. The FIP is responsible for the largest increase in approvals with USD 189 million committed over the last 12 months.

### Who pledges & deposits finance for REDD+?



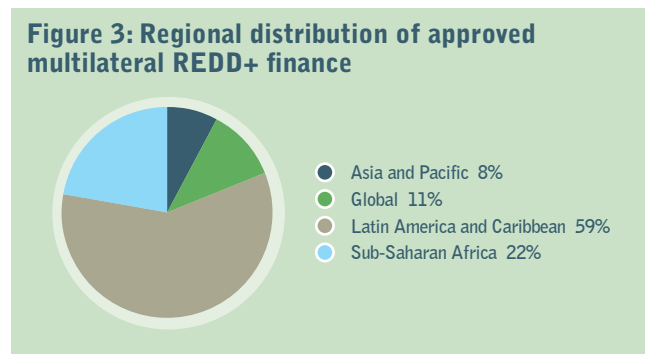
Norway has contributed the largest amount of finance to multilateral funds for REDD+ activities (see Figure 2). Norway's contribution represents 62% of the total pledged amount. The UK, the US and Germany are also major contributors of REDD+ finance, providing resources to multilateral funds as well as implementing bilaterally.

Outside the multilateral climate funds, a number of significant new bilateral pledges have been made alongside the UN Climate Summit in September 2014. These include Norway's USD 300 million pledge to Peru for verified emissions reduc-

tions and USD 150 million to Liberia to support zero deforestation by 2020. 2014 also saw additional, albeit non-legally binding, political commitments to REDD+ through the New York Declaration on Forests. This declaration signed at the Climate Summit also pledges to cut natural forest loss in half by 2020, and strive to end it by 2030.

### Who receives the money?

CFU data records 45 countries as recipients of multilateral REDD+ finance, although about half of the total approved REDD+ finance is concentrated in Brazil. Indonesia, one of the biggest recipients of REDD+ finance to date, receives the majority of funding through bilateral relationships with Norway and Australia. Multilateral funds have approved USD 9.5 million for REDD+ activities in Indonesia to date. Three global REDD+ programs have been approved so far amounting to USD 122 million. The largest is the USD 97.5 million UN-REDD Support to Country Act, which aims to benefit all UN-REDD Programme partner countries simultaneously by developing and delivering knowledge-based services, products and expertise to assist their progress through the full REDD+ process from initial readiness to full implementation and results-based actions.



59% of approved multilateral REDD+ funding or USD 627.2 million targets Latin America and the Caribbean. The Amazon Fund support to 61 projects in Brazil accounts for 69% or USD 431.4 million of this amount and the FIP provides USD 63.80 million to Mexico.

22% of multilateral funding or USD 232.4 million has been approved for projects in Sub-Saharan Africa. The biggest recipient of overall REDD+ finance in the region is the DRC, which has received USD 80 million.

#### References

- Climate Funds Update: [www.climatefundsupdate.org](http://www.climatefundsupdate.org) (data accessed November 2014)
- Marigold Norman and Smita Nakhoda. 2014. "The State of REDD+ Finance." CGD Working Paper 378. Washington, DC: Center for Global Development. <http://www.cgdev.org/publication/state-redd-finance-working-paper-378>
- The REDDX – Tracking Forest Finance. <http://reddx.forest-trends.org/>

#### End Notes

1. The Climate Investment Fund (CIF) figures only include projects approved by Multilateral Development Banks.

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)