



Funding Opportunities for REDD+ in GCF Member States/Provinces May 7, 2010

Executive Summary

GCF member states have immediate opportunities to raise funds for their REDD+ programs from donors. Funds can either be raised individually or by the GCF as a group. Despite pledges by developed countries for REDD+, it is too soon after Copenhagen to have much clarity on “how” and “when” REDD+ Fast Track funds will be spent. In most, there is no clear signal from donors as to whether they will directly fund sub-national REDD+ initiatives at the state and provincial level.

This report updates GCF members with the latest available information on REDD+ finance. This is not a final report. The data in it is not fully vetted. Over the next few months, donors are expected to provide more details on how much, when, and what types of REDD+ funds will be available and to whom. The “Paris-Oslo” process of REDD+ donors and recipients is expected to produce a report of REDD+ donor commitments in early summer. We will continue to identify whether state and province REDD+ initiatives can apply directly to donors. This report covers the US and Norway situations in relatively more detail than others, due to the size of commitments and since we had better access to, and dialogue with, these donors. In May and June, we hope to better understand European nations’ and Japan’s REDD+ programs.

Immediate steps GCF members should pursue include:

1. Member states should coordinate with their national governments to co-develop proposals to funders (country-to-country funding is still the easiest).
2. Engage mission offices (offices in recipient countries’ capitals) and home offices (agency officials in donor capitals) simultaneously. For instance, in the US, USAID proposals that Washington “likes” *and* that have been forwarded by mission offices in developing countries have the best chances of success.
3. Collaborate and share information on donors, possibly via a password-protected platform on the GCF website.
4. Develop joint GCF materials for funders, including:
 - a. A GCF overview and its role in the 2010-2012 REDD+ landscape
 - b. Marketing materials members can use in the grant applications
 - c. Compilation of GCF ‘needs assessment’ that is accessible to funders
5. Consider pooling technical resources, in particular forest monitoring, field carbon protocols, and docking of these components.
6. Explore development of a “*Governors’ Climate Forest Taskforce Fund*” (GCF-F) to pool risks, opportunities under the integrity of the GCF.



Introduction

This is the Tropical Forest Group's (TFG) report on the collective \$4 to \$5 billion in public REDD+ monies pledged by donors since Copenhagen. This report updates a memo circulated April 24, 2010.

The GCF secretariat asked TFG to look into the status of REDD+ fast track funds, identify potential donors for GCF member states/provinces, begin to position the GCF in front of the donor community, and make recommendations to the GCF. This report has 4 sections:

1. Status of REDD+ fast track funds including information for each donor
2. Donor coordination of REDD+ funds
3. Conclusions
4. Recommendations

It is important to note that even the gross totals pledged by donor nations for fast-track REDD+ are only best estimates. There are competing versions as to how much money donor governments have pledged and how much money will be made available and when. The REDD+ commitment by Japan in particular is highly uncertain. There is very little transparency to REDD+ pledges and even less detail on how funds will be spent. While we cannot report to the GCF precisely how donor governments plan on spending their REDD+ monies, we do make some initial observations and recommendations.

Research into donor REDD+ funds will continue, resulting in a final report to the GCF on REDD+ fast track funding in the early summer of 2010. This process should be coordinated with, and built into the GCF WGIII activities, which are expected to ramp up in the second half of 2010.



Status of REDD+ Fast Track Funds

Donors in Copenhagen promised to spend **\$3.5 billion** during the 2010 to 2012 window. There is no formal registry of these commitments, although several governments and NGOs have called for a registry of commitments. After the Paris meeting in March 2010, total REDD+ pledges have been reported as high as **\$4.9 billion¹** for the three years, with new commitments from Spain, Germany and Slovenia. These pledges are summarized below (in descending order of size) and explained in more detail in the following sections.

