

## **Eighth meeting of the Standing Committee on Finance Bonn, Germany, 1–3 October 2014**

### **Revised background paper on coherence and coordination: the issue of financing for forests, taking into account different policy approaches**

#### **I. Background**

1. The Conference of the Parties (COP) at its sixteenth session, decided to establish the Standing Committee on Finance (SCF) to assist the COP in exercising its functions with respect to the Financial Mechanism of the Convention, inter alia, in terms of improving coherence and coordination in the delivery of climate change financing.<sup>1</sup>
2. At COP 19, Parties requested the SCF to consider, in its work on coherence and coordination, inter alia, the issue of finance for forests, taking into account different policy approaches.<sup>2</sup>
3. Furthermore, the COP also requested the SCF to focus its soonest possible forum on issues related to finance for forests, including the implementation of the activities referred to in decision 1/CP.16, paragraph 70 (hereinafter referred as REDD-plus).<sup>3</sup> Please see the background document on the 2015 Forum for more information.<sup>4</sup> For other decisions by the COP related to forests, please see annex I.
4. The SCF, in its report to COP 18, included a work programme for 2013–2015.<sup>5</sup> According to the work programme, five activities of the SCF correspond to the function of improving coherence and coordination in the delivery of climate change financing. Furthermore, the work programme stipulates that, in order to fulfill the function of improving coherence and coordination in the delivery of climate change financing, the SCF will provide recommendations to the COP as appropriate and facilitate exchanges through the SCF forums as appropriate.
5. The SCF, at its seventh meeting, initiated consideration of finance for forests, in its broader consideration of coherence and coordination in the delivery of climate finance<sup>6</sup>. Members requested the background document for SCF 7 to be revised, based on the discussion at that meeting.

#### **II. Elements of the landscape of relevant flows, actors and processes related to finance for forests**

6. Table 1 below highlight REDD-plus finance data, which is supplied by the Overseas Development Institute (ODI). It is important to note that this is only one source of information, and that an agreed total figure on finance pledged or disbursed for REDD-plus does not exist.
7. Table 2 presents an indicative mapping of elements in the forest finance sphere, based on existing literature. It is not comprehensive, but alludes to a level of fragmentation within forest finance, and the need for coherence and coordination, given the different activities and financial flows that exist.
8. Figure 1 shows the top ten countries receiving funding for REDD-plus from the period 2006 to 2022, as reported by funder countries and multilateral institutions by November 2012.

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<sup>1</sup> Decision 2/CP.17, paragraph 121.

<sup>2</sup> Decision 7/CP.19, paragraph 11.

<sup>3</sup> Decision 9/CP.19, paragraph 20.

<sup>4</sup> SCF/2014/8/6.

<sup>5</sup> FCCC/CP/2012/4.

<sup>6</sup> SCF/2014/7/9.



**Table 1: Summary of reported REDD-plus finance data by donor/funding channel (Norman and Nakhooda, 2014).**

<i>Type of funding/donor</i>	<i>Scope of Data</i>	<i>Data Tracking Institution/source</i>	<i>Total financial pledge</i>
Bilateral	21 donor countries <sup>7</sup>	Detailed assessment and compilation using: ODI fast-start finance (FSF) data 2010–2012, voluntary REDD+ Database of the REDD+ Partnership (2006–2013)	4,035 Million USD
Multilateral	6 multilateral REDD+/forest focused funds <sup>8</sup>	ODI HBI CFU tracking (2008-March 2014)	3,142 Million USD
Multiple channels	21 donors and 6 multilateral REDD+/forest focused funds	Detailed assessment and compilation using: ODI FSF data 2010–2012, voluntary REDD+ Database of the REDD+ Partnership (2006–2013)	23 Million USD
Unknown	21 donors and 6 multilateral REDD+/forest focused funds	Detailed assessment and compilation using: ODI FSF data 2010–2012, voluntary REDD+ Database of the REDD+ Partnership (2006–2013)	465 Million USD
Private Foundations	10 REDD+ countries <sup>9</sup>	Forest Trends' REDDX March 2014	101 Million USD
Private sector	162 projects	Ecosystem Marketplace 2013	900 Million USD
Total			8,666 Million USD

