

CLIMATE FINANCE THEMATIC BRIEFING: REDD+ FINANCE

CLIMATE FINANCE **5** FUNDAMENTALS

FEBRUARY 2025

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Since 2008, USD 6.5 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 2024, the Forest Carbon Partnership Facility (FCPF) 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 (FIP) of the Climate Investment Funds (CIFs) 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 2024 has seen high approvals for REDD+ with USD 341 million as compared to an average approval of USD 203 million during the past five years. This is reflective of the activities from the Amazon Fund which approved a record amount of USD 205 million in 2024. By December 2024, the Green Climate Fund (GCF) had approved at least 21 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. The GCF decided in 2024 to mainstream REDD+ results-based payment approaches under its normal funding cycle going forward, with a funding cap still to be set for its GCF-2 programming period until the end of 2027. 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. Confirmed by the high level in REDD+ approvals from the multilateral climate change funds in 2024, 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 COP28 announcement to create a multilateral investment fund for global tropical forest conservation called the Tropical Forest Finance Facility.

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

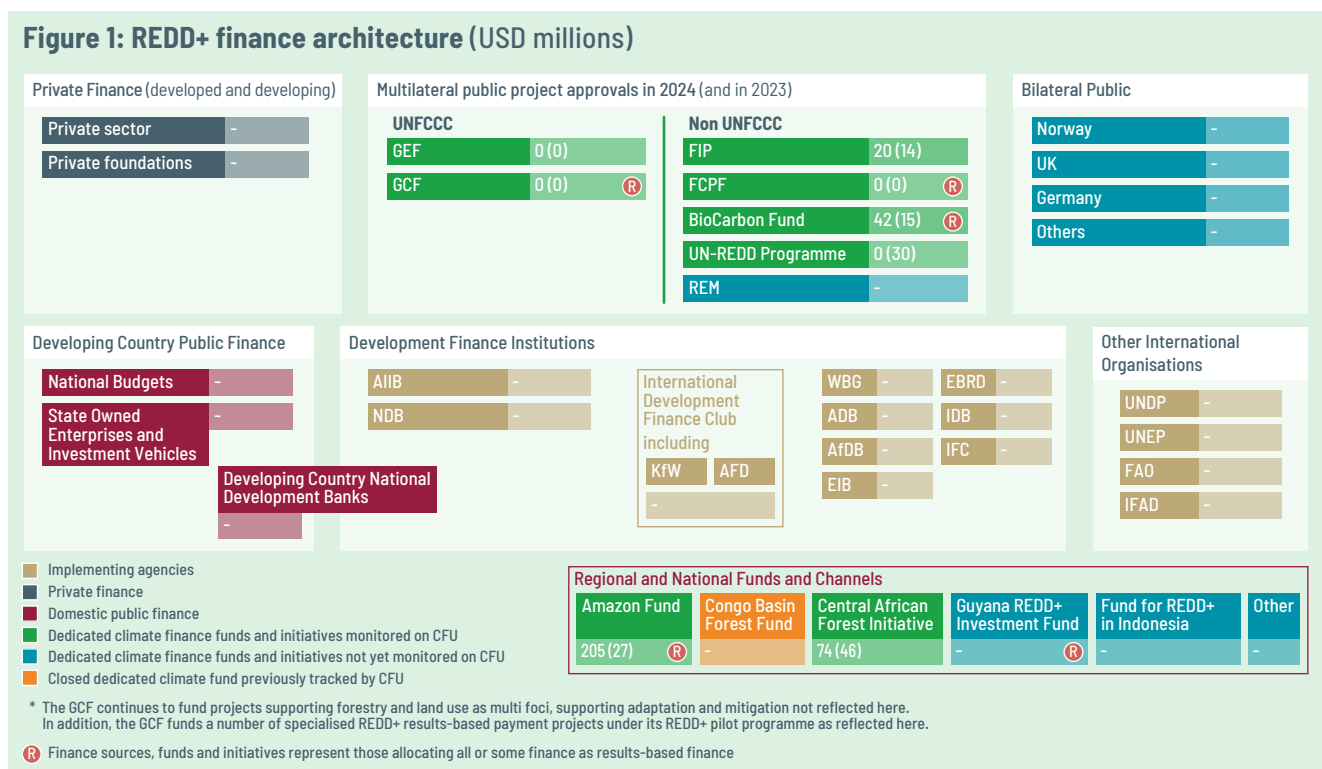
protected. The Warsaw Framework on REDD+ negotiated at COP19 highlighted the importance of safeguards implementation in addition to a focus on financing for verified emissions reductions results (UNFCCC, 2014). The idea of harnessing carbon market-based mechanisms to support REDD+ has attracted substantial interest and work continues to ensure high social and environmental integrity for carbon credits. At COP29, Parties finalised key rules and guidelines for international carbon trading under Article 6 of the Paris Agreement, although work remains for international cooperation. Over the years, 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 Leaders' Declaration on Forests and Land Use at COP26, which now brings together over 140 countries whose territory covers 90% of the world's forests, promised 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. Brazil, which will host COP30, proposed the establishment of a global tropical forest conservation fund at COP28. The Tropical Forest Finance Facility (TFFF), which will be supported by Germany, Colombia, the United Arab Emirates, Malaysia and Norway in its set-up to be launched at COP30 in Belém (Brazil, 2024), is conceived as an investment fund