- **Norway** – pledge is assumed to be between \$1.0 and \$1.5 billion for this period. There is some variation between reports (the Norwegian President at COP 15 said \$1 billion for the 3 years, but Norway earlier pledged up to \$0.5 billion per year). TFG believes the \$1.0 billion for the three years is actually budgeted.
- **United States** – pledged \$1 billion for 2010 to 2012 (\$233 million proposed for 2010 and \$347 million proposed for 2011).
- **Australia** –pledged to spend up to \$626 million for the 3 years (\$243 million in 2010, \$243 million in 2011, and \$140 million in 2012, averaging \$208m/year), but this has not been confirmed. Australia has a current \$273 million Forest Carbon Initiative, but the timeframe for this initiative is unclear (some monies have been promised before 2010). Australia would not confirm its pledge or provide additional detail in an email exchange.
- **Japan** – is reported to have offered \$500 million (\$167m/year). We found no information on Japan’s plans and the pledge has not been confirmed.
- **UK** – pledged \$450 million (about \$150m/ year at current exchange rates).
- **European Commission** – pledged \$380 million (estimated \$127m/year).
- **France** – pledged \$336million (approximately \$112m/year).
- **Spain** - announced \$150million (\$50m/year).
- **Germany** - announced \$118million (\$39m/year).
- **Slovenia** - announced \$12million (\$4m/year).

¹ The main difference between estimates of \$4.4b and \$4.9b are due to different signals from Norway. Norway has said it will *definitely* spend \$1b from 2010 to 2012 but it has also reiterated to TFG that Norway *may* spend up to \$0.5b per year in that period. Reports of Japan’s pledge towards REDD are also unsubstantiated.



Norway

Norway has abundant information on their website on their REDD+ funding mechanism (Norway's International Climate and Forest Initiative)². Norway is in the process of an internal review of their REDD+ program.

Norway has indicated it will primarily:

- 1) Spend the bulk of their money on bi-lateral initiatives or multi-lateral programs,
- 2) Provide support to NGOs through NORAD (approximately \$25m/year),
- 3) Fund REDD+ projects Norway has already engaged.

TFG sent a list of questions to the Norwegians to clarify their commitment and to get a sense as to whether Norway is amenable to funding state and province wide REDD+ programs. The response was that Norway is open to state or province REDD+ applications that are at sufficient scale and within their budgeting period. So this is good news - the largest international donor to REDD+ is open to GCF state and provincial applications. We are following up to get more specific information. At the same time, Norway indicated (as have most other countries) they prefer to move funds at the national level.

Norway operates a Climate and Forest Help Desk telephone number: Climate and Forest Initiative Helpdesk Monday-Friday, 9 a.m.-3 p.m., phone: (+47) 415 70 262.

Due to the sheer amount of funds and Norway's openness to state and province efforts that are scalable, this is a top priority for GCF members to investigate, either on their own or as a collective.

² <http://www.regjeringen.no/en/dep/md/Selected-topics/climate/the-government-of-norways-international-.html?id=548491>



United States

Congressional and administration officials are working to honor America’s pledge of \$1billion over the 2010 to 2012 timeframe with resources under a new “Sustainable Landscape” program. In the current federal budgeting process, there is strong support inside government for this new Sustainable Landscape program (REDD+). While some 2010 funds are becoming available, 2011 and 2012 monies have not been authorized or allocated.

Support for the US government’s Sustainable Landscape program is being vigorously promoted by a coordinated effort of non-government actors. A group called AD Partners (www.adpartners.org) has been leading efforts to ensure there is coordination among stakeholders, to give advice to US federal agencies, and to convince congress and the administration to fund the program. The AD Partners process has suggested the bulk of US funding should go to a select number of countries and that most funds should be spent on performance-based outcomes.

The GCF Secretariat has been in touch with US officials to introduce the goals of the GCF Taskforce and to introduce GCF members as important early movers in REDD+ that have demonstrated real progress. Several GCF staff met with USAID, State Department and other agency staff in April (2010) to introduce the GCF to different agencies. There was a strong interest by various agencies in the activities being done in member states. This is not surprising, given the US government’s strong support for sub-national REDD+ during UNFCCC negotiations.

Here are brief overviews of the main US agencies and REDD+ finance as proposed by the US Administration to congress.³

Core Sustainable Landscapes Programs (in millions)

	FY09 Est.	FY10 Est.	FY11 R
USAID	90	152	175
State	13	40	25
<i>WB Forest Carbon Partnership Facility</i>	5	10	15
Treasury: Forest Investment Program	0	20	95
Treasury: Global Environment Facility	0	0	32
Treasury: Tropical Forest Conservation Act	20	20	20
Total	123	233	347

US federal spending on forestry, biodiversity, REDD+ and what is now called “Sustainable Landscapes” is spread between various agencies, which are described below. These agencies try to coordinate their efforts although each agency has discretion over their funds and slightly different purposes.

