

REDD+ Partnership

Bangkok, Thailand, 10-11 April 2011

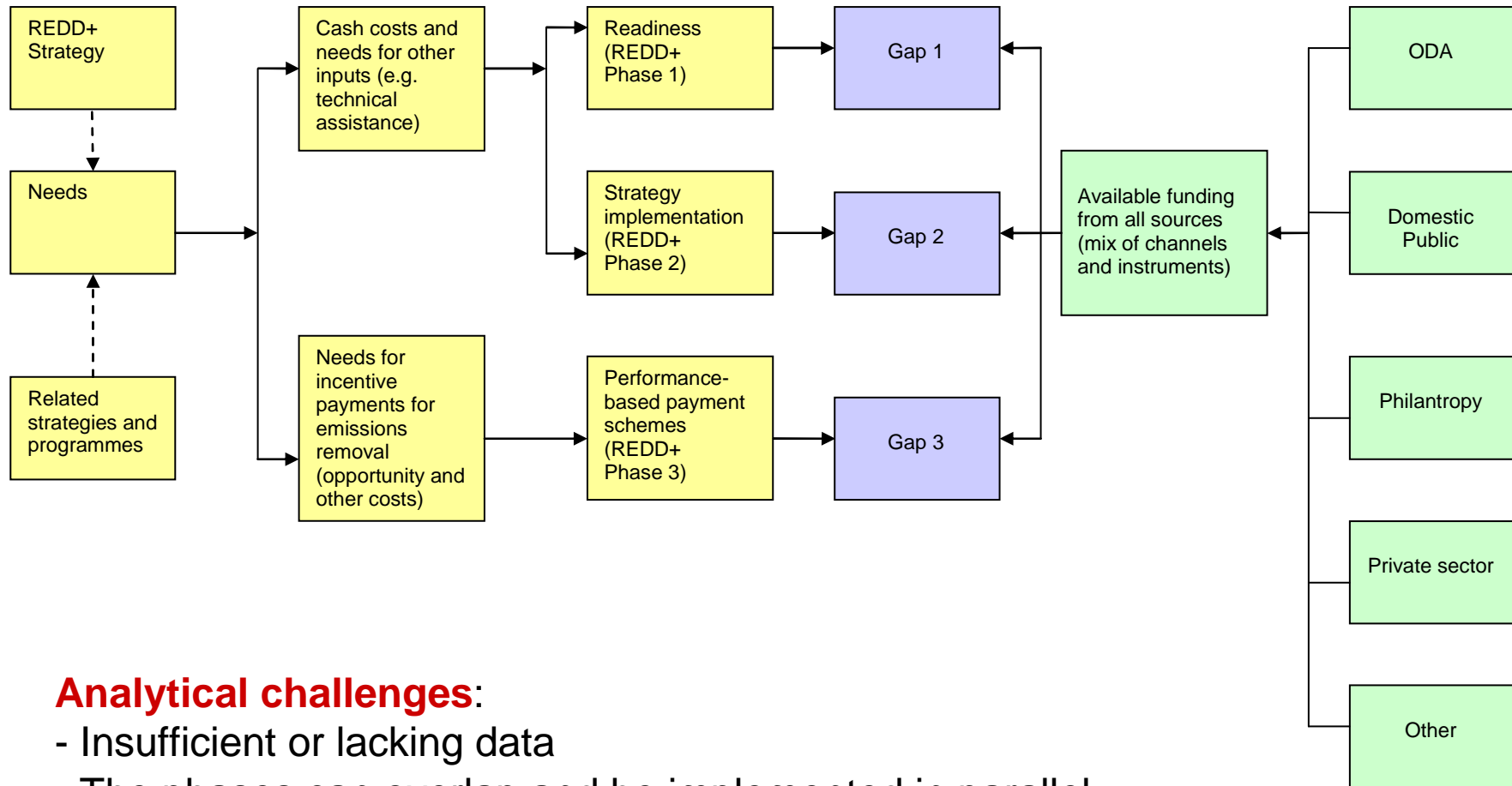
Analysis of REDD+ Financing Gaps and Overlaps

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Outline

1. Needs of REDD+ financing
2. Sources of REDD+ financing
3. Gaps and overlaps
4. Recommendations

Framework of Gap Analysis



Analytical challenges:

- Insufficient or lacking data
- The phases can overlap and be implemented in parallel.
- Many activities are cross-cutting with sustainable forest management or other sectors; REDD+ can be a principal or complementary objective.

