



Non-Market Approaches to Financing REDD+

Experience of the United States

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Structure

1. Context
2. U.S. Non-Market Support for REDD+
3. Lessons Learned

Context: Background

- Continued need for support for all phases of REDD+
- Regardless of source or type of finance, activities should be consistent with relevant provisions of 1/CP16
- Funding may come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources
- Both market-based and non-market-based approaches could be developed
- Each Party will be able to chose the financing approach which best fits its needs

Context: Key question

- **Key question:** how to best finance the implementation of each REDD+ strategy?
 - Each country will have its own unique approach
 - Different activities, and different parts of a strategy, may merit different tools
 - Response may be a mix of non-market and market approaches

Context: Meaning of “Non-Market”

- Different understandings of “non-market”
- “Market” ≠ (necessarily) carbon market
 - Financial market tools (e.g. bonds, loans)
 - Commodity markets (e.g. supply chains, sourcing)

For this presentation:

- **Market** = Linked to Emissions Reduction units transacted in carbon markets
- **Non-market** = everything else

Context: Financing Tools

Providing Capital

- Grants
- Loans
- Debt Swaps
- Tax concessions
- Bonds
- Equity
- Purchase of Outputs
 - Forwards
 - Put Options
 - Call Options
 - Reverse Auctions

Reducing Risk

- Guarantees
- Commercial Insurance
- Political Risk Insurance
- Buffers and Discounts
- Bundling and Stacking

Primarily: Non-Market Market or Non-market

U.S. Support for REDD+

- U.S. has committed **over \$1.2 billion** for **REDD+** since fy2010.
- Over **90%** is **non-market, or neutral** (relevant for market or non-market approaches)

Non-Market Support – Bilateral Example



Indonesia

- **MCC Green Prosperity Project:** Commercial and grant financing to mobilize greater private sector investment in sustainable land use practices
- **Tropical Forest Conservation Act:** Debt-for-nature swap supporting grants to protect and restore forests in Kalimantan
- **Sustainable Landscapes Partnership:** PPP supporting low-emission development, forest conservation, better supply chains
- **Grants, research and policy support** for reducing emissions from forests, fire and peatland research, mapping, Indonesia Climate Change Center, etc
- **Partnerships** – TFA 2020, Climate Change Working Group, etc

Non-Market Support – Plurilateral Example



SilvaCarbon

- Objective: Identifying, testing, and disseminating good practices and cost-effective, accurate technologies for monitoring and managing forest and terrestrial carbon
- Direct engagement with Brazil, Cameroon, Colombia, DRC, Ecuador, Gabon, RoC, Peru, Vietnam
- Engagement with others through regional workshops, GEO collaboration
- Brings together all U.S. technical agencies to work with government counterparts

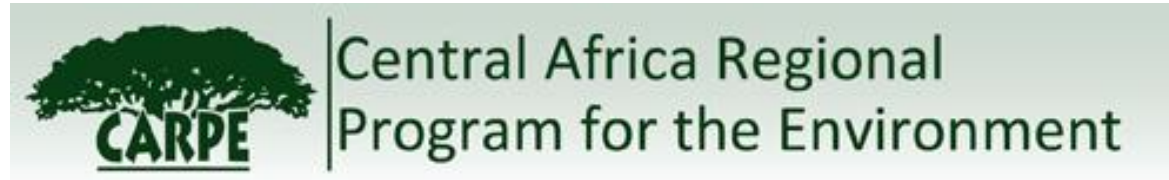
Non-Market Support – Plurilateral Example



Widening Informed Stakeholder Engagement for REDD+

- Objective: Support governments in five target countries to strengthen and broaden engagement of key stakeholder groups within REDD+ Readiness processes
- Focus on enhanced integration of stakeholders in climate, land use, and development decisions.
- Five target countries: Costa Rica, Kenya, Peru, Suriname, and Vanuatu
- Brings together national governments, FCPF Delivery Partners, local and international civil society

Non-Market Support – Plurilateral Example



Central Africa Regional Program for the Environment Phase III

- Objective: To reduce the rate of forest degradation and maintain critical habitat and biodiversity in the Congo Basin by increasing local, national, and regional natural resource management capacity.
- Focus on community mapping of resources, management and monitoring capacity, livelihoods.
- Cameroon, Central African Republic, Democratic Republic of Congo, Equatorial Guinea, Gabon, Republic of Congo, Rwanda, Uganda (8 landscapes)
- Brings together consortia of government agencies, local and international NGOs, and research institutions to implement each landscape program.

Non-Market Support – Multilateral Example



Forest Investment Programme

- Supports REDD+ efforts through grants and near-zero interest credits. Investment Plans in 8 pilot countries, Dedicated Grant Mechanism, leverage of private sector resources
- **Mexico Investment Plan:** Focus on sustainable productive mosaics targeting local and indigenous community organizations, dedicated financing line for low carbon activities, low carbon economic activities
- **Brazil Investment Plan:** Focus on regularization of properties, more sustainable agricultural production through technical training and access to credit, access to information

Non-Market Support – Multilateral Example



Initiative For Sustainable Forest Landscapes

- Objective: Promote reduced greenhouse gas emissions from the land sector, from deforestation and forest degradation in developing countries (REDD+) and from sustainable agriculture, as well as smarter land-use planning, policies and practices.

Blended approach:

- **Enabling environment support:** Grants disbursed against performance milestones. Support transformational change, leading to the implementation of their REDD+ strategies and the creation of enabling environments that change the way land-use decisions are made
- **Private sector engagement:** Provide incentives through supply chains, spur innovation, leverage knowledge
- **Results-based finance:** Ex-post payments for emissions reductions

Non-Market Support – Lessons Learned

- **The most effective approach to financing depends on the context** – national circumstances, actions to be financed, stage of readiness, etc.
- **Most REDD+ actions, and support, are relevant for any financing approach** – non-market, market, or blended.
- Most REDD+ strategies (and land use, resilience) are likely to be financed through a **blend of tools and approaches**.
- **Existing methodological guidance has been sufficient** for the REDD+ readiness, implementation, and results-based actions we support.



Thank you!

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