The Impacts of International REDD+ Finance

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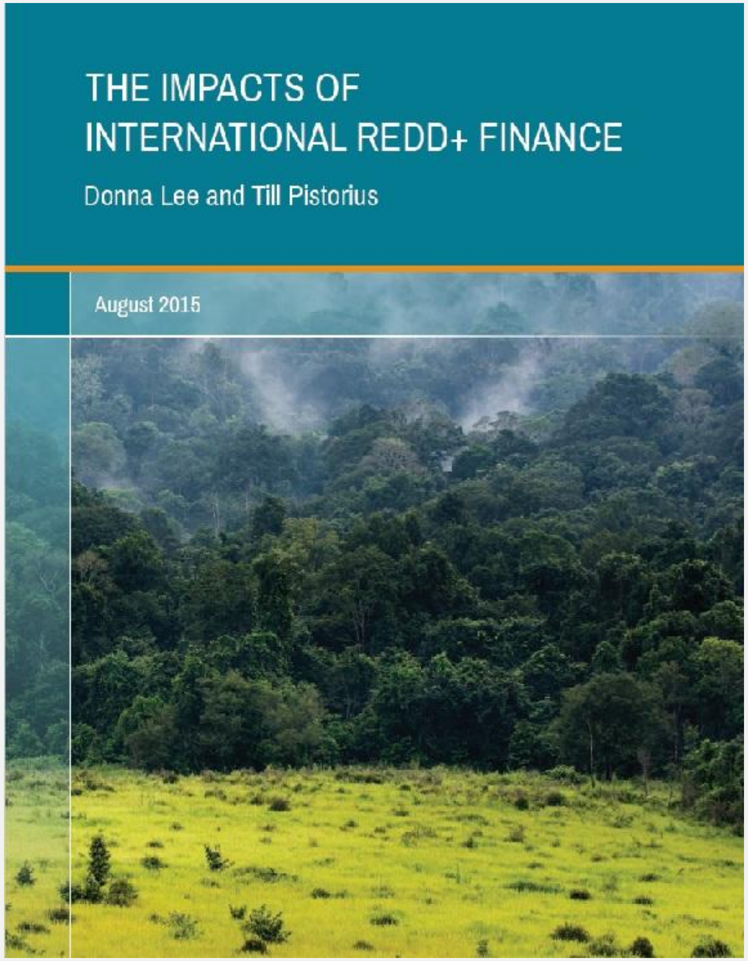