Financing Needs of REDD+ Readiness (Phase 1)

Component	- USD 1000 -			%
	Min	Max	Average	Total
1. Organize and consult	536	10,157	2,712	20
2. REDD+ strategy	500	7,644	3,796	28
3. Reference level	85	6,153	1,527	11
4. Monitoring system	120	30,234	5,108	38
5. Program management	60	3470	557	3
Grand Total	4,349	39,589	13,547	100

Source: FCPF R-PP in 18 countries

The UN-REDD budgeted needs range from USD 2.6 to 5.6 million per country.

Country needs vary because of

- Size of the country and ability to contribute to emissions reductions
- Local conditions (importance and nature of drivers, forest situations, etc.)
- Level of country preparedness and earlier investments
- Varying scope of readiness activities (e.g. demonstration)

There is no one size fits all; estimation of needs is still an evolving discipline

Country Estimates of “Additional Financing Needs” for REDD+ (Phases 1-3)

Country	Low carbon plan and REDD+ strategy	Implementa- tion	Demonstra- tion activities	Performance -based payments
- USD million -				
Brazil	1 ¹⁾	7,500
CAR	20	20
Chad	10+10	20	9	9
DRC	12	700	50	3,000
Ecuador	5.0
Gabon	4.0	3.5	100	250
Indonesia	-	10.0	5.0	..
Mexico	20-30	20-30	50-80	20-40
Mozambique	0.3	5.0	0.2	3.0
Nigeria	7.0	5.0	2.0	2.0
PNG	..	40-50	..	3,700
Uganda	65.1-123.5	3.6-6.0

Source: REDD+ Financing Survey (May 2010)

- Country needs vary extensively.
- Few countries have made adequate estimates on demonstration activities and performance-based payments.

➔ There is a need for further guidance and targeted training in this field.

Financing Needs of REDD+

Informal Working Group on Interim Financing for REDD+ (2009):

Needs to achieve 25% reduction in emissions by 2015

- deforestation	USD 20 bill.
- forest degradation	<u>USD 4 bill.</u>
Total	USD 24 bill.

The longer-term needs will be significantly larger.

- Most estimates on long-term financing needs are based on opportunity costs which have inherent weaknesses but they are probably the best global approach for the time being.
- Bottom-up country specific estimates are needed but rarely available.

External Public Sector REDD+ Financing

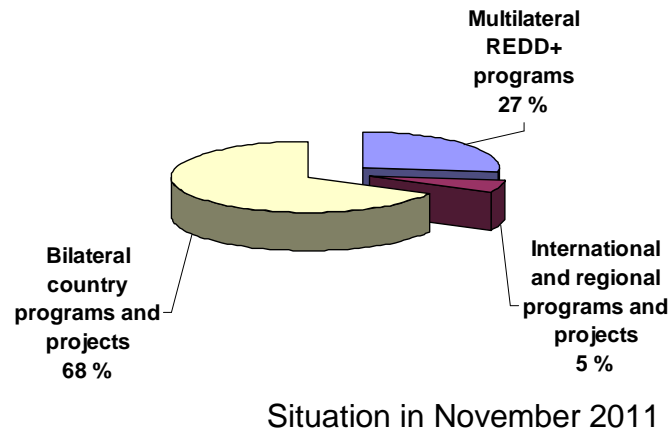
Financing by source/channel from 2008 onwards

	USD million	%
• Multilateral REDD+ programs	1, 903.0	27.0
• International and regional programs and projects	380.0	5.4
• Bilateral country programs and projects	<u>4,764.6</u>	<u>67.6</u>
• Total	7,047.6	100.0

