

Submission by Climate Policy Initiative to the Standing Committee on Climate Finance (January 2015)

Suggestions for inputs on relevant information/case studies for the working paper on coherence and coordination for financing for forests

Climate Policy Initiative (CPI) welcomes the opportunity to submit information to inform the Standing Committee on Finance's "Revised background paper on coherence and coordination: the issue of financing for forests, taking into account different policy approaches"¹, and takes this opportunity to provide feedback on the scope and structure of the paper that may be useful to incorporate into future revisions.

Challenges involved in establishing definitions for, and tracking finance related to, the broad range of activities needed to tackle the drivers of deforestation and support transitions to more sustainable economic development pathways are well documented (Buchner et al., 2013). However the SCF has an opportunity to offer guidance that could substantively improve the quality of discussions and work on forest finance. Clearly defining the scope of activities of interest under "forest finance" (and the relation to REDD+) would help Parties and practitioners to engage in those discussions strategically and concretely. To this end we suggest elevating and building upon elements of paragraph 11 of the paper - which discusses definitions and the SCF's scope of interest - and Annex II.

With specific reference to Annex II, CPI offers the following suggestions:

1. **Consolidate the quantitative estimates presented in the main paper with those contained in Annex II**, where the limitations of those estimates (e.g. on pledges vs disbursements) are also raised. In addition, we recommend highlighting the gaps in information on domestic finance and broader private sector investments (beyond offsets), areas for urgent additional work.
2. **Caveat the estimate of 39% of finance being results-based**, given further discussion presented in the paper of Norman and Nakhooda (2014), which highlights that while this finance is currently labeled as results-based, in fact, much of this is probably readiness based.
3. **Elaborate further on the need to work with companies investing in broader agriculture and forestry supply chains** (paragraph 8). Numerous recent studies² point to agriculture (particularly the export of major commodities) as one of the top drivers of deforestation globally. But our understanding remains limited about the range of options available for public and private finance to be partnered in ways that

¹ SCF/2014/7/5/Rev.1 26 September 2014

² To name but two: Kissinger, G., M. Herold, V. De Sy. Drivers of Deforestation and Forest Degradation: A Synthesis Report for REDD+ Policymakers. Lexeme Consulting, Vancouver Canada, August 2012; Martin Persson, Sabine Henders, and Thomas Kastner. 2014. "Trading Forests: Quantifying the Contribution of Global Commodity Markets to Emissions from Tropical Deforestation." CGD Working Paper 384. Washington, DC: Center for Global Development. <http://www.cgdev.org/publication/trading-forests-quantifying-contribution-global-commodity-markets-emissions-tropical>

can transform agricultural practices and improve livelihoods. Efforts to track 'forest finance' should consider a broader range of investments than is currently the case, that deliver real outcomes including e.g. investments in:

- increasing resource productivity up and downstream in the agricultural sector
- protecting high conservation value areas
- economic development that values and maintains high worth natural capital stocks

There is growing evidence that public policies and incentives can be designed and tailored to encourage decision makers and private actors to manage resources and adopt business practices that enhance agricultural production on appropriate lands while protecting high ecosystem value areas.

Finally, CPI emphasizes the high level of uncertainty about actual resources flowing, and the many information gaps that exist, and calls on the SCF to highlight these more clearly. There is in fact no clarity about the range of relevant activities currently being funded, or which actors are advancing action on low-carbon, climate-resilient development in the land-use sector. Existing tracking systems are unable to capture the complexity of the landscape, mainly due to gaps in data availability, inconsistencies in definitions, and lack of coordination between data gathering systems. In short, we do not know how much climate finance is being channeled to the land-use sector, how it is being delivered, what is being paid for and by whom. Nor do we fully understand what activities need to be funded, what types of financing are best suited, and which key players need to be involved. Given this, CPI considers that estimates of percentages or portions of finance flowing could be misleading and urges the SCF to reframe these carefully.

Poor understanding of the current landscape of climate finance in the land-use sector means that current (and potential future) sources of funding for sustainable land use are defined too narrowly and underestimated. This negatively impacts and reinforces overly narrow discussion about relevant policy opportunities, encourages over-specialization of activities and donors, and results in missed opportunities for private actors to investing in practices and approaches that tackle the major drivers of unsustainable production in the land-use sector.

The Forum on Forest Finance in 2015 can play a key role in contributing insights and better understanding of the current flows of finance from public and private sources for climate smart land use. Ensuring that the discussion is appropriately framed and sufficiently broad will be key to ensuring its success and long-term impact.

REFERENCES

Amprí I, Falconer A, Wahyudi N, Rosenberg A, Bara Ampera M, Tuwo A, Glenday S, Wilkinson J. 2014. "The Landscape of Public Climate Finance in Indonesia". Indonesia: CPI. Available from: <http://climatepolicyinitiative.org/publication/landscape-of-public-climate-finance-in-indonesia-3/>

Assunção J et al. 2013. "Production & Protection: A First Look at Key Challenges in Brazil". Brazil: CPI. Available from: <http://climatepolicyinitiative.org/wp-content/uploads/2013/12/Production-and-Protection-A-First-Look-at-Key-Challenges-in-Brazil.pdf>

Buchner B, Falconer A, Hervé-Mignucci M, Trabacchi C, Brinkman M. 2011. "The landscape of climate finance". Venice: CPI. Available from: <http://climatepolicyinitiative.org/publication/the-landscape-of-climate-finance/>

Buchner B, Hervé-Mignucci M, Falconer A, and Trabacchi C, 2012. "Global Landscape of Climate Finance 2012". Venice: CPI. Available from: <http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2012>

Buchner B, Hervé-Mignucci M, Trabacchi C, Wilkinson J, Stadelmann M, Boyd R, Mazza F, Falconer A, Micale V. 2013. "Global Landscape of Climate Finance 2013". Venice: CPI. Available from: <http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2013/>

Buchner B, Stadelmann M, Wilkinson J, Mazza F, Rosenberg A, Abramskiehn. 2014. "Global Landscape of Climate Finance 2014". Venice: CPI. Available from: <http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2014/>

Falconer and Stadelmann. 2014. What is Climate Finance? Definitions to improve tracking and scale up climate finance. Venice: Climate Policy Initiative. Available from: <http://climatepolicyinitiative.org/wp-content/uploads/2014/07/Brief-on-Climate-Finance-Definitions.pdf>