

# Financing Instruments REDD+



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## REDD+ public financing

- Forest Carbon Partnership Facility (2007)
- Amazon Fund (Fundo Amazônia) (2009)
- Congo Basin Forest Fund (2008)
- Global Climate Change Alliance (2008)
- UN-REDD Programme (2008)
- Forest Investment Program (2009)
- Indonesia Climate Change Trust Fund (2010)
- Norway Indonesia partnership on REDD+
- Green Climate Fund (2011)\* (expected)

Multilateral Programs:	US\$ 2 bi
Bilateral Programs:	US\$ 5 bi
Additional Fast Start pledges	US\$ 4.5 bi

Voluntary carbon (131 mi tons in 2010)      ?

# REDD+ Credits : UNFCCC and beyond

## 1. UNFCCC: Historical development at Cancun

- Role of tropical and sub-tropical forests recognized under UNFCCC:
  - REDD+ will very likely be part of any post-2012 climate regime
- Role of private sector in REDD+ financing to be determined in Durban (COP 17):
  - Working Group on Long-term Cooperative Action to explore options

## 2. California's cap-and-trade system

- Allows offsets equal to 8% of total volume

## 3. Australia:

- Potential to accept credible international REDD+ offsets

## 4. Uncertainty in other emerging regulatory regimes

- EU ETS: Earmarking for REDD+ of EUA auction revenues, but no offsets
- Japan? USA? Canada?

# Facilities

- **Forest Investment Fund:** \$558 million in grants/soft loans for investments to tackle drivers of deforestation
- **FCPF Carbon Fund:** \$ 350 million for purchase of Emission Reductions from REDD+

# CIF



# Forest Investment Program Governance & Financial Support

## FIP Steering Committee

### 6 Country Members:

DRC  
Romania  
Indonesia  
Brazil  
Morocco  
Nepal

### CONTRIBUTORS

Australia  
Denmark  
Norway  
United Kingdom  
United States  
1 seat

## OBSERVERS

2 Non-profit Civil Society, 2 Indigenous Peoples, 2 Private Sector (+2 Alternates each)

## OTHERS

FCPF Secretariat, UN-REDD Technical Secretariat, GEF Secretariat, UNFCCC Secretariat, MDB Committee, Trustee and Pilot Countries under the FIP

Pledges as of April 2010 –  
\$558 million

## FIP In Indonesia

- Finance efforts to address the underlying causes of deforestation and forest degradation and overcome barriers that hindered past efforts.
- Grants and Soft loans provided
- **Brazil, Mexico, Indonesia, Peru**, DRC, Ghana, Burkina Faso and Lao PDR  
Preparation is under way.

# The Forest Carbon Partnership Facility

## Readiness Fund

Capacity Building  
(2008-2015)