Fast-start pledges for 2010-2012

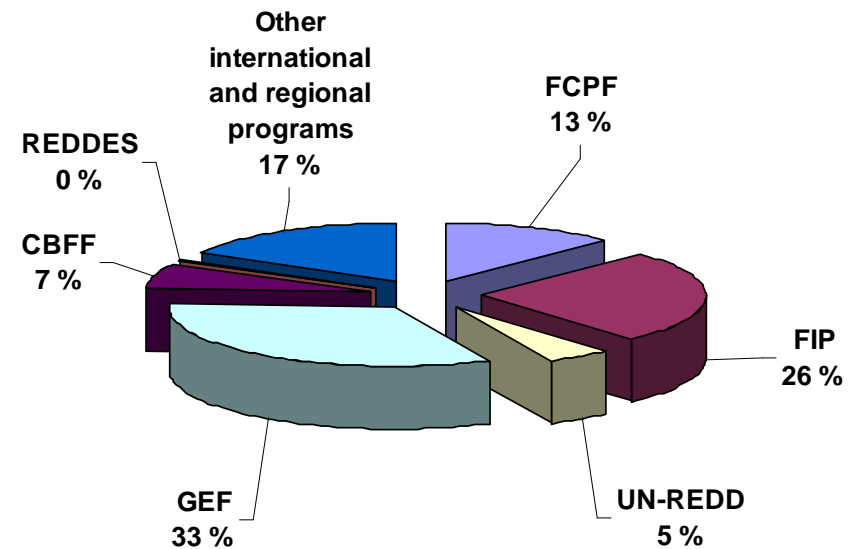
4,000.0

Multilateral Sources of REDD+ Funding

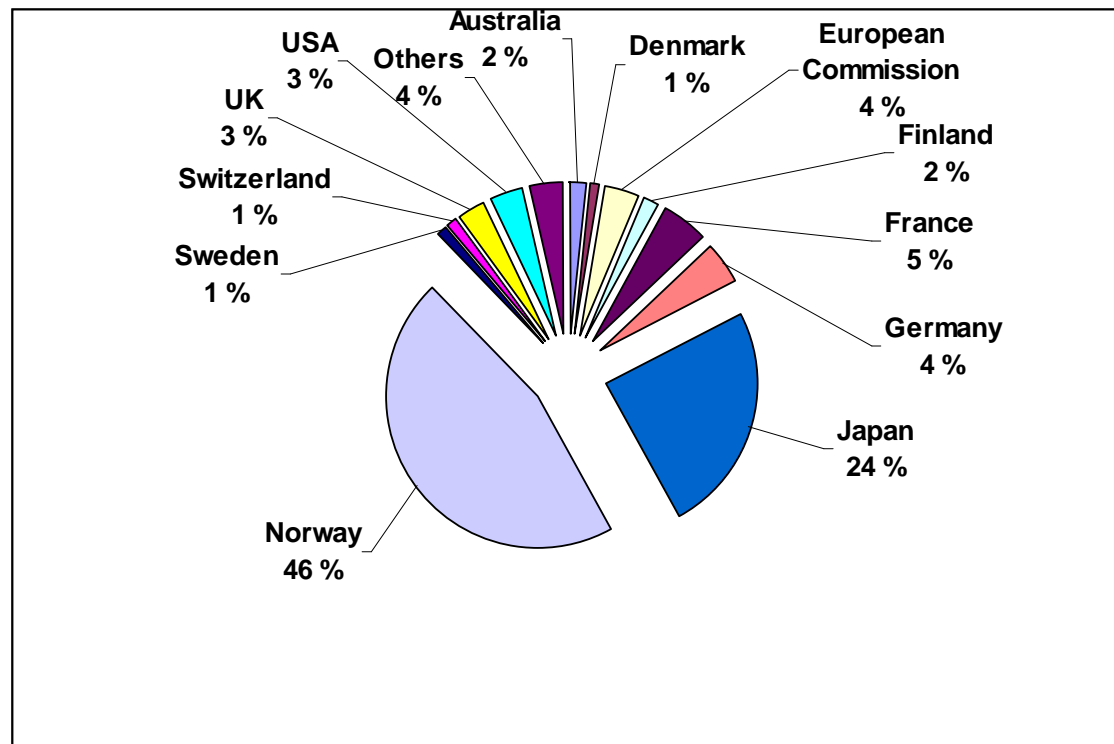


Multilateral channels provide more than a quarter of the total REDD+ financing. In many international and regional programs REDD+ is the main or a complementary objective.