rewarding forest protection and restoration through annual payments where countries keep deforestation below 0.5% of total forested area. The facility, with a fundraising target of USD 125 billion, would lead to results-based payments for forest conservation and restoration in 70 tropical countries, with yearly payment of USD 4 per hectare. It is also reported that Brazil will encourage a sister fund, the Tropical Forest Mechanism announced mid 2024, that will allow highly polluting industries to channel earnings to forest conservation. With ambitions for the TFFF to receive contributions from sovereign wealth funds, philanthropic foundations, and investors as lenders, it remains unclear how it would interact with these existing multilateral REDD+ funds (Mongabay, 2024; Global Foundation, 2024).

Which climate funds support REDD+?

REDD+ finance is provided by several different institutions (Figure 1). The multilateral REDD+ funds include multiple modalities for impact. Many of these multilateral funds supporting REDD+, particularly those developed early on, have focused on building capacity, strategies, data and accountability systems, recognising the complex drivers of



Multilateral Funds and Initiatives		Development Finance Institutions	
BioCarbon Fund	BioCarbon Fund (World Bank)	ADB	Asian Development Bank
CAFI	Central African Forest Initiative	AFD	Agence Française de Développement (French development agency)
FCPF	Forest Carbon Partnership Facility	AfDB	African Development Bank
FIP	Forest Investment Program (implemented through WB, ADB, AfDB, EBRD and IDB)	AiIB	Asian Infrastructure Investment Bank
GCF	Green Climate Fund	EBRD	European Bank for Reconstruction and Development
GEF	Global Environment Facility	EIB	European Investment Bank
REM	REDD+ Early Movers Programme	IDB	Inter-American Development Bank
UN-REDD Programme	United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation	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		

forest use and land use change. This includes the UN-REDD Programme, the Forest Investment Program (FIP) of the Climate Investment Funds (CIFs), and the World Bank's Forest Carbon Partnership Facility Readiness Fund (FCPF-RF), all of which support partner countries through projects providing technical and financial assistance to set up an enabling environment for REDD+.

REDD+ finance is ultimately, however, intended to support developing countries to move beyond capacity building and readiness towards demonstration programmes and emission reductions with finance offered on a payment-for-performance basis. The Central African Forest Initiative (CAFI) and the Amazon Fund are both regional actors that seek to deliver REDD+ and raise pledges to the fund based on emission reductions at landscape or national level. In contrast, the BioCarbon Fund, the World Bank's Forest Carbon Partnership Facility Carbon Fund (FCPF-CF), and the GCF REDD+ results-based payment pilot directly deliver and pay for 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 48% of the USD 1.6 billion approved for REDD+ activities in the past seven years. The FCPF Carbon Fund approved

15 ERPAs between 2018-2021 and the BioCarbon Fund approved two ERPAs in Ethiopia in 2023 and Zambia in 2024, unlocking up to USD 15 million and USD 30 million in result-based payment, respectively. To date, eight partner countries of the FCPF Carbon Fund have received results-based payments, totaling USD 164 million. In contrast, eight results-based REDD+ projects were delivered under the GCF between 2019-2020 with partner countries receiving USD 497 million. In 2024, the GCF decided after a thorough review of its REDD+ pilot programme under a new policy for REDD+ results-based payments (RBP) to mainstream the approach into the regular project and programme activity cycle instead of starting a second programming phase, with modalities, templates and an updated score-card building on the pilot phase and review findings. The funding allocated to REDD+ RBP is to be determined under each programming period of the GCF (and not yet set for the ongoing GCF-2 programming period until end of 2027). Four countries that had submitted and were deemed eligible under the initial pilot programme, namely Laos, Papua New Guinea, Vietnam and Uganda, are allowed to still submit their funding proposals for REDD+ RBP under the initial pilot framework as an exception, with funding set aside (GCF, 2024).