<sup>7</sup> This includes countries self-reporting REDD-plus financial contributions to the REDD+ Partnership's Voluntary REDD+ Database for the period between 2006 and 2013, as well as those reporting FSF contributions for the period 2010 to 2012. The two datasets have been compared in detail to prevent double counting of commitments over the FSF period. The 21 donor countries included in this report are: Australia, Austria, Belgium, Canada, Denmark, the European Union, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, Netherlands, Norway, Slovakia, Spain, Sweden, Switzerland, the UK and the US.

<sup>8</sup> Multilateral funds include: the FIP, FCPF Readiness Fund, FCPF Carbon Fund, the BioCarbon Initiative for Sustainable Forest Landscapes, the Amazon Fund and the Congo Basin Forest Fund.

<sup>9</sup> Including Brazil, Colombia, DRC, Ecuador, Ghana, Indonesia, Liberia, Mexico, Peru and Tanzania.

**Table 2: Multilateral and bilateral and forest finance**

This table shows a number of multilateral and bilateral sources and channels of forest finance. The list is in no way exhaustive, but illustrates that a range of sources exist, and that the amounts vary considerably.

<i>Multilateral funds</i>					
Fund	Objective	Size of fund (amount in USD) <sup>10</sup>	Results-based finance?	Implementing agencies	Website
Green Climate Fund (GCF)	The GCF will contribute to the achievement of the ultimate objective of the United Nations Framework Convention on Climate Change (UNFCCC). It is not specific to forests.	To be determined.	As part of the initial Results Management Framework of the GCF, a broad set of initial Results areas were agreed in at the GCF Board meeting in October 2013. "Results areas of relevance to land use and forests are: Sustainable land use management to support mitigation and adaptation; REDD-plus implementation; adaptation activities to reduce climate-related vulnerabilities; 'flagship' activities cutting across adaptation result areas; readiness and capacity building for adaptation and mitigation activities; and scaling up of effective community based adaptation action." (Leonard, S., 2014). <sup>11</sup>	Not yet determined. An independent Accreditation Panel is tasked with advising the GCF Board and conducting the accreditation process.	<a href="http://www.gcfund.org/home.html">http://www.gcfund.org/home.html</a>
Global Environment Facility (GEF)	The GEF aims to help developing countries and economies in transition to contribute to the overall objective of the UNFCCC to both mitigate and adapt to climate change, while enabling	The total GEF allocation to forest initiatives (SFM and REDD-plus) since 1991 amounts to more than USD 1.6 billion, leveraging USD 5 billion from other	The GEF takes a Results-Based Management (RBM) approach.	UNDP, UNEP, IFAD, FAO, WB and others.	<a href="http://www.thegef.org/gef/SFM">http://www.thegef.org/gef/SFM</a>

<sup>10</sup> <<http://www.climatefundupdate.org/listing/forest-carbon-partnership-facility/>>

<sup>11</sup> <<http://www.forestclimatechange.org/forests-climate-change-finance/forests-land-use-green-climate-fund/>>