Recent commitments (e.g. to UN-REDD) have changed the program-wise shares.



Sources of REDD+ Funding from 2008 onwards

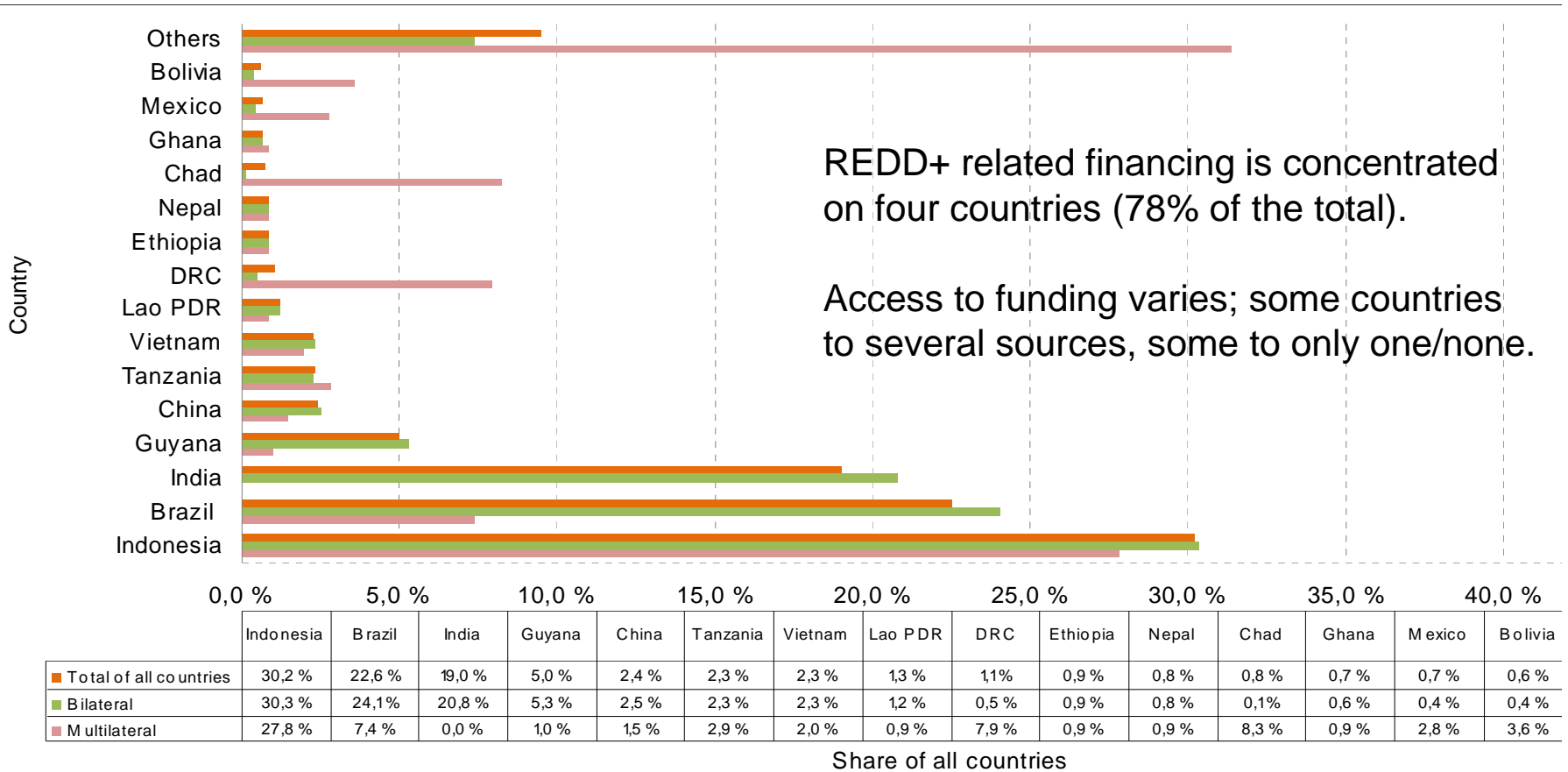


Total USD 6.2 billion

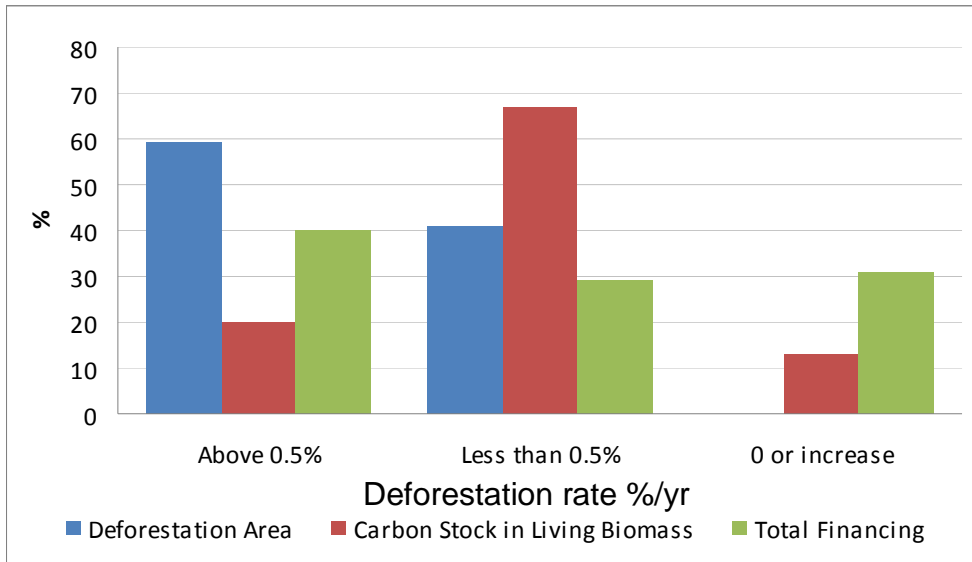
Notes: The data refers to situation in November 2011.