Together, while recognising the difference in modalities between ERPAs and other programmes, the multilateral REDD+ funds have approved USD 4 billion for project activities (Figure 2, Table 1).

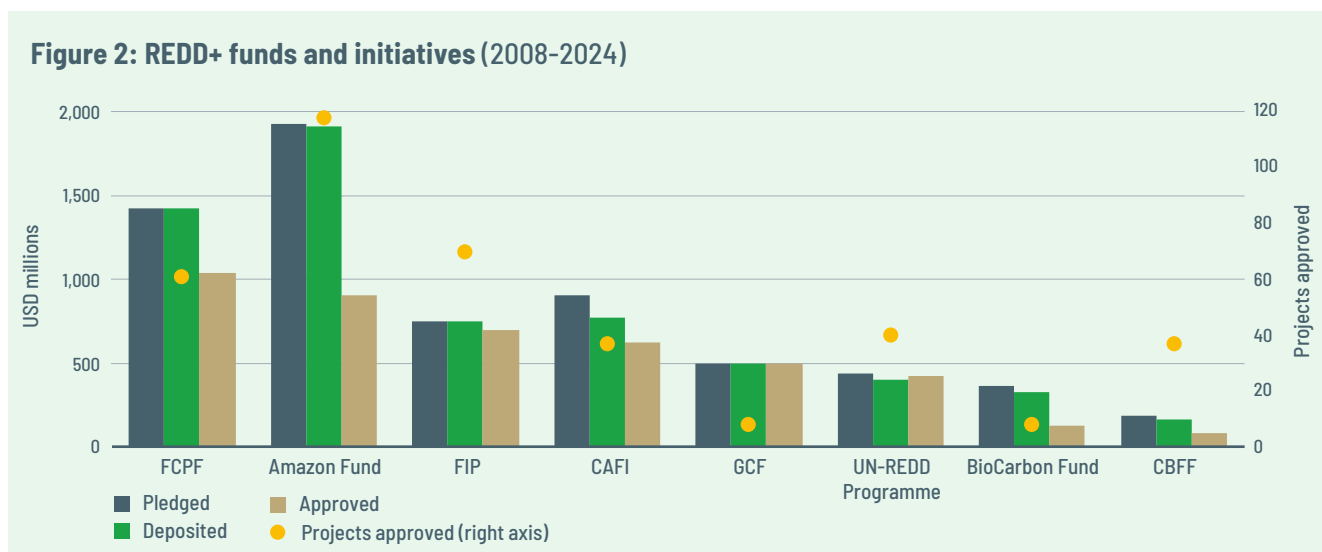
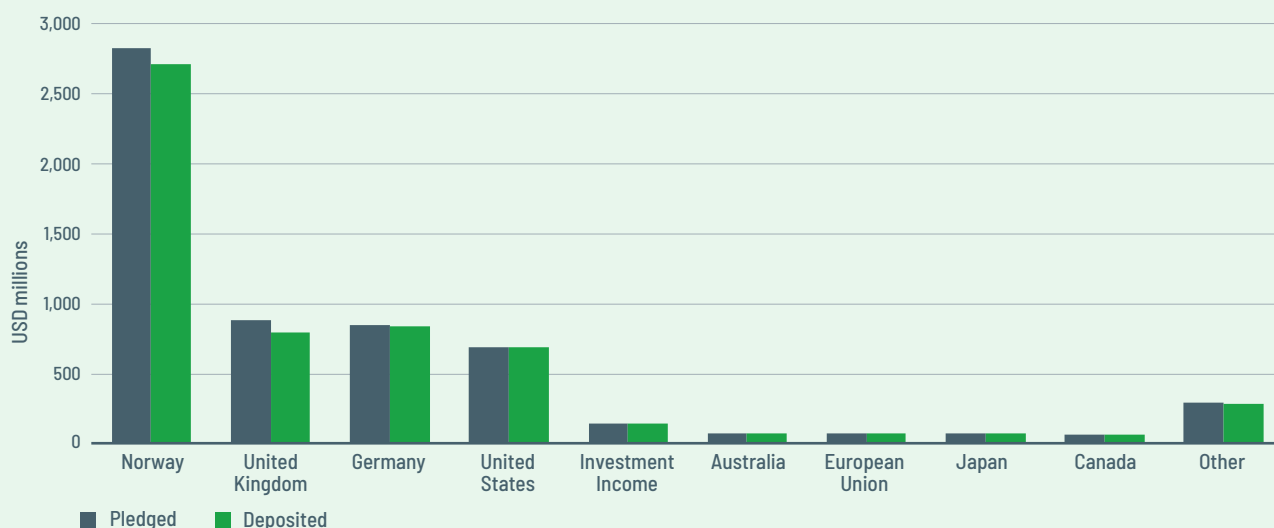


