

CLIMATE FINANCE THEMATIC BRIEFING: REDD+ FINANCE

CLIMATE FINANCE **5** FUNDAMENTALS

FEBRUARY 2023

Charlene Watson, ODI, Liane Schalatek, hbs, and Aurélien Evéquoz

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 3 billion has been approved for dedicated REDD+ activities since 2008. In 2022, the Forest Investment Program of the Climate Investment Funds became the dedicated REDD+ fund with the largest amount of financing approved with USD 688 million for 59 projects, surpassing approved funding by the Amazon Fund, whose operations, after having been frozen since 2019, are expected to fully resume in 2023 under Brazil's new government.

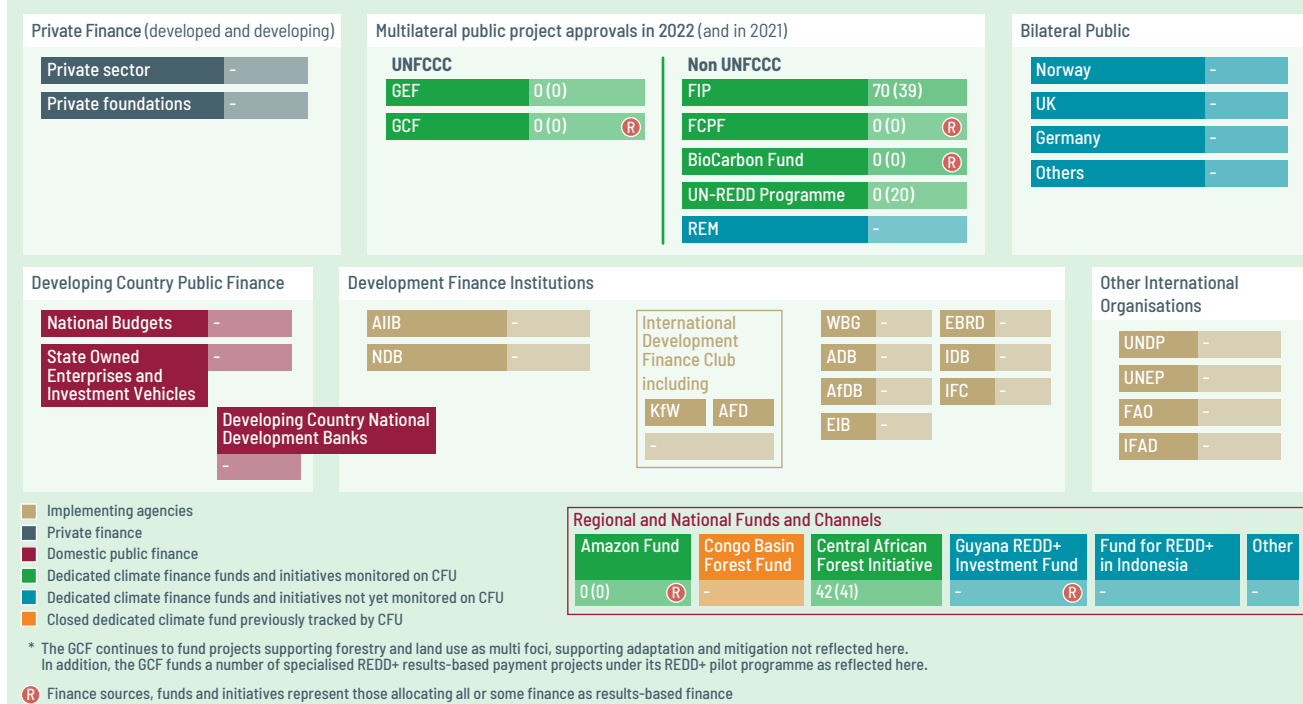
The year 2022 has seen relatively low approvals for REDD+ with USD 111 million, whereas this amount was relatively stable during the past five years averaging 216 million. The increase observed in the past years was due to the rise of funding from the Green Climate Fund (GCF). By November 2022, it had 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, currently under review. 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 since 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.

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		

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).

