Submission by the United States of America
Finance for REDD+
March 25, 2013

Introduction

Decision 1/CP.18, paragraph 36, invites Parties and admitted observer organizations to submit views to the secretariat on matters related to paragraphs 34 and 35 of the same decision, which address improved coordination in the implementation of the activities referred to in decision 1/CP.16 paragraph 70 (for simplicity, hereinafter referred to as REDD+), and the associated institutional arrangements, functions, modalities, and procedures.

Context

In discussing improved coordination for the activities referred to in decision 1/CP.16 paragraph 70, and the associated institutional arrangements, functions, modalities, and procedures, it is useful to recall elements of past UNFCCC decisions related to REDD+ finance that are germane to this discussion, including those summarized here:

- Effective and continued support will continue to be needed for the activities referred to in decision 1/CP.16 paragraphs 73 and 76 (decision 2/CP.17 preamble);
- 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 (decision 2/CP.17 paragraph 65);
- Both market-based and non-market based approaches to results-based financing might be considered (decision 2/CP.17 paragraphs 66 and 67);
- To obtain and receive results-based finance, results-based actions should be fully measured, reported, and verified (decision 1/CP.16 paragraph 73; decision 2/CP.17 paragraph 64);
- Net emissions reductions resulting from the implementation the activities referred to in decision 1/CP.16 paragraph 70 should be measured, reported, and verified (decision 1/CP.16 paragraph 73 annex 2);
- To obtain and receive results-based finance, developing countries must also have the other elements referred to in decision 1/CP.16 paragraph 71 (decision 2/CP.17 paragraph 64);

We also recognize that other decisions relevant to finance for the activities referred to in decision 1/CP.16 paragraph 70 have been taken by the COP. Several of the most relevant decisions are summarized here:

- Various approaches, including markets, can enhance the cost-effectiveness of, and promote, mitigation actions, if they meet standards that deliver real, permanent, additional and verified mitigation outcomes, avoid double counting of effort, and achieve a net decrease and/or avoidance of greenhouse gas emissions (decision 2/CP.17 paragraph 79; decision 1/CP.18 paragraph 44);
- A new market-based mechanism, operating under the guidance and authority of the Conference of the Parties, to enhance the cost-effectiveness of, and to promote, mitigation actions, may assist developed countries to meet part of their mitigation targets or commitments under the Convention (decision 2/CP.17 paragraph 83; decision 1/CP.18 paragraph 45);
- The mechanism defined in decision 2/CP.17 paragraph 83 will include *inter alia*:
  - Requirements for the accurate measurement, reporting and verification of emission reductions, emission removals, and/or avoided emissions;

  - Criteria, including the application of conservative methods, for the establishment, approval and periodic adjustment of ambitious reference levels (crediting thresholds and/or trading caps);
  - Criteria for the accurate and consistent recording and tracking of units (decision 1 CP.18 paragraph 54)

We further note that certain financing activities will be taken by the GCF subject to decisions of the GCF Board:

- The Green Climate Fund will finance mitigation activities, including REDD-plus activities. GCF support may include resources for readiness and preparatory activities and technical assistance; in addition, the GCF may employ results-based financing approaches, including, in particular, for incentivizing mitigation actions and payment for verified results, where appropriate (GCF Governing Instrument, paragraphs 40 and 55);
- The GCF is governed and supervised by a Board that is responsible for funding decisions. (GCF Governing Instrument paragraph 5);

Beyond financing arrangements under the guidance of the UNFCCC, a range of entities and institutions will continue to provide financing for all phases of REDD+.

- We expect that decisions regarding such financing, and specific operational modalities and procedures, will be made by the financing entities or institutions.
- As with all other sectors, there are likely to be different financing arrangements agreed to by REDD+ countries and donors or investors; decisions on issues such as financing approaches, crediting baselines, MRV requirements, and pricing will be determined by the relevant entities or institutions.
- We see this diversity in financing opportunities as a means to ensure that a variety of needs and priorities are addressed, and there is opportunity to learn from differing approaches.

Based on this context, we submit the following views:

Coordination of Support

- There is value to the increased coordination of support for the implementation of the activities referred to in decision 1/CP.16, paragraph 70 (hereafter referred to as REDD+ activities);
- This coordination can happen in a number of different ways, including:
  - Through coordination intrinsically provided by the governance structures of the operating entities of the financial mechanism of the Convention, and new financing mechanisms under the Convention such as the new market mechanism, as these mechanisms by definition coordinate the support of multiple Parties;
  - Through the coordination of resources already carried out by existing multilateral financing institutions currently supporting REDD+, such as the BioCarbon Fund, Forest Carbon Partnership Facility, Forest Investment Program, and UN-REDD. These multilateral funds by definition operate through the coordination of the support of all relevant partners. Efforts are underway to increase the coordination among these entities; these efforts might be enhanced to further streamline multilateral support for REDD+.
  - Through greater coordination of bilateral support for REDD+ among donor governments and other institutions. Various donors are already engaged in efforts to improve this coordination; the November 29, 2012 Joint Statement by Australia, Germany, Norway, the United Kingdom and the United States is one example (http://webarchive.nationalarchives.gov.uk/20121217150421/http:/decc.gov.uk/assets/decc/11/tackling-climate-change/international-climate-change/7126-joint-statement-tackling-deforestation.pdf);

    - Through the efforts of REDD+ countries to coordinate the support received from various sources to effectively implement a coherent strategy. National and subnational governments have the responsibility to see that support is applied to activities and programs that contribute to clearly-defined strategies, is coordinated to provide complementary support to the range of planned activities and programs, and that duplications of effort are avoided.