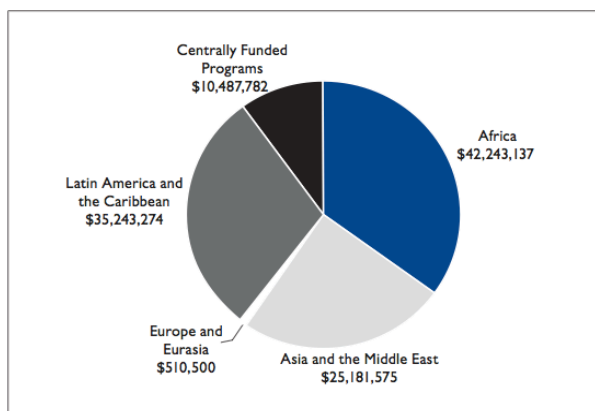
³ Viewable: <http://www.usclimatenetwork.org/resource-database/resource-database/fy-2011-summary-of-core-climate-assistance-budget>



USAID

USAID is the largest US federal agency funding tropical forest conservation and sustainable development⁴. USAID has historically spent around \$100m/year on biodiversity and forestry efforts worldwide (not all in developing countries).⁵ Thus, the US pledge of \$1 billion over the 2010 to 2012 window represents a very significant increase in funding for forestry and biodiversity. While some new funds are likely, there is also some evidence that existing US Overseas Development Assistance (ODA) programs will be “re-branded” as REDD+. Below is an approximate regional breakdown of USAID forestry funding.

Figure 3. USAID Funding for Forestry by Region in FY 2008*



To the best of our understanding, about \$70million in 2010 “Sustainable Landscape” monies at USAID are in the process of getting released. Most of these funds will be sent to USAID missions and regional programs that had earlier submitted funding requests to Washington.

USAID also has centrally-funded programs that are centrally coordinated. These regional and thematic programs have in recent years spent about \$10 million/year on forestry and biodiversity. GCF member states that organize themselves regionally may be able to apply for these regional funds. Also, any novel measurement, review and verification (MRV) technology or system could potentially apply through a technology support division within USAID.

The US is a high priority for the GCF to follow up with given the size of US’s pledge, the US emphatic embrace of sub-national REDD+ and strong existing relationships.

⁴ http://www.usaid.gov/our_work/environment/index.html

⁵ USAID, 2009. Biodiversity Conservation and Forestry Programs: Annual Report. Viewable: http://www.usaid.gov/press/congressional/2009/2009_biodiversity_forestry_report.pdf



Treasury Department

The Treasury Department has managed \$20-25 million per year through its Tropical Forest Conservation Act (TFCA). These are debt-for-nature swaps that retire certain types of developing country debt in return for developing countries funding and implementing specific conservation actions. There is reasonably good information about TFCA on-line⁶. The TFCA program is jointly managed by the Treasury Department and USAID, often in coordination with the State Department.

TFCA programs have recently been trending toward fewer and larger debt relief conservation agreements. In 2009, a \$20 million contribution by the US government (through debt relief) was completed with Indonesia⁷, the largest in history.

The Treasury Department also administers the US funding to the GEF (around \$80m/year). In the US Administration's requested budget for 2011, the Treasury Department would oversee a significant US contribution (\$95 million) toward the World Bank's Forest Investment Program.

US Forest Service

The US Forest Service, part of the US Department of Agriculture, spends around \$7 million per year in international forest programs. The GCF is working to find out more about how this program works and whether this agency will be interested in GCF work.

US Fish and Wildlife Service

This agency handles \$20-\$25 million in forestry and biodiversity funds through three programs: International Affairs Division, Multinational Species Conservation Funds and the Neotropical Migratory Bird Conservation Act. It is unclear how these programs will interact with the Sustainable Landscape program of the US government. Some of these funds have statutory mandates and thus, may not have much flexibility.