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

Table 1: Climate funds supporting REDD+ (2008–2022, USD millions)

Fund	Pledged	Deposited	Approved	Projects approved
Forest Investment Program (FIP)	752.6	752.6	688.1	59
Amazon Fund	1,288.2	1,228.2	679.7	102
Green Climate Fund (GCF) ¹	500.0	500.0	496.7	8
UN-REDD Programme	389.8	355.5	353.1	39
Forest Carbon Partnership Facility (FCPF)	1,344.5	1,344.5	314.3	46
Central African Forest Initiative (CAFI)	794.8	572.1	308.4	26
Congo Basin Forest Fund (CBFF) ²	186.0	164.7	83.1	37
BioCarbon Fund	350.9	237.6	71	5

Figure 2: REDD+ funds and initiatives (2008-2022)

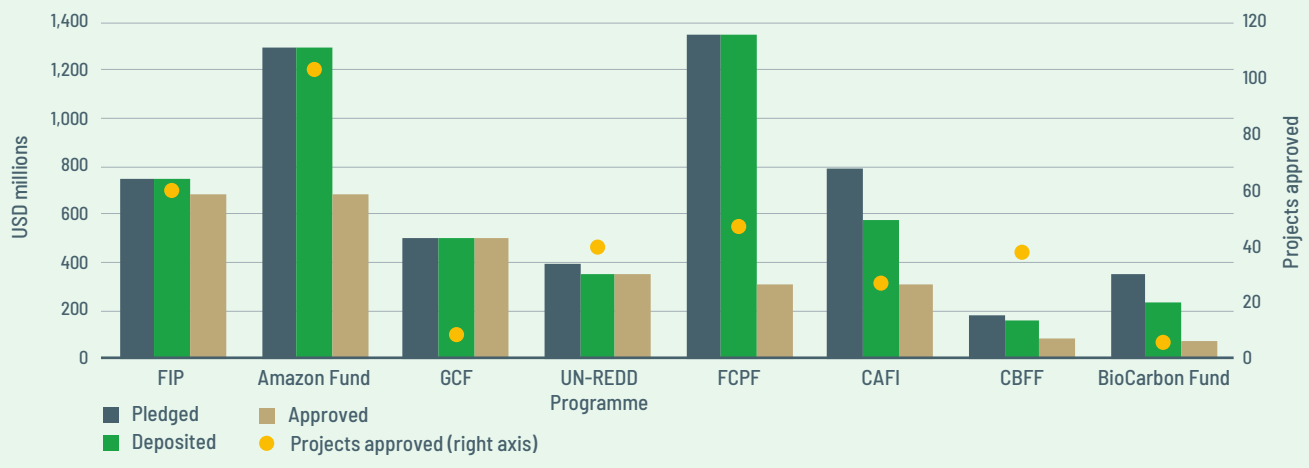
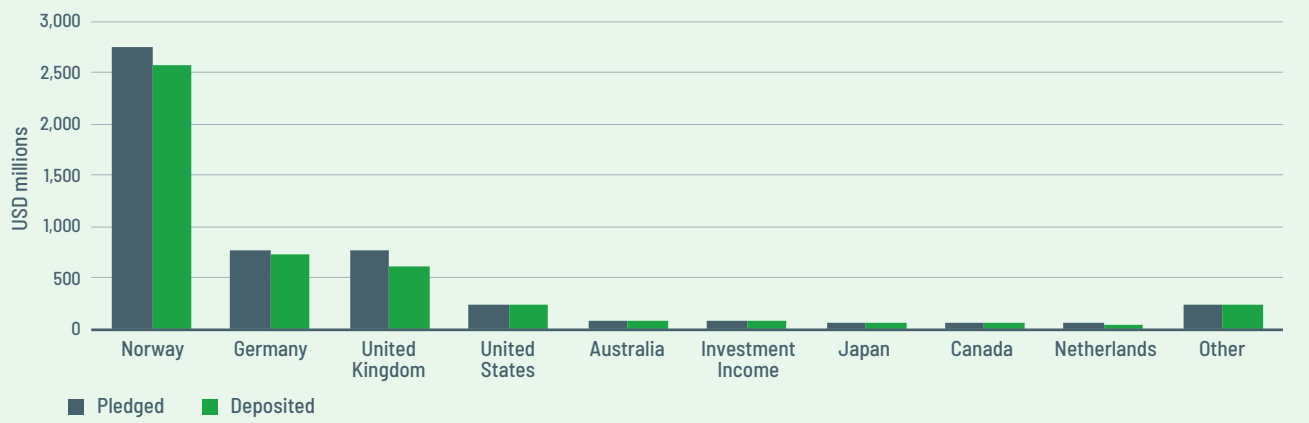


Figure 3: Pledges and deposits to REDD+ funds in Table 1 (2008-2022)³



- 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 680 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 2023.

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 54% 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.