The figures of total funding from 2008 onwards represent programmed commitments (not necessarily spent).

Recipients of REDD+ Funding



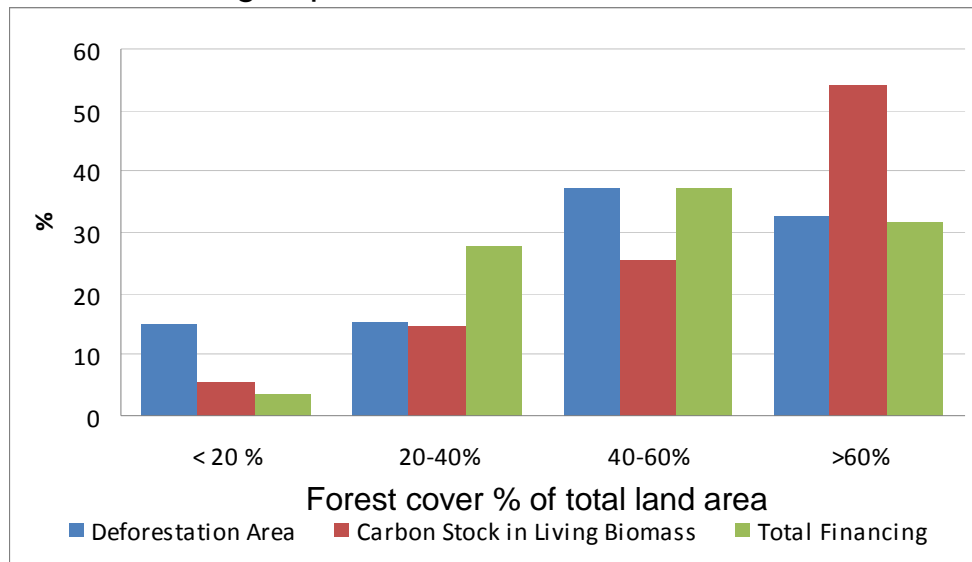
Deforestation rate group



Targets of REDD+ Financing

About 40% of external REDD+ financing from 2008 onwards is directed to high-deforestation countries.