UNFCCC Standing Committee on Finance
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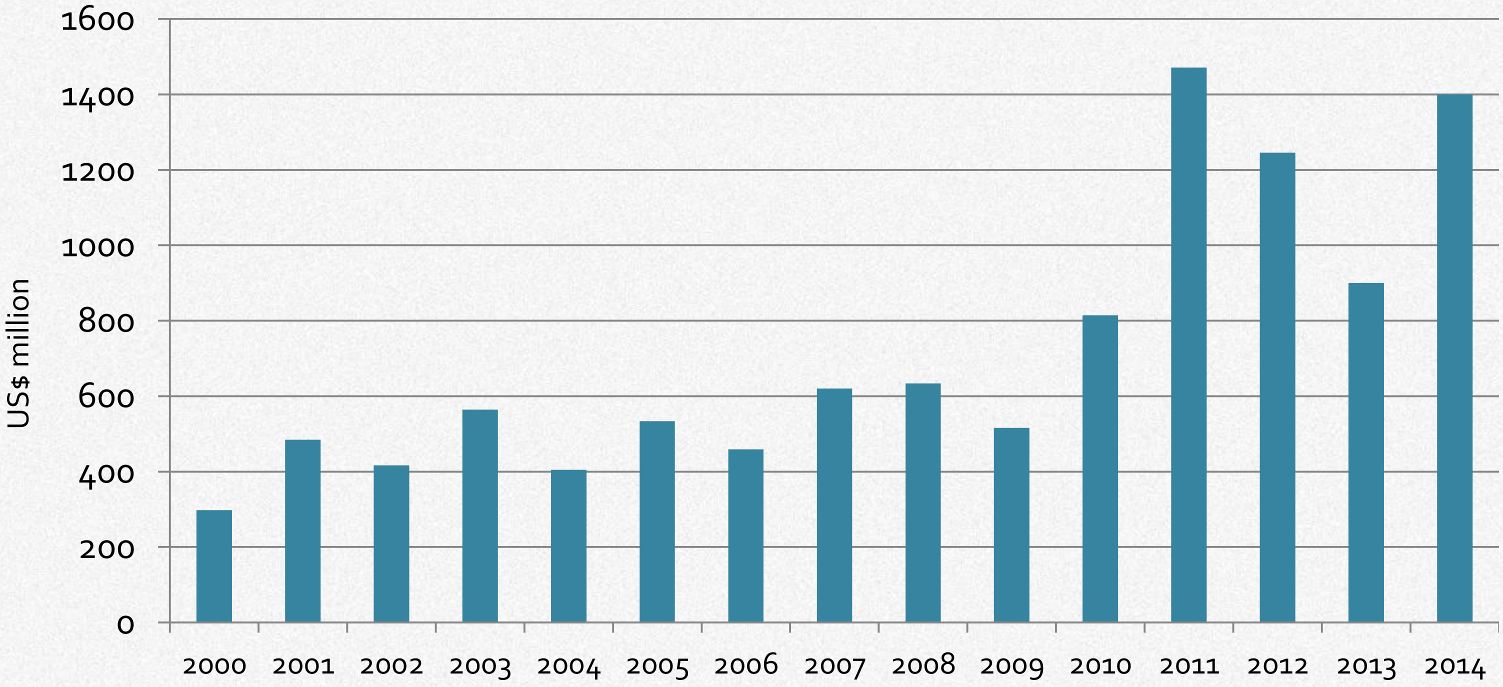
Background

Since forests were recognized under the UNFCCC as critical to tackling climate change, international public finance for forests has increased significantly—and is expected to increase even further in the future.



Source: OECD DAC database (2000-2013) and *The State of REDD+ Finance* (Norman and Nakhooda, 2014) for 2014 data. Data for 2013 and 2014 are likely incomplete and the actual figures higher than indicated, due to time lags in reporting.

Study questions

What have been the impacts of international REDD+ finance in developing countries?

What factors have influenced why REDD+ has had such impacts?

What lessons can be learned for future REDD+ finance and funding priorities?