*Multilateral funds*

	sustainable economic development. It is not specific to forests.	sources.			
Amazon Fund	Managed by the Brazilian Development Bank (BNDES), the Amazon Fund is aimed at raising funds from voluntary donations earmarked for non-reimbursable financing of efforts focused on preventing, monitoring and combating deforestation and promoting conservation and sustainable use of the Amazon Biome.	Approximately 1.03 billion USD pledged to the Amazon Fund, and 792 million USD deposited (as of August 2014).	The Amazon Fund receives results-based finance tied to annually verified emissions reductions relative to a defined reference emissions level.	Governments, NGOs and other public and private institutions can apply for funding.	<a href="http://www.amazonfund.gov.br/FundoAmazonia/fam/site_en/">http://www.amazonfund.gov.br/FundoAmazonia/fam/site_en/</a>
BioCarbon Fund	The BioCarbon Fund (BioCF) is a public-private sector initiative mobilizing financing to help develop projects that sequester or conserve carbon in forest and agro-ecosystems. In 2013, The BioCF Initiative for Sustainable Forest Landscapes (ISFL) was launched, aiming to promote reduced greenhouse gas emissions from the land sector, including REDD-plus, more sustainable agriculture, as well as smarter land use planning and policies.	BioCF Tranches 1 and 2 have committed about USD 90 million since 2004. Both Tranches are closed to new fund participation. 311 million USD was pledged for the BioCF ISFL.	BioCF ISFL provides countries with: <ul style="list-style-type: none"> <li>• Ex-ante grant funding and technical assistance through BioCF plus, to support the implementation of their REDD-plus strategies and creation of enabling environments that change the way land-use decisions are made;</li> <li>• Ex-post results-based payments for achieved emission reductions, through BioCF Tranche 3, including some upfront milestone payments.</li> </ul>	World Bank and national/jurisdictional governments, with broad range of actors, including private sector.	<a href="https://wbcarbonfinance.org/Router.cfm?Page=BioCF&amp;ItemID=9708&amp;FID=9708">https://wbcarbonfinance.org/Router.cfm?Page=BioCF&amp;ItemID=9708&amp;FID=9708</a> <a href="http://www.biocarbonfund-isfl.org/">http://www.biocarbonfund-isfl.org/</a>
Forest Carbon Partnership Facility (FCPF) of the	The FCPF consists of a Readiness Fund and a Carbon Fund, its objective is to assist developing countries to reduce emissions from deforestation	Approximately 388 million USD pledged to the Carbon Fund and approx. 355 million USD pledged to the Readiness Fund (as at	The monitoring and evaluation framework includes two core components: The Result Chain and Logical Framework and the The Performance Measurement	World Bank, UNDP, IDB	<a href="http://www.forestcarbonpartnership.org">www.forestcarbonpartnership.org</a>

*Multilateral funds*

World Bank incorporating the Readiness Fund and the Carbon Fund	and forest degradation, enhance and conserve forest carbon stocks, and sustainably manage forests (REDD-plus).	February 2014).	Framework (PMF). Regarding performance based payments under the Carbon Fund, a specific Methodological Framework has been adopted. <sup>12</sup>		
Forest Investment Program (FIP) of the Climate Investment Funds (CIF)	Support developing countries' efforts to reduce emissions from deforestation and forest degradation by providing scaled-up bridge financing for readiness reforms and public and private investments.	639 Million USD pledged since September 2008.	FIP results-framework is the basis for mid-term and ex-post evaluation in the FIP pilot countries.	The CIFs are implemented jointly by the MDBs: African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), and World Bank Group.	<a href="https://www.climateinvestmentfunds.org/cif/node/5">https://www.climateinvestmentfunds.org/cif/node/5</a>
The Congo Basin Forest Fund (AfDB)	A multi-donor fund to take early action to protect the forests in the Congo Basin region. Supports transformative and innovative projects to be complemented to existing activities, to develop the capacity of people and institutions to enable them to preserve and manage the forests.	186.02 Million USD as at January 21, 2014.	The Fund takes the RBM approach.	NGOs, Governments, technical partners, Civil Society Networks, and others, can access the fund.	<a href="http://www.cbf-fund.org/en">http://www.cbf-fund.org/en</a>
The UN-REDD Programme	A multi-donor trust fund that allows donors to pool resources and provide funding with the aim of significantly reducing global emissions from deforestation and forest degradation in developing countries.	215.2 Million USD to date.	Performance reviews rae undertaken.	FAO, UNDP and/or UNEP. National governments, Regional Development Banks and NGOs can receive funding through a participating UN organisation (executing agency).	<a href="http://www.un-redd.org/">http://www.un-redd.org/</a>

<sup>12</sup> <<https://www.forestcarbonpartnership.org/sites/fcp/files/2014/MArch/March/FCPF%20Carbon%20Fund%20Methodological%20Framework%20Final%20Dec%2020%202013.pdf>>.