Institutional Arrangements
We do not believe that any of the opportunities for improved coordination of support above requires new institutional arrangements or governance structures:

Operating Entities and Financing Channels of the Convention

- The operating entities of the financial mechanism of the Convention function independently, and each has an existing governance structure responsible for making decisions:
    - The Global Environment Facility Council is responsible for developing, adopting, and evaluating GEF programs, including REDD+ support;
    - The Green Climate Fund Board is responsible for the operation of the GCF, including any future support for REDD+;
- Modalities and procedures are currently being developed for the new market mechanism to govern market-based finance under the Convention;
- The existing financing channels under the Convention already have, or are developing, institutional arrangements that can work for REDD+ and other sectors related to the adaptation and mitigation of climate change;
- Creating additional institutions or governance structures on top of these existing arrangements would take years, potentially create a fragmentation of support, and greatly slow advances towards REDD+ financing under the Convention;
- For these reasons we believe it is not only unnecessary but also unwise to attempt to create new sector-specific governance bodies or institutions for REDD+ under the Convention;
- It would be far more effective to focus on integrating REDD+ effectively into existing financing mechanisms, and striving to ensure as Parties that these mechanisms function both efficiently and effectively.

Non- Convention Financing

- The Convention has no role in overseeing bilateral or multilateral financing or technical support outside the Convention;
- Many efforts are already underway to ensure better coordination among multilateral trust funds and among bilateral donors; these efforts do not require new institutions;
- Coordination of the delivery of financing within countries is a sovereign decision and should be encouraged, using the approaches most relevant to national circumstances.

Tools to Improve Coordination
While new institutional arrangements or governance bodies are not necessary, we already have or are developing a number of tools that could help improve the coordination of support, and thus enhance the effectiveness of, REDD+ actions. Among these are:

- **REDD+ Strategies and Action Plans**: These strategies or plans, which have already been developed or are in development by REDD+ countries, can and should serve as frameworks to guide both support and actions. If well crafted and effectively applied by national (and subnational, as appropriate) governments and other stakeholders sharing a common vision for REDD+, REDD+ strategies and action plans, and the associated institutional arrangements they propose, could serve as the most effective means of coordination within a country.

- **Voluntary REDD+ Database**: This database, managed by the REDD+ Partnership, has brought increased transparency to financing for REDD+. Though widely used by bilateral donors, the VRD has been less broadly adopted by REDD+ countries, multilateral institutions, NGOs, foundations, and the private sector. Increasing the number of stakeholders reporting to this database will help bring clarity on where financing is currently allocated, and help identify both overlaps and potential areas with fewer resources (reddplusdatabase.org);
- **A system for tracking units**: A system that can track units generated by net emissions reductions resulting from REDD+ activities, such as the systems being discussed in relation to the framework for various approaches and the new market mechanism, would reduce the probability of duplication in either the financing or use of units.

Scaling Up and Improving the Effectiveness of Finance

Decision 1/CP.18 also establishes a one-year work program on REDD+ Finance, with the aim to contribute to the ongoing efforts to scale up and improve the effectiveness of finance. We believe there are many useful topics of discussion for the planned workshops. Opportunities to improve the effectiveness of existing finance, access types of finance typically not tapped for REDD+, and reduce the risk associated with REDD+ finance in order to attract additional financing are:

- Have clearly defined **national strategies and action plans** (and subnational strategies or plans as appropriate) that present a clear vision for REDD+ action and facilitate a cohesive program of support.
  - These are likely to be most effective when they include a **sound, sustainable long-term financing plan** not fully dependent on grants or carbon finance;
  - Implementation of this vision requires a **strong institution(s)** in country, coordinating both actions and the relevant support;
- Demonstrate **good governance**. Financing requires a sound regulatory and legal framework, strong fiduciary capabilities in recipient institutions, transparency on the use of funds, etc. Where these elements are lacking, risk is perceived as high. Without such good governance, financing is likely to go elsewhere or be channeled through alternate institutions;
- **Reduce other perceived risks** sometimes associated with REDD+ (and the land sector in general) by mitigating leakage, addressing permanence, fully implementing and reporting on environmental and social safeguards and incorporating REDD+ into a sound overall development strategy with diversified revenue streams, etc;
- **Apply different types of financing, and financial tools**, to implementing REDD+ strategies. Finance is available everywhere from pension and sovereign wealth funds to agriculture programs. Tools such as tax concessions or government bonds can generate substantial additional revenue, while risk mitigation tools like political risk insurance can attract new finance. We need to think creatively about how and where to generate the finance needed to implement different elements of REDD+ strategies and action plans. We need to think creatively about financing opportunities in order to increase the resources available to implement REDD+ strategies. The REDD+ Partnership put together a good primer on financing opportunities: http://foris.fao.org/meetings/download/_2012/redd_partnership_meeting_and_workshop/misc_documents/advanced_redd_finance_1.01.pdf.

Prioritization of Effort

Finally, it is worth noting that we believe the focus of our collective time and effort during the limited negotiations sessions this year should be on the **numerous methodological areas still pending resolution in SBSTA from past meetings**: national forest monitoring systems; measuring, reporting, and verifying; the technical assessment process for reference emissions levels/ reference levels; and additional guidance on safeguard information systems. These topics require resolution, as progress in developing the associated systems in REDD+ countries has been slowed by a lack of clear guidance at the international level. While efforts to improve the effectiveness of REDD+ finance are critical and we believe the planned work program may lead to useful results, we believe reaching decisions on these methodological issues will have a greater immediate impact and should be the highest priority.