State Department

This year it is assumed that the State Department has around \$10 million to spend on REDD+ programs. State department is expected to be able to move quicker than USAID and this agency has expressed an interest in the GCF's work.

Overseas Private Investment Corporation (OPIC)

This little-known agency provides insurance to private American initiatives in developing countries. It has not played any significant role in REDD+ support but there have been some ideas on how to engage OPIC in helping facilitate US involvement in REDD+.

⁶ http://www.usaid.gov/our_work/environment/forestry/tfca.html

⁷ <http://www.state.gov/r/pa/prs/ps/2009/06a/125500.htm>



Australia

By some reports, Australia has pledged up to \$626 million over the three years. In an email exchange with Australia's REDD+ focal point, the representative would not confirm this but said Australia's REDD+ commitments would become public soon.

Currently, Australia has a \$273 million International Forest and Carbon Initiative, administered by the Australian Department of Climate Change and Energy Efficiency and AusAID.⁸ This program has been funding a variety of REDD+ projects in Indonesia and Papua New Guinea, through carbon monitoring work with the Clinton Climate Change Initiative and in various other partnerships. A recently updated website shows specifically how the International Forest and Carbon Initiative has been spending its money.⁹

There is no information online for an application or screening process. TFG has been in touch with the officials overseeing the Australian REDD+ funds. We have learned that they are not planning on having any entity audit their program. Australia does plan to have emissions reductions from its largest program (the Kalimantan Forests and Climate Partnership, KFCP) independently verified. We believe Australia is open to state/province efforts and we believe most of Australia's funds will flow to Indonesia and the Pacific Rim countries. By the end of May 2010, we believe there will be more information about Australia's efforts as Australia supports a global database of REDD+ commitments.

Japan

By some reports, Japan has pledged the largest amount (\$500 million over 3 years) of REDD+ Fast Track finance. However, this information has not been confirmed by Japan. We expect this information will become available in late May or early summer as part of the informal Paris-Oslo process (see section below on "donor coordination").

Japan pledged \$15 billion in all types of fast track funds, \$4 billion that Japan expects to be sourced from the private sector. Of this, \$10 billion had previously (before COP15) been committed to the Cool Earth Partnership¹⁰. Japan is currently developing a "Program Grant Aid for Climate and Environment" that is its new scheme for funding climate related programs in developing countries.

⁸ <http://www.climatechange.gov.au/government/initiatives/international-forest-carbon-initiative.aspx>

⁹ <http://www.climatechange.gov.au/en/government/initiatives/international-forest-carbon-initiative/action.aspx>

¹⁰ <http://www.mofa.go.jp/policy/economy/wef/2008/mechanism.html>



There is almost no publicly available information about how Japan plans to spend its REDD+ monies. We have identified a few key people within the Japanese government and have sent them a set of questions. We met with a Japanese official in Bonn who was very interested in the GCF and its work and we are following up. Given the size of Japan's reported REDD+ commitment, this is a country that would seem to be open to learning more about the GCF and its member states.

UK

At this point we don't have much to report. TFG hopes to partner with the Global Canopy Programme to follow the UK government's contributions toward REDD. The UK has pledged a total of \$2.4 billion in all types of fast track support. The Department for International Development (DFID) and the Department for Environment, Food, and Rural Affairs (DEFRA) will likely be the key agencies. The UK will probably work through expanding current programs such as the Congo Basin Forest Fund, the Forest Law and Governance, the Forest Investment Program and DFID's mission offices.

Europe

Much of Europe's REDD+ money is expected to flow through the Forest Law, Enforcement and Governance (FLEGT) initiative. Europe has proposed the following interventions in REDD+ from 2010 to 2012.

- ▶ Helping build reporting systems and national capacities to monitor deforestation, strengthen institutions, and develop national strategies to combat deforestation.
- ▶ Supporting experimental, innovative performance-based mechanisms to provide positive incentives for the reduction of emissions from deforestation in developing countries.
- ▶ Expanding programs such as the FLEGT initiative.

The European Union appears to be the most predisposed to fund national strategies and not sub-national efforts. Part of Europe's REDD+ monies may flow through its Global Climate Change Alliance (between Europe and vulnerable developing countries.) Europe expects to spend 60m Euros from 2010 to 2012 in this Alliance.