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## Bilateral funds

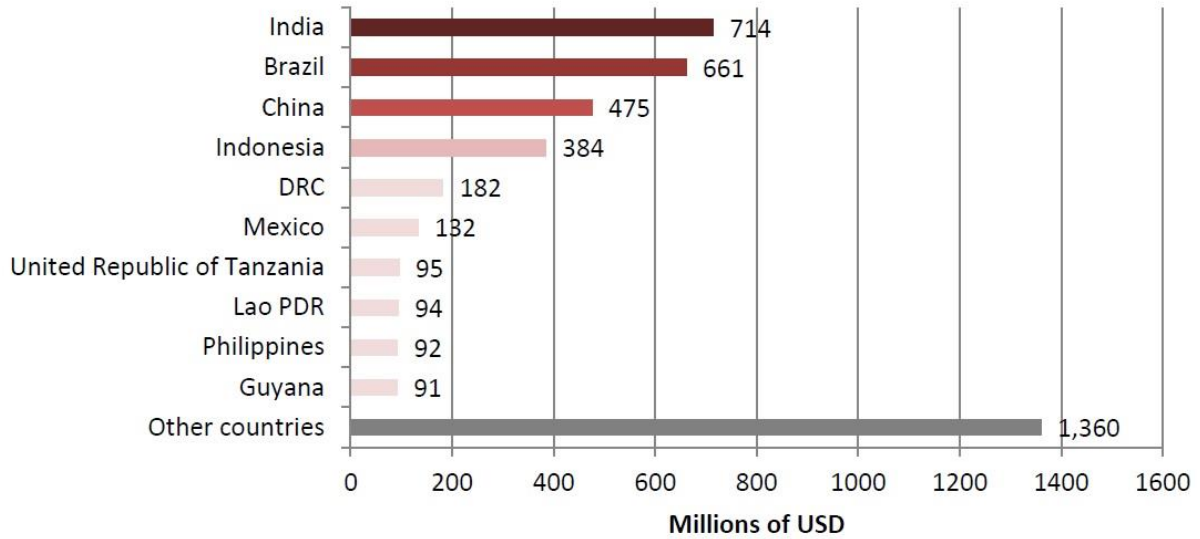
Country	Pledges for REDD-plus 2006–2014 <sup>13</sup> in million USD
Norway	3509.47
USA	1042.63
Germany	839.67
Japan	577.56
UK	486.26

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<sup>13</sup> Norman, M., and Nakhooda, S. 2014. *The State of REDD+ Finance*. Center for Global Development (CGD) and Overseas Development Institute (ODI): USA and UK. Available: <<http://www.cgdev.org/publication/state-redd-finance-working-paper-378>>.

**Figure 1: Top ten countries receiving REDD-plus funding from the period 2006 to 2022, as reported by funder countries and multilateral institutions.**

Figures based on information provided as at 27 November 2012. Information from the Voluntary REDD+ Database.<sup>14</sup>



<sup>14</sup> Towards Transparency In Public Financing For Redd+. An Analysis Of Data Submitted By Members Of The Redd+ Partnership To The Voluntary Redd+ Database. 27 November 2012. <[http://reddplusdatabase.org/process\\_reports/VRD\\_Analytic\\_Report\\_2012\\_Nov\\_27\\_FINAL.pdf](http://reddplusdatabase.org/process_reports/VRD_Analytic_Report_2012_Nov_27_FINAL.pdf)>.

### III. Possible action by the SCF at its eighth meeting

9. The SCF may wish to determine the scope of work in which it may wish to engage, and in this context consider its ongoing activities as potential vehicles to fulfill this particular mandate, with an aim to preparing elements for the SCF workplan for 2015 to be included in the SCF report to COP 20.