Forest cover group

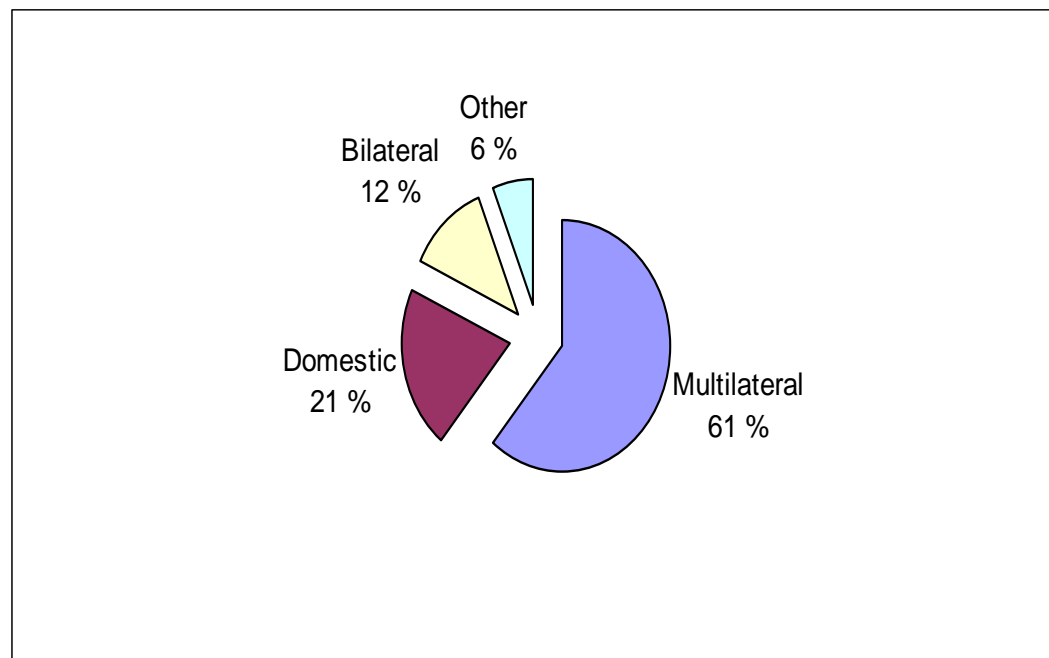


About 69% of external REDD+ financing is shared by high forest cover (>40%) countries.

Financing Sources for REDD+ Readiness

Countries have planned to cover more than 60% of their needs for REDD+ Readiness Phases (total USD 40 million in 16 countries) from multilateral sources.

Domestic financing is planned to cover 21% but the share varies from 0 to 69%.



Source: R-PP budgets for 16 countries (October 2010)

Private Sector Financing

Double roles of the private sector

1. Private sector as an investor in generating carbon emissions reductions from forests
2. Private sector as a buyer of carbon offsets

Market size

The forest carbon market was estimated at USD 150 mill.
(covering 1.7 mill. ha)

Constraints

Demand: regulatory limitations, acceptability of forest carbon offsets, high transaction costs, uncertainty about post-2012 arrangements, lack of domestic market mechanisms

Supply: project-based investments, lack of comprehensive inclusion into carbon markets, concerns on leakage, permanence, additionality, MRV, safeguards

REDD+ Readiness Financing Gaps

Significant financing gaps exist in several countries for REDD+ Readiness phase.

With more countries joining REDD+, financing needs can be expected to increase.