French

France pledged upwards of \$600 million per year in all types of fast track funding (2010-2012) for developing countries for various sectors. Yet (according to the World Resources Institute) only \$560 million has been officially committed for all three years. President Sarkozy has taken the issue of REDD+ finance seriously and the only portion of funding to be earmarked is 20%, or \$112 million, for REDD+ mitigation efforts. One report shows this amount to be annual and another report shows this to be the total French commitment for the three years. We are following up to find out this information.



It is expected the Institute of Research for Development (IRD) would be responsible for disbursing the funds. Jean-Louis Borloo, French Minister for Sustainable Development has also proposed a new "Climate Justice Fund." We do not have a clear indication currently on how France plans to spend REDD monies or if France would entertain state/province funding requests for REDD+.

Spain

The government of Spain is reported to have pledged \$50 million per year for the three-year period. There has not been confirmation of that pledge, but Spain has promised the UN REDD program \$22.5 million.

Germany

Germany has pledged that 20 to 30% of its Fast Track funding will go to REDD+. Traditionally, in the UNFCCC negotiations Germany has not embraced REDD and has been opposed to sub-national REDD. However, various Germany agencies (KfW and GTZ) have been funding various REDD programs in developing countries.

Slovenia

We do not have information on Slovenia's REDD+ activities at this point.



Donor REDD+ Fast Track Funds Coordination

As mentioned above, there is no central repository for REDD+ funding opportunities. Funds are being channeled through bi-lateral (country to country) or multi-lateral (World Bank's FCPF and FIP, UN REDD) channels. The "Paris-Oslo" process is a dialogue among key REDD+ donors and recipient countries. Countries met in March 2010 (Paris) and will meet again in May (Oslo). The process is largely closed to civil society and has been criticized for its lack of transparency. We have heard that certain governments are more involved than others and there is some concern the process may be taken over by the more powerful countries. There is also some general concern within the UNFCCC community that the Paris-Oslo process is outside the UNFCCC. But there is also widespread appreciation that with the UNFCCC process stalled, the Paris-Oslo process will be good for REDD+.

There is good "intelligence" in the Paris-Oslo process about what governments are inclined to fund and what they are not inclined to fund. But currently, accessing that information has been a challenge. This is likely to change over the coming months, as studies and potentially a donor database are made public.

Outside of tracking donor commitments and providing general guidance, the Paris-Oslo process is likely to result in only general guidelines and coordination. The Paris-Oslo process is important to follow but unlikely to lead to breakthroughs in funding. The process has largely been procedural to date. Most donor countries are actively deciding how they will spend REDD+ fast track funds. We do not believe they will be greatly influenced by the Paris-Oslo process at the detailed level of how to spend REDD+ funds. This will be done on a country-by-country basis.

McKinsey (the consulting group) is playing a data-gathering role in the Paris-Oslo process. We believe they are collecting key information about funding, funding priorities, and some assessments of sub-national issues. There is also an effort by the World Bank to assess sub-national REDD+ dimensions.

Conclusions

Most donors prefer to partner with respective national governments or through NGOs in developing countries. However, there is an appetite by most donors to consider funding state and province REDD+ efforts (see chart below).

REDD+ Donors, Amounts, Positions on State/Province Funding			
<i>Donor</i>	<i>Approximate Optimistic Annual \$</i>	<i>Position on State/Province funding</i>	<i>--> Notes</i>
Norway	\$500m	Open-minded	Norway will consider state/province funding "...in special cases that are significant enough in scope and within Norway's funding period".
US	\$333m	Positive	The US fought for sub-national REDD forest monitoring in COP15 and sees the importance of state/province efforts
Australia	\$208m	Open-minded	Funding projects, no clear position on states/provinces
Japan	\$135m	Open-minded	No clear position but some interest
UK	\$150m	Unknown	Unclear as of May 2010
Europe	\$127m	Mixed	Funding documents indicate preference for national programs, but Europe has funded projects
France	\$110m	Unknown	Unclear as of May 2010
Spain	\$50m	Unknown	Unclear as of May 2010
Germany	\$39m	Negative	Politically, Germany has not liked sub-national REDD, but does fund some projects
Slovenia	\$4m	Unknown	Unclear as of May 2010
Total	\$1,656m/year		Translates in best case to \$4,968m for 3 years

In general, the donor community does not appear opposed *per se* to funding state/provincial REDD+ initiatives directly. However, this type of international cooperation has not been seen before. It will likely be a slow avenue toward funding GCF REDD+ efforts.