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

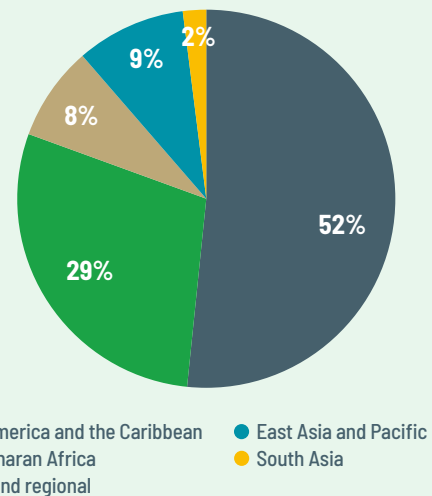
Figure 4 shows 52% of approved multilateral REDD+ funding or USD 1.5 billion targets Latin America. The Amazon Fund provides support to 102 projects in Brazil and the Amazon biome and accounts for 44% or USD 680 million of this amount. In a funding hiatus since 2019 when the previous Brazilian administration suspended its activities, under a new Brazilian government it resumed its funding operations in early 2023 (Wilson Center, 2023). The next largest recipient region is sub-Saharan Africa, with 29% of multilateral REDD+ funding or USD 863 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 278 million. In Asia, Indonesia is the largest country recipient of REDD+ finance, with USD 175 million in REDD+ approvals.

Climate Funds Update (CFU) data records 59 countries as recipients of multilateral REDD+ finance, although close to a third of the total approved REDD+ finance is concentrated in Brazil (29%). The DRC, Indonesia, Argentina and Ghana all follow as top recipients of REDD+ finance, with over USD 83 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 UN-REDD Programme did not approve new projects in 2022 whereas the Central African Forest Initiative (CAFI) and FIP approved eleven and six new projects, respectively. Out of these 17 projects, 13 projects are located in sub-Saharan Africa, three are in Latin America and one is deployed in North Africa.

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 17 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. In 2022, it approved USD 9 million for one additional project in the Peruvian Amazon focused on support for ecological small-scale businesses for Amazon forestry products as part of sustainable forestry management.

Figure 4: Regional distribution of approved multilateral REDD+ finance from major funds (2008-2022)



References and further reading

- Climate Focus (2017) Progress on the New York Declaration on Forests: finance for forests - goals 8 and 9 assessment report. Berlin: Climate Focus. <https://climatefocus.com/wp-content/uploads/2022/06/NYDF-report-2017-FINAL.pdf>
- Climate Focus/NYDF Assessment Partners (2019) Protecting and restoring forests: a story of large commitments yet limited progress. New York Declaration on Forests Five-Year Assessment Report. Berlin: Climate Focus. <https://forestdeclaration.org/images/uploads/resource/2019NYDFReport.pdf>
- Climate Funds Update: www.climatefundsupdate.org
- GCF (2017) Request for proposals for the pilot programme for REDD-plus results-based payments. GCF/B.18/06. Incheon, South Korea: Green Climate Fund. http://www.greenclimate.fund/documents/20182/820027/GCF_B.18_06_-_Request_for_proposals_for_the_pilot_programme_for_REDD-plus_results-based_payments.pdf/0691c547-110a-4bee-886b-084664326fe1
- Norman, M. and Nakhoda, S. (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>
- UK COP26 Presidency (2021a) Glasgow Leaders' Declaration on Forests and Land Use. London, United Kingdom: UK COP26 Presidency. <https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/>
- UK COP26 Presidency (2021b) The Global Forest Finance Pledge. London, United Kingdom: UK COP26 Presidency. <https://ukcop26.org/the-global-forest-finance-pledge/>
- UNFCCC (2014) Report of the Conference of the Parties on its nineteenth session, held in Warsaw from 11 to 23 November 2013. FCCC/CP/10/Add.1. Bonn: United Nations Framework Convention on Climate Change. <https://unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf#page=24>
- Wilson Center (2023) The Return of the Amazon Fund and Lulu's Race to Cut Deforestation. Washington, DC: Wilson Center. The Brazilian Report. <https://www.wilsoncenter.org/article/return-amazon-fund-and-lulas-race-cut-deforestation>

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 up to 2021 also available in French and Spanish at www.climatefundsupdate.org

© ODI and hbs 2023.
CC BY-NC 4.0.

ODI
203 Blackfriars Road | London | SE1 8NJ | UK
Tel: +44 (0)20 7922 0300

Heinrich Böll Stiftung Washington, DC
1432 K Street, NW | Suite 500 | Washington DC 20005 | USA
Tel: +1 202 462 7512