Country	Financing gap	
	USD 1000	% of total budget
Argentina	3,766	39,5
Costa Rica	459	10,6
DR Congo	1,227	5,4
Indonesia	13,264	70,3
Kenya	7,026	67,4
Peru	2,387	30,0
Lao PDR	190	0,8
Sub Total	28,319	..
Tanzania	-437	-4,3
Vietnam	-40	-0,3
Total	27,842	12,8

Source: 16 R-PPs (October 2010). Two FCPF countries (Madagascar and Suriname) had not yet a financing plan in October 2010.

Financing Gaps

- The financing gaps for REDD+ Readiness Phase vary between countries and are measured in millions of dollars.
 - The estimated global medium-term gap measured against the current public sector funding volume is estimated to be extensive (>USD 20 bill./yr) and likely to increase in the long run.
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- ⇒ Most of the current support is directed to REDD+ Readiness and demonstration activities.
 - ⇒ Boosting up financing flows is difficult in the current financial crisis.
 - ⇒ Recipient countries' absorption capacity ("to use funds wisely") can also be a limitation.
 - ⇒ Externalities of deforestation and forest degradation need to be internalized through pricing of CO₂ emissions.
 - ⇒ Private sector participation REDD+ financing is still marginal.

Overlaps in REDD+ Financing

- On a country level overlaps are not yet generally significant but there are exceptions.
- There is an element of overlap between scopes of multilateral and other international initiatives.

Addressing overlaps

- Duplication can only be avoided through effective coordination.
- National REDD+ strategy is a useful integrating instrument and it needs to be tailored to country conditions (no silver bullet).
- Significant funding is allocated through specific regional or national funds representing a potentially agile approach in support delivery.
- Better interfaces between private sector investors and field-level opportunities with the assistance of intermediaries

Recommendations for the Partnership

1. REDD+ Partnership should develop a clear vision on what to achieve and by when with a view to support the UNFCCC process.
2. Cooperative action should be continued to achieve an increased level of harmonization between REDD+ initiatives and funding sources towards more commonality in principles, criteria, procedures, financing mechanisms, monitoring and reporting.
3. Coordination should be strengthened at all levels drawing both on formal and voluntary mechanisms.
4. Improved methodologies and guidance should be developed for estimating REDD+ financing needs and respective training to country specialists should be provided.
5. An effective knowledge management mechanism should be enhanced and put in place through international organizations as a systemic solution to the problem of inadequate sharing of experience at national/international levels.

Recommendations for REDD+ Implementation

1. The three-phased approach to REDD+ should be applied flexibly due to varying national conditions and overlapping phases.
2. A common national REDD+ strategy and budget (a single national document) should serve as a framework covering all program areas and funding sources.
3. A common country level implementation platform should be open for all partners and sources to facilitate implementation and coordination.
4. Bottom-up transparent estimates of financing needs for Phases 2 and 3 should be developed as part of REDD+ national strategy processes.

Recommendations for External Financing

1. Support should be substantial, transparent and predictable to improve effectiveness and to facilitate country-level coordination.
2. Support to on-the-ground REDD preparatory work (including land-use planning, tenure clarification, as well as local-level monitoring and consultation) should be scaled up.
3. Involvement of the private sector should be promoted.
4. Operational partnerships among the public sector, the private sector, multilateral and bilateral agencies, and NGOs for REDD+ implementation should be developed.
5. Various delivery mechanisms and initiatives should clarify and effectively communicate on their competitive advantages.

Recommendations for Improving Information on REDD+ Financing

VRD's new data collection process and revised user interface represent a significant improvement. Possible areas for further action are i.a.

1. A common view should be developed for what can be included in "REDD+ financing" for consistent interpretation among parties.
2. Information on financial flows to REDD+ should be extended to cover all the sources.
3. To avoid double counting of financing flows, bilateral sources should make available information on their funding flows through the various channels used.
4. As a complementary action, developed countries should take action towards revision of OECD DAC Markers to reflect information needs for monitoring ODA funding flows to REDD+, SFM, biodiversity and related activities.

Thank You for the attention !

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