Recommendations

While some donors may be inclined to fund state/province activities, and this should be explored, the easiest, fastest way to access donor funds will be through overseas development agencies (ODAs) in close concert with national governments. This dialogue between GCF members and their national counterparts could be an opportunity for GCF members to begin resolving some of the “nesting” issues that eventually must be addressed between states/provinces and national governments.

As GCF members work with their national counterparts, GCF members should:

- Explain how states and provinces are key intermediaries between the old “project-based” world and the future “national accounting” world.
- Explain that states and provinces are responsible for much of the day-to-day and hectare-by-hectare forest governance, land use planning, enforcement, and social programs that will be critical to sustained REDD+ success.
- Try to identify clear “pass-downs” from national governments to states. In other words, if donors prefer to fund national governments, GCF members should look for donor language that provides clear and direct disbursements from national government to states/provinces.
- Remind donors of the UNFCCC COP 15 decision (4/CP15)¹¹ requesting developing countries to develop national *and where appropriate sub-national forest monitoring systems* for review by Parties. This should give donors comfort to explore moving finance rapidly to states, especially for programs directly associated with forest monitoring.

In outreach to potential donors, GCF member states may wish to downplay credit-generation; donors seem to be trying to still understand the relationship between fast track public funds and any eventual market.

The most promising avenues for GCF funding include:

- Norway has expressed a willingness to entertain large state and province REDD programs although this is not an official position.
- The US’s emerging Sustainable Landscape program, to be administered by USAID, will be a source of new REDD+ funds; the agency is open to state and province initiatives. USAID programs consist of country missions, regional programs, and technical programs, all coordinated through the Washington DC central offices. GCF members should reach out to all of these divisions.
- Japan’s program is very nascent and should be a priority for the GCF to contact and exchange ideas. Its emerging “Program Grant Aid for Climate and Environment” is likely to be a key process for deciding how Japan engages REDD.

¹¹ <http://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf>.
FCCC/CP/2009/11/Add.1, Decision 4/CP15 1 (d)



In terms of moving forward, here are some initial suggestions for GCF members and the GCF as a community.

GCF Members On Their Own Should:

- GCF members should explore the strongest relations possible through their respective national channels of funding (USAID country missions, AusAID, Japan's International Cooperation Agency - JICA).
- Develop two-page summary introductions of their state/province REDD+ activities/accomplishments to send to a range of potential funders.
- Use the WG III "Needs Assessment" process to develop funding proposals.

The GCF as an Entity Could:

- Continue coordinating intelligence of funding preferences of donors, especially on sub-national REDD.
- Work together to make sure that intelligence on the Paris-Oslo process as well as UN-REDD and World Bank (FPCF and FIP) developments are shared within members.
- Compile this information in the password-protected area of the GCF website.
- Develop common materials about the GCF to include in materials sent by GCF states to potential donors.
- Compile the "needs assessment" from WGIII into a common outreach platform to donors. This same outreach should provide potential donors with information for contacting key GCF contacts.
- Provide GCF members advice, support, and coordination in reaching out to donors. Given the dynamics, GCF secretariat may have the best ability to translate US potential funding to GCF members through relations at USAID and State Department (as well as Forest Service, Treasury and others). The GCF Secretariat should identify champions of state/province REDD in various governments and NGOs in key counties.
- Explore a coordinated *GCF Taskforce Fund (GCF-F)*. This fund would pull together a strategic set of needs within GCF members. Such a new fund may allow GCF members to speak with one voice and access funds faster and at a larger scale than individual efforts. Donors want quick success stories that show money went out their doors and made a difference.
- Hire a dedicated grants coordinator within the GCF to help members access donor funds.
- Consider a coordinated trip to DC, Oslo and other friendly nations in the fall (2010) to pitch REDD+ needs or any coordinated funding request.