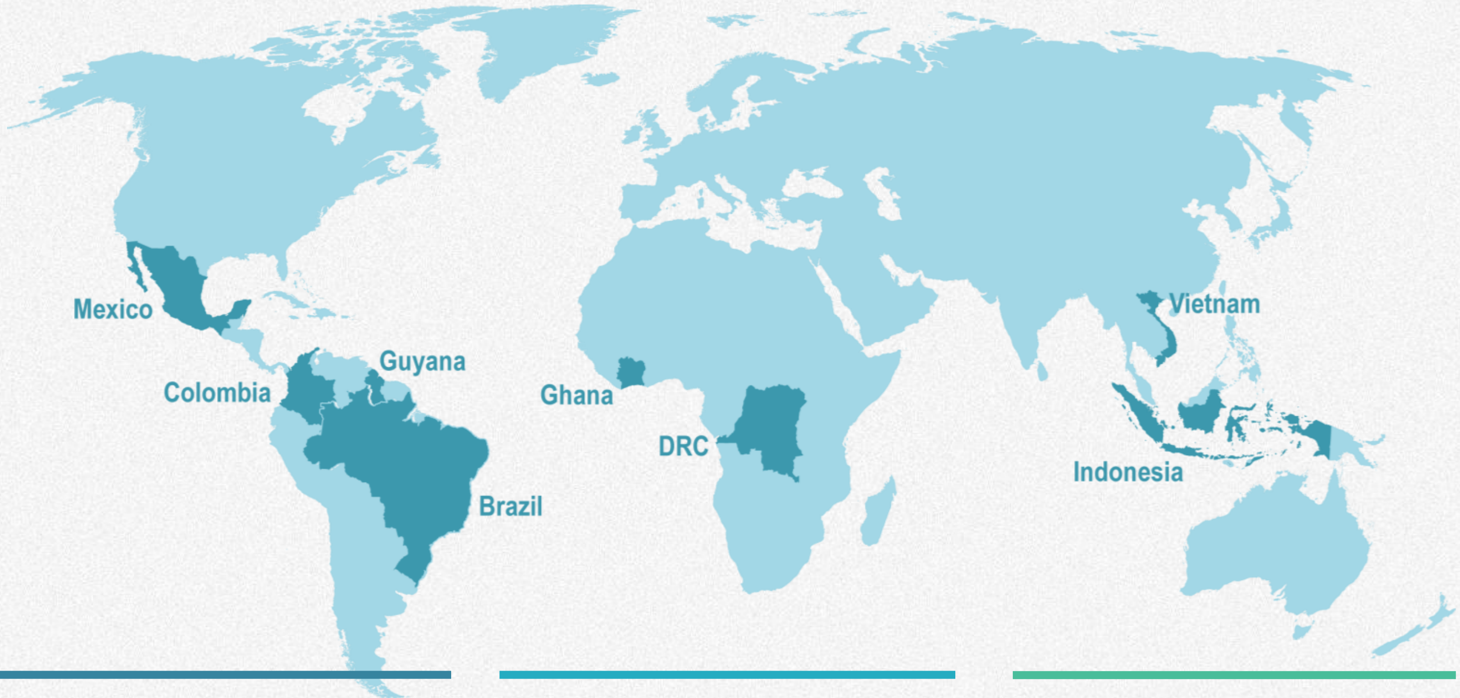
Challenges

Time lags: observable impacts after investment take time to fully unfold; most disbursed REDD+ finance to date has been for readiness

Complexity: land use dynamics involve multiple players and factors, funding streams and incentives, that affect change

Attribution: the combination of time lags and complexity often makes it difficult to determine causality between a particular finance stream and observed impacts

Study Approach



Eight case studies:
six new in-depth country analyses + two based on literature review

Global literature review:
review of more than 100 documents (grey and scientific sources)

Expert interviews:
over 100 national and international experts interviewed

Observed impacts

The following impacts of international REDD+ finance were assessed:

Impacts on capacities: REDD+ finance has had a positive impact on building capacities, particularly on MRV and improving an understanding of drivers of deforestation.

Political impacts: Dialogues on forests and climate change have intensified and, in some cases, cross-sectoral cooperation has improved; high-level political impacts mostly found in countries that have received larger commitments of finance.

Economic impacts: REDD+ finance has spurred discussion about sustainable alternatives to cutting forests, including deforestation-free supply chains but substantial impact on transforming economies not yet apparent.

Impacts on participation: REDD+ finance has improved stakeholder participation in many countries, particularly at the national level.

Impacts on policies: REDD+ finance has catalyzed some targeted policy changes and triggered the development of national strategies, but gaps remain.

Impacts on emission reductions: Attribution not possible at this early stage, but in some countries REDD+ finance has laid the groundwork.

Factors that influence the impacts.

In many countries, existing policies conflict with REDD+ goals, which can be overwhelmed by other economic and political incentives.

REDD+ finance has stronger impacts where there is alignment between REDD+ strategies and national goals for development.

Readiness has progressed most in countries with a supportive political context, where trust exists among key actors and responsibilities are clear.

Political entrenchment of drivers and their underlying incentive structures affect the impact of REDD+ finance.

Factors that influence the impacts

There is a trade-off between rapid progress and country ownership, but the latter is critical to the sustainability of a REDD+ program.