Table 1: Climate funds supporting REDD+ (2008-2024, USD millions)

Fund	Pledged	Deposited	Approved	Projects approved
Forest Carbon Partnership Facility (FCPF) ¹	1,419.7	1,419.7	1,035.6	61
Amazon Fund	1,925.1	1,910.9	903.5	118
Forest Investment Program (FIP)	751.2	751.2	696.7	70
Central African Forest Initiative (CAFI)	903.0	774.0	627.0	37
Green Climate Fund (GCF) ²	500.0	500.0	496.7	8
UN-REDD Programme	436.2	400.3	426.7	40
BioCarbon Fund	363.0	332.1	128.7	8
Congo Basin Forest Fund (CBFF) ³	186.0	164.7	83.1	37

Figure 3: Pledges and deposits to REDD+ funds in Table 1 (2008-2024)⁴



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 47% 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.

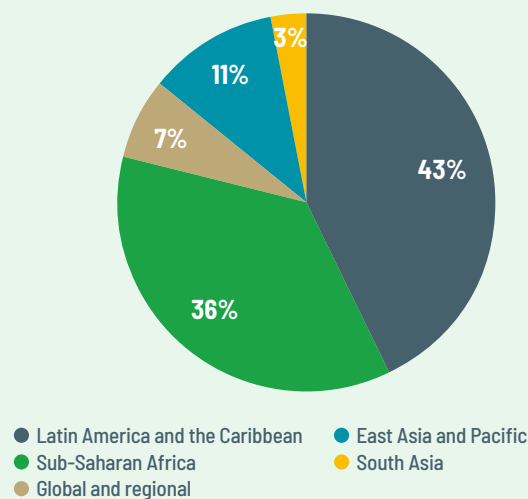
Who receives the money and what kind of projects are funded?

Figure 4 shows 43% of approved multilateral REDD+ funding or USD 1.9 billion targets Latin America. The Amazon Fund provides support to 118 projects in Brazil and the Amazon biome and accounts for 47% or USD 904 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 five new projects then and 11 new projects in 2024 (Wilson Center, 2023). The next largest recipient region is sub-Saharan Africa, with 36% of multilateral REDD+ funding or USD 1.6 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 473 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 64 countries as recipients of multilateral REDD+ finance, although close to a fourth of the total approved REDD+ finance is concentrated in Brazil (24%). The DRC, Indonesia, Ghana and the Congo Republic all follow as top recipients of REDD+ finance, with over USD 132 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;

going forward, the GCF is ending the pilot approach by mainstreaming GCF REDD+ funding into its normal project programming cycle, with a funding amount set per four-year programming period. This will likely increase overall funding being made available, as demand remains strong. However, four countries deemed eligible under the initial pilot programme, namely Laos, Papua New Guinea, Vietnam and Uganda, can still submit their funding proposals under the initial pilot framework as an exception and with funding set aside for them. Seven of the approved REDD+ pilot projects are based in Latin America, with the eighth in Indonesia. Among dedicated multilateral REDD+ funds, the FIP and CAFI each approved four new projects in 2024, while the UN-REDD Programme did not approve any projects this year. Finally, the BioCarbon Fund approved its second ERPA, as well as a program to support its implementation in Zambia in 2024. Out of these ten projects, six are located in sub-Saharan Africa, two are in India, one is in Tunisia and one is a global project.

Figure 4: Regional distribution of approved multilateral REDD+ finance from major funds (2008-2024)



More funds that target both adaptation and mitigation are supporting forestry relevant projects, however. GEF-8 approved one global project to strengthen technical capacities and knowledge on forest-related data collection (USD 2 million) in 2024, for example, while the GCF has approved 21 more projects and programmes with a focus on

forestry and land use since 2020. In 2024, it approved two new projects, including USD 62 million to improve forest governance and support climate resilience in Indonesia and USD 35 million to contribute to the reduction of emissions through forest protection and sustainable land management in Vietnam.

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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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