10. As can be viewed from the annex II, the landscape of financing for forests is not only confined to the Financial Mechanism and its operating entities, but it also involves a vast amount of other stakeholders and entities dealing with climate finance outside the Financial Mechanism of the Convention. It would be important for the SCF to identify all relevant stakeholders related to financing for forests both within and outside of the UNFCCC process in a broader context. Based on this, the SCF should clearly identify how to concretely deliver on the mandate by the COP.

11. In that context, when considering the landscape of forest finance as contained in annexed II in order to identify the scope of its work in general and of specific activities the SCF, the SCF may wish to distinguish between:

a) **Activities and actors that are directly related to the Financial Mechanism and its operating entities:** in the overall context of coherence and coordination for financing for forests being discussed under the UNFCCC, the SCF may wish to identify various possible avenues of work and/or areas for specific recommendations directly linked to its mandate to assist the COP in exercising its functions with respect to the Financial Mechanism; possible avenues for such work could include:

- Guidance to the operating entities;
- Expert inputs into the preparation and conduct of the period reviews of the Financial Mechanism;
- Biennial assessments and overview of climate finance flows;
- Maintaining of linkages with the Subsidiary Body for Implementation and the thematic bodies of the Convention.

b) **Activities and actors that are located beyond the Financial Mechanism:** the SCF may wish to identify avenues of work that it could use in order to address activities and actors outside the realm of the UNFCCC discussions on financing for forests, as they play an important role in the overall context of coherence and coordination of financing for forests; possible avenues for such work could include:

- SCF Forum in 2015;
- Biennial assessments and overview of climate finance flows.

12. Based on the above and the information contained in the landscape, the SCF may wish to engage in in-depth discussions during the eighth meeting in order to clearly identify the scope and possible elements of the SCF work in 2015 on the issue of coherence and coordination for financing for forests, with the aim to report on the outcome of this discussion to COP 20.

13. The SCF may also wish to request the working group on coherence and coordination for financing for forests that it has established at its seventh meeting<sup>15</sup>, to intersessionally identify possible action points for the work of the SCF in 2015, based on the scope and elements of work plan identified during its eighth meeting. Such consideration may also include potential timelines for such work, as well as potential budget implications. The working group could consider specific actions points such as, *inter alia*:

(a) The organization of the 2015 SCF Forum as a centerpiece of SCF work on the coherence and coordination for financing for forests in 2015;

(b) The utilization of the outcomes of the 2015 SCF Forum as substantive input for further work of the SCF on coherence and coordination for financing for forests in 2015;

(c) Provision of necessary background documentation on financing for forests to serve as substantive input to the work of the SCF on coherence and coordination for financing for forests in 2015 in general, and the organization of the 2015 Forum in particular;

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<sup>15</sup> Members who have signed up for this working group at the seventh meeting include: Mr. Raymond Randveld, Mr. Stefan Agne; Mr. Yorio Ito, Mr. Georg Børsting, Mr. Roger Dungan, Mr. Paul Oquist; Ms. Rajasree Ray; Ms. Outi Honkatukia; Mr. Houssen Alfa Nafo; Ms. Suzanty Sitorus; Mr. Yaw Oppong Boadi; Mr. Ayman Shasly; Ms. Inka Gnittke; Mr. Stefan Schwager.



- (d) The establishment and maintenance of linkages with the Subsidiary Bodies and other thematic bodies in 2015 on this specific issue, including, for example, participation in the voluntary meeting of national entities/focal points, Parties and relevant entities financing REDD-plus,<sup>16</sup> starting from December 2014;
- (f) Outreach and networking activities to engage with entities dealing with financing for forests outside the Convention;
- (g) Call for submissions from the SCF members and interested stakeholders on this subject matter.