Committed + pledged:  
\$232 million

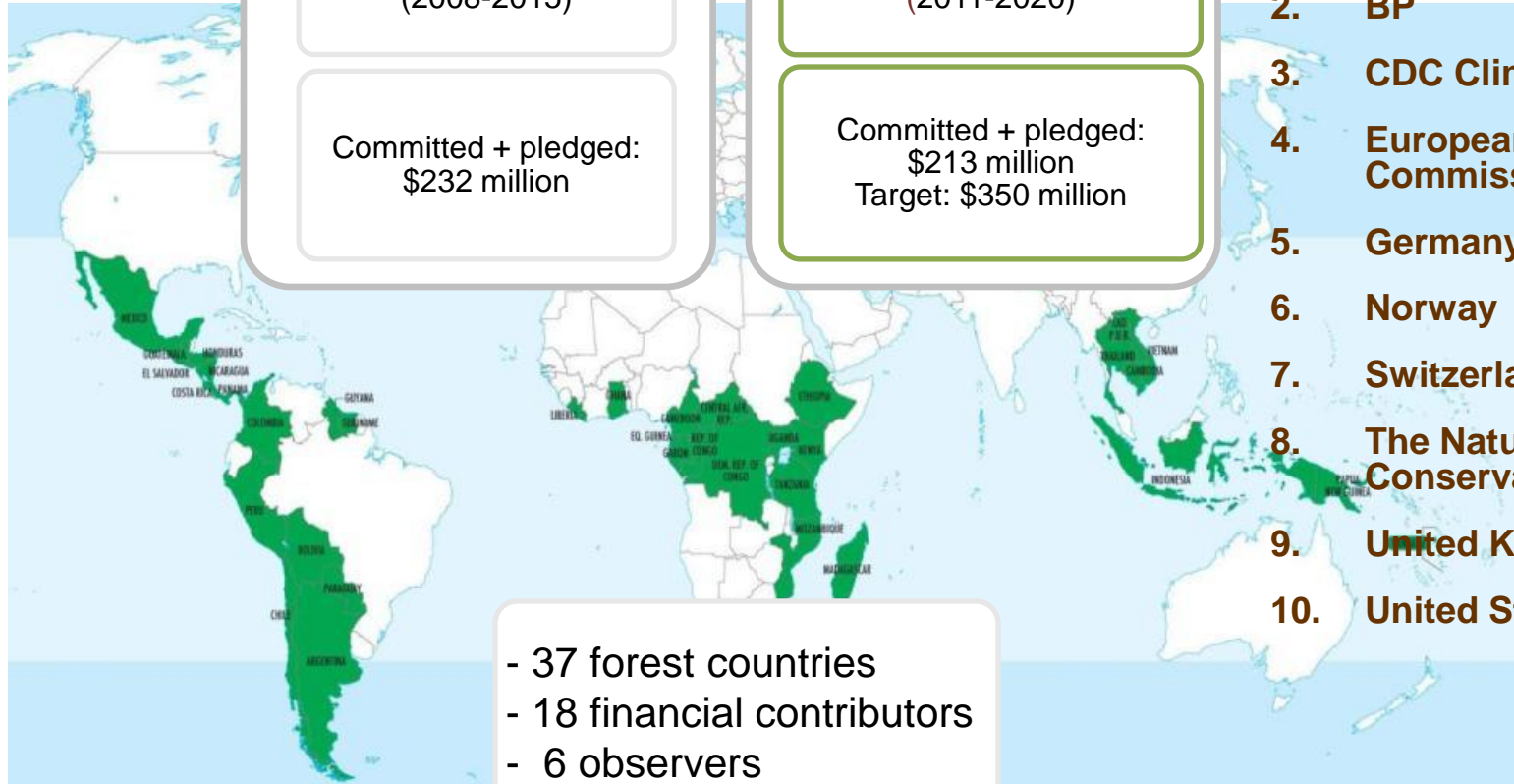
## Carbon Fund

Emission Reductions  
(2011-2020)

Committed + pledged:  
\$213 million  
Target: \$350 million

## CARBON FUND PARTICIPANTS

1. **Australia**
2. **BP**
3. **CDC Climat**
4. **European Commission**
5. **Germany**
6. **Norway**
7. **Switzerland**
8. **The Nature Conservancy**
9. **United Kingdom**
10. **United States**



- 37 forest countries
- 18 financial contributors
- 6 observers

# Objectives of the Carbon Fund

- **Mandate**

- Purchase Emission Reductions from REDD+ programs and deliver them to the Carbon Fund Participants

- **Objectives**

- Kick-start performance-based payments and produce useful experiences through a Public Private-Partnership
- Deliver Emissions Reductions generated by REDD+ programs that
  - *Are consistent with emerging compliance standards under the UNFCCC and other regimes*
  - *Use clear mechanisms so that the incentives for REDD+ reach those who need them*
  - *Maximize the environmental and social co-benefits (safeguards, biodiversity)*
- Serve as a catalyst for larger resources for REDD+

# What kind of programs?

- Support about 5 Programs (US\$ 50 million+ for each program) paid upon performance (Emission Reductions)
- Criteria for selection of sub-national entities:
  - Programs undertaken by a Country that has made progress towards REDD+ Readiness (supported by the Readiness Fund)
  - Undertaken at significant scale, e.g., at the level of an administrative jurisdiction within a country
  - Consistent with the national REDD+ strategy (incl. institutional framework to manage subnational programs)
  - Approved by the national REDD committee or similar institution

# How to live with a potentially fragmented world of buyers?

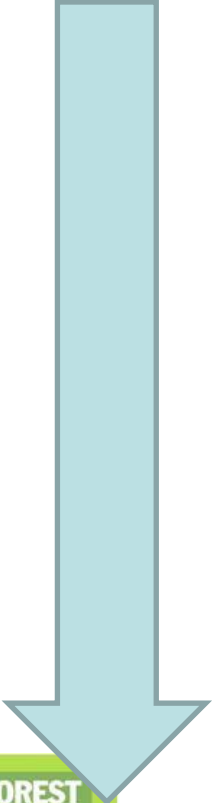
- Seller driven approach (testing) vs. buyer driven approach
- Setting standards more appropriate than detailed methodologies
  - Allows to adopt different “credible” approaches
  - Seems to be more appropriate for large scale programs
- Concentrating on standards leaves more flexibility to attend different demands and different national circumstances

# Standard-Driven Overall Approach:

Principles → Standards → Indicators → Methods

## Concept of Approach:

- UNFCCC will ultimately set methods for REDD+, but in the future.
- CDM, VCS and other existing methods very complex for a national scale.
- FCPF has used standards approach to assess R-PPs successfully.

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- **Principles**: State the desired outcome, and codify the intent of a standard for evaluating a program.
  - **Standards** (or criteria): Identify the conditions that need to be met to deliver on a principle. The benchmark against which a program is evaluated.
  - **Indicators**: Quantitative or qualitative parameters that can be achieved and can be verified. The “metric” for evaluating the standard.
  - **Methods**: Agreed analytic approaches or tools used to generate the data and estimates of parameters (like forest cover change over time) that make up indicators.

# What Does This Mean in Practice?

- Focus on a large scale e.g. administrative jurisdictions (national or sub-national) is an innovative approach and needs demonstration
  - Mix of policies and investments,
  - Results are influenced by global or national factors
  - Innovative financial structures and arrangements needed – mix of performance based and other financing sources
  - Multi-stakeholder, multi-tenure, programmatic approach
- Successful strategies are based on constant dialogue which leads to adjustments and improvements over time
  - There are no “revolutions” in the forest and land use sector, it takes time to balance conflicting agendas
  - Sustainable changes are based on a social capital
  - Important to focus on progress made, even in small steps

# Operational Challenges Moving Forward

- Design of financial mechanism
  - REDD+ payments are performance based; revenue are extremely uncertain, making it difficult to enter into long-term arrangements with stakeholders – delivery risk in REDD+ is enormous
  - Complementary funding may be needed (other donors, public funding, national budget, etc.)
- Management of sub-national activities in national accounting
  - Lack of management capacity and legal and operational complexity
- Achieve highest possible stakeholder participation and deal with safeguard capacity;
- Build an attractive model for the private sector.