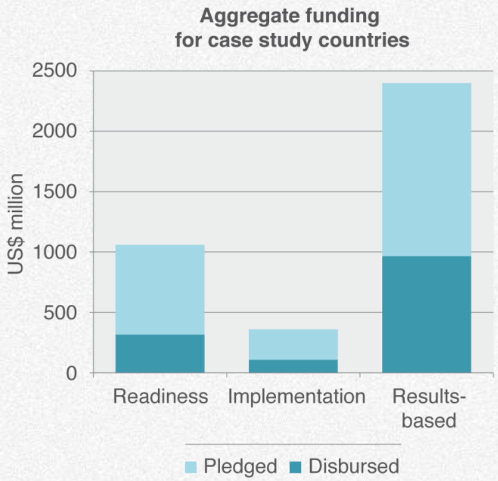
Impacts increase with the ability of REDD+ proponents to communicate the development benefits of REDD+ in a simple narrative.

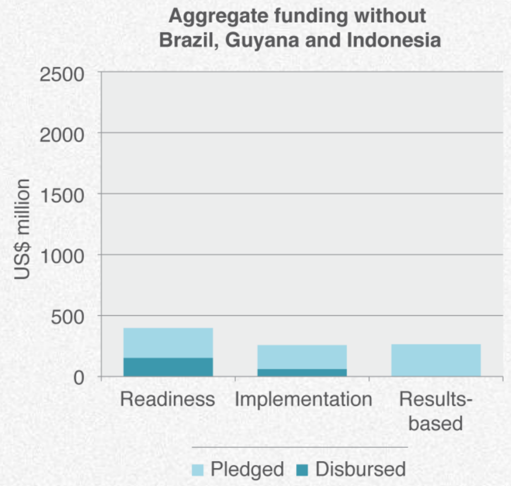
Where funding has used local institutions and procedures, the outputs are more relevant to the country's needs.

National fiduciary capacity plays a critical role in the level of ownership of REDD+ finance, particularly results-based finance.

Photo by Ollivier Girard for Center for International Forestry Research (CIFOR).

Lessons Learned





REDD+ finance has not yet measurably reduced emissions. In several countries it seems poised to do so—particularly those with strong capacity and supportive financing.

There is an acute need of sources of finance for implementation in "phase 2". To date, REDD+ finance has focused on readiness, but to deliver results significant investments are necessary.

In many countries, REDD+ finance is insufficient to make the aspired transformational change. Finance still concentrates in a few countries; most only have access to small amounts of readiness finance.

Lessons Learned

REDD+ finance has the largest potential when integrated into development planning and aligned with relevant private sector actors—a lack of engagement by those who profit from depleting or converting forest resources is a key weakness of many REDD+ programs.

REDD+ funds would be more effective with improved coordination—by both donor and recipient countries. REDD+ finance in many countries is duplicative, contradictory, and used for "bits and pieces" of programs versus supporting a holistic approach.

Finance will have higher impact if clarity is provided on the amount and duration of future funding available—this is particularly true as countries move from readiness to implementation. Currently the funding signal is not large or predictable enough to change policies or the politics of forest protection in most countries.

Conclusions and Outlook

Unprecedented support for REDD+ has resulted in **significant achievement in improving the enabling environments** of countries, laying the groundwork for future emission reductions.

However, the current finance offered is often not enough incentive for rapid progress and implementation; **finance must be fit for purpose for each country**:

- Countries advance at different paces through the "3 phases" of REDD+ (readiness, implementation, results) and are confronted with different technical and political challenges;
- While much funding to date has been disbursed for readiness activities or pledged for results, there is a need to consider at this time how to **support "early movers" ready to transition to phase 2 activities**.

A few generally applicable lessons can be drawn from early movers:

- Allocate less finance to develop sophisticated MRV systems and more to **demonstrate concretely how to change BAU practices and leverage additional sources of finance**;
- **Improve cross-sectoral coordination and cooperation with the private sector**;
- **Provide sufficient and appropriate forms of finance for all phases of REDD+**.

This paper was authored by Donna Lee and Till Pistorius

Full paper and case studies available for download at:
http://www.climateandlandusealliance.org/en/Impacts_of_International_REDD_Finance

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