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<sup>16</sup> Per COP decision 10/CP.19, this voluntary meeting will take place for the first time in December 2014 in conjunction with the forty-first sessions of the subsidiary bodies, and thereafter annually in conjunction with the first sessional period meetings of the Subsidiary Bodies.

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## Annex I – Relevant COP decisions on financing for forests

This table outlines relevant COP decisions from Cancun to Warsaw, on issues related to the financing of mitigation actions in the forest sector by developing country Parties, in particular REDD-plus.

<i>Session</i>	<i>Decisions</i>
COP 16	<p>COP by decision 1/CP.16, encouraged developing country Parties to contribute to mitigation actions in the forest sector by undertaking the five activities, specified in decision 1/CP.16, paragraph 70, which are namely: Reducing emissions from deforestation; Reducing emissions from forest degradation; Conservation of forest carbon stocks; Sustainable management of forests; Enhancement of forest carbon stocks (REDD-plus activities).</p> <p>In paragraph 73 of the same decision, COP decided that the REDD plus activities should be implemented in phases, beginning with the development of national strategies or action plans, policies and measures and capacity building, followed by the implementation of national policies and measures and national strategies or action plans that could involve further capacity-building, technology development and transfer and results based demonstration activities, and evolving into results-based actions that should be fully measured, reported and verified.</p>
COP 17	<p>By decision 2/CP.17, COP agreed that results-based finance provided to developing country Parties may come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources. COP also encouraged the operating entities of the financial mechanism of the Convention to provide results-based finance for the actions referred to in decision 1/CP.16, paragraph 73.</p> <p>By the same decision, COP considered that appropriate market-based approaches could be developed by the COP to support the results-based actions by developing country Parties referred to in decision 1/CP.16, paragraph 73 (para.66). COP also noted in paragraph 67 that non-market-based approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests as a non-market alternative could be developed (para.67).</p>
COP 18	<p>COP by decision 1/CP.18, decided to undertake a work programme on results-based finance in 2013, to progress the full implementation of the REDD-plus activities. The work programme included two in-session workshops<sup>17</sup>, drawing upon relevant sources of information and taking into account lessons learned from other processes under the Convention and from fast-start finance.</p> <p>The aim of the work programme was to contribute to the on-going efforts to scale up and improve the effectiveness of finance for the REDD-plus activities, taking into account decision 2/CP.17, paragraphs 66 and 67 (i.e. decision paragraphs on market based approach and non-market based approaches). The work programme was mandated to address options to achieve that objective, taking into account a wide variety of sources, public and private, bilateral and multilateral, including alternative sources, including:</p> <ul style="list-style-type: none"> <li>(a) Ways and means to transfer payments for results-based actions;</li> <li>(b) Ways to incentivize non-carbon benefits;</li> <li>(c) Ways to improve the coordination of results-based finance.</li> </ul>

<sup>17</sup> Report of the workshops can be found in FCCC/CP/2013/5.

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*Session**Decisions*

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COP 19 COP 19 adopted the Warsaw Framework for REDD-plus, consisting of seven decisions on REDD-plus. By decision 9/CP.19, COP encouraged entities financing REDD-plus activities, through a wide variety of sources, public and private, bilateral and multilateral, including alternative sources, including the Green Climate Fund in a key role, to collectively channel adequate and predictable results-based finance in a fair and balanced manner, taking into account different policy approaches, while working with a view to increasing the number of countries that are in a position to obtain and receive payments for results-based actions.

COP also encouraged entities financing REDD-plus activities and requested GCF, when providing results-based finance, to apply the methodological guidance consistent with decisions 4/CP.15, 1/CP.16, 2/CP.17, 12/CP.17 and 11/CP.19 to 15/CP.19, as well as this decision, in order to improve the effectiveness and coordination of results-based finance.

Additionally, COP encouraged entities financing the REDD-plus activities, through a wide variety of sources, public and private, bilateral and multilateral, including alternative sources, to continue to provide financial resources to alternative policy approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests.

In decision 10/CP.19, COP invited interested Parties to designate a national entity or focal point to serve as liaison with the secretariat and bodies under the Convention, on coordination of support and encouraged national entities/focal points, Parties and relevant entities financing REDD-plus to meet, on a voluntary basis, to discuss the needs and functions identified to address issues relating to coordination of support, with the first meeting to be held in conjunction with SBI 41 (December 2014) The outcomes of these meetings will be reviewed by SBI, at the latest, at its forty-seventh session (November-December 2017).

In decision 15/CP.19, COP encouraged all Parties, relevant organizations, and the private sector and other stakeholders, to continue their work to address drivers of deforestation and forest degradation and to share the results of their work on this matter, including via the web platform on the UNFCCC website.<sup>18</sup> Also by decision 9/CP.19, the COP recognized the importance of incentivizing non-carbon benefits for the long-term sustainability of the implementation of the activities referred to in decision 1/CP.16, paragraph 70, and noting the work on methodological issues referred to in decision 1/CP.18, paragraph 40

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<sup>18</sup> <<http://unfccc.int/redd>>.

## Annex II – Snapshot of the current landscape of forest finance

1. The 2012 Study on Forest Financing by Collaborative Partnership on Forests reviewed the flow of financing to forests in light of UNFF's work on sustainable forest management, including forest related financing mechanisms and initiatives under the three Rio Conventions.
2. With an aim to see the trend of the financing for forests on the international level, analysis was done on the official development assistance (ODA) flows, noting in particular the difference between forestry ODA and forest ODA. According to the study, ODA disbursement significantly increased between the period 2002-2004 and the period 2008-2010 by about 125%, which is attributed to increase of REDD-plus related ODA flows, as well as its pilot programmes, including fast-start finance.
3. Further, the study highlights that numerous financing mechanisms related to forests exist and the prominence of REDD-plus in terms of its large potential, estimated at as much as USD 6.2 billion in 2020, and the unprecedented attention it has drawn to the carbon potential of forests. The study indicates that around USD 4 billion were pledged for the period 2010–2012 for measures to reduce greenhouse gas emissions from deforestation and forest degradation in developing countries. Apart from REDD-plus, whose focus is on the carbon content of forests, many of the national, regional and international carbon initiatives have no or negligible activities related to forests.
4. The study also introduces some analytical work done on assessing the needs of REDD-plus, mainly focusing on reduced deforestation and forest degradation. Based on analysis of readiness plans in 21 countries that report to the FCPF, UN-REDD or both, the average costs of phase 1 vary from USD 4 to 27 million per country. In terms of phase 2 and 3 estimates, there is wide variation in estimates of the economic costs, ranging from USD 4-7 billion per year to USD 33.5 billion per year. These estimates are mostly based on calculations of opportunity costs, which are foregone net benefits of alternative land uses. The study underlines that "private sector including forest communities, smallholders, industry and other investors is a key source of finance for forests, mostly through investments in forests managed for wood production" and that "new private investors generally come from outside the forest industry, and seek suitable combinations of financial returns and risk levels". There are also private investments in non-wood forest production but they are less significant. There are emerging studies on private sector investments related to forests and carbon markets, but there needs to be more coordinated effort to solve the problem of lack of national data on the private sector investments.
5. With regards to the **financial pledges and disbursements** for REDD-plus, "since 2007, USD 2.72 billion has been pledged to five multilateral climate funds and two bilateral initiatives that support REDD-plus initiatives. Slightly more than half of this amount has been deposited, with Norway being the largest contributor of REDD-plus finance, followed by Australia, the UK and the U.S.A. Only about one third of the pledged funds have been approved, and a much smaller percentage has been disbursed" (UN-REDD Programme, 2013). Aggregate pledges for REDD-plus from both public and private finance total more than 8.7 billion USD (2006-March 2014) and could possibly be more, if better data on private sector investments was available. Since 2010, global pledges for dedicated REDD-plus initiatives average 605 million USD annually (Norman and Nakhouda, 2014).
6. Almost 90 per cent of REDD-plus finance comes from **public sector sources**, including bilateral institutions, which have played a central role. The latter institutions manage 56 per cent of finance pledged since 2006 and represent the largest sources of finance for REDD-plus, particularly in countries rich in forests. There are more than 20 REDD-plus donors, with Norway, the US, Germany, Japan and the UK providing 75 per cent of identified funding (Norman and Nakhouda, 2014). Please see Table 2 on page 3 of this note for further details.
7. In relation to the voluntary carbon markets: According to Ecosystem Marketplace, cumulative voluntary offset transactions for REDD-plus projects; including sustainable forest management, afforestation and reforestation; are estimated at 0.9 billion USD over time. Forest Trends' REDDX initiative<sup>19</sup> reports 8.2 million USD in private finance and 101

<sup>19</sup> Accessed March 2014 <<http://reddx.forest-trends.org/>>.

million USD from private foundations in ten countries with tropical forests (2009–2012) as at March 2014.

8. Investments in sustainable land-use activities reduce the pressure on the forests and therefore, are an important aspect of forest financing. For example, Brazil promotes investment in agricultural production on abandoned lands and investment in more intense beef production (a higher number of cattle per hectare) in order to increase productivity without deforestation. Furthermore, progress is being made on leveraging large international companies whose global investments in agriculture and forestry are worth billions of USD a year to promote sourcing of "deforestation free commodities". Analyses of the forest finance landscape increasingly look into private investments in agriculture, forestry, logging and other land use activities. It will be central to ensure that such investments in land-use are sustainable by creating the appropriate legislative and economic incentives and implementation capacities – REDD-plus finance can act as a catalyst in this context.<sup>20</sup> In relation to recipient countries, activity is quite concentrated. Ten countries receive the majority of the 75 per cent of funding and collectively, Indonesia and Brazil receive 40 per cent of allocated funding. Global programmes and international research receive about 16 per cent, and 24 per cent of all allocated funding supports REDD-plus activities and programmes in the remaining 71 recipient countries (Norman and Nakhooda, 2014).

9. Developed countries and the private sector channel finance through dedicated **multilateral** funds, including the Forest Carbon Partnership Facility (FCPF) Readiness Fund and Carbon Fund, the Amazon Fund, the Forest Investment Program, the Congo Basin Forest Fund and the BioCarbon Fund Initiative for Sustainable Forest Landscapes. The finance flowing through the latter funds totaled 3.1 billion USD between 2008 and March 2014 (Norman and Nakhooda, 2014). According to the Climate Funds Update, donor countries also pledged 23 million USD through multiple channels that involve both bilateral and multilateral programmes.<sup>21</sup> Approximately 465 million USD has been reported, though the particular channels are not known (Norman and Nakhooda, 2014).

10. It appears that a high proportion of REDD-plus finance pledged has been focusing on capacity building/readiness activities. "As of March 2014, 39 per cent of total bilateral and multilateral REDD-plus finance has been pledged on a payment for performance basis. This suggests that at least 61 per cent of finance has been channeled ex-ante in the form of grants for readiness activities that are not specifically tied to reducing remissions from deforestation and forest degradation" (Norman and Nakhooda, 2014).

11. finance and tenure insecurity are the two barriers to the implementation of REDD-plus (Sunderlin et al., 2014) The GCF has become increasingly focused on the prioritization of finance to the land use and forest sectors, as a result of this insecurity (Leonard, 2014).

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<sup>20</sup> <<http://www.usaid.gov/climate/tfa2020>; <http://sustainability.mycgforum.com/deforestation.html>>;  
<<http://www.globalcanopy.org/materials/drivers-deforestation-and-wto-rules-conflicts-and-solutions>>;  
<<http://www.globalcanopy.org/materials/little-book-big-deforestation-drivers-executive-summary>>

<sup>21</sup> <<http://www.climatefundsupdate.org/data>>