Funding for forests: UK Government support for REDD+

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Winrock International
Putting Ideas to Work

Climate Focus

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About this review

PwC and its alliance partners, Climate Focus, Winrock and IUCN, were appointed by the UK Government in December 2010 to undertake an independent review of options for scaling up the UK's REDD+ portfolio over the next four years to 2014/5.

The review assessed the effectiveness and absorptive capacity of existing REDD+ multilateral funds and programmes; analysed ways in which the UK Government could undertake REDD+ activities through new bilateral agreements with forested nations; outlined the geographies within which the UK Government may wish to consider partnerships; and looked at ways in which the Government could catalyse private sector innovation and investment in REDD+.

The findings of the report have been developed through an analysis of publicly available and other information and through stakeholder consultation. The authors have not sought to verify the accuracy or completeness of the information which was analysed. Interviews were conducted with approximately 124 key stakeholders from 12 forest nations, 8 donor governments, 4 multilateral institutions, 17 non government organisations, 15 private sector companies and a number of other organisations including philanthropic bodies, think tanks and academia. In addition, a workshop was held in London with representatives from ten NGOs and think tanks. Interviews took place between January and March 2011. The views of stakeholders recorded in this report do not necessarily reflect the views of the authors.

The review has been coordinated with the various agencies of the UK Government, but does not represent Government views. Its content and recommendations remain the sole responsibility of the team of consultants, while not necessarily reflecting the views of the individual author organizations.

Please note that where necessary the figures in the main report were converted to GBP using the exchange rate at the close of 28/03/2011. Figures in the appendices are quoted in a currency suitable to the context.

The authors would like to thank the many people who contributed their time and views to this review.

Contents

Acronyms

A/R	Afforestation / Reforestation
AusAID	Australian Government's overseas aid program
BNDES	Brazilian Development Bank
CBFF	Congo Basin Forest Fund
CBD	Convention on Biological Diversity
DECC	UK Department for Energy and Climate Change
DEFRA	UK Department for Environment, Farming and Rural Affairs
DFID	UK Department for International Development
EUTS	European Union Emissions Trading System
FCPF	(World Bank) Forest Carbon Partnership Facility
FIP	Forest Investment Programme
FGMC	Forest Governance for Markets and Climate programme
FLEGT	Forest Law Enforcement, Governance and Trade
GEF	Global Environment Facility
ICF	International Climate Fund
ICI	International Climate Initiative of the German Government
IUCN	International Union for Conservation of Nature
MRV	Measuring, Reporting and Verification
NGO	Non-governmental organisation
REDD+	Reduced Emissions from Deforestation and forest Degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks
UK	United Kingdom or United Kingdom Government
UNFCCC	United Nations Framework Convention on Climate Change
UN-REDD	United Nations Reduced Emissions from Deforestation and Forest Degradation Programme
USAID	United States Agency for International Development

Introduction

The world's forests are vital carbon stocks. Deforestation accounts for about 17% of global greenhouse gas (GHG) emissions, more than the entire global transportation sector and second only to the energy sector.

The global forest estate covers roughly 3.9 billion hectares, with about one trillion tons of carbon dioxide equivalent (tCO2e) stored in biomass and soil carbon. Actions to conserve and enhance forests are expected to deliver about one third of the total climate mitigation effort across all sectors.

The United Nations Framework Convention on Climate Change (UNFCCC) meeting at Cancun in December 2010 established an incentive mechanism to reduce emissions from deforestation and forest degradation, conserve and enhance forest carbon stocks, and promote sustainable forest management – REDD+.

Well designed REDD+ programmes can not only reduce emissions from deforestation and other forest-related activities, but also protect biodiversity and reduce poverty in rural and forest-dependent communities. Indeed, it is important for the success of REDD+ that policies and measures address development and biodiversity, as well as carbon goals. The world's remaining forests support the livelihoods of 1.2 billion of the world's poorest people and are home to more than 50% of the world's species diversity.

For the four years to 2014/5, the UK Government has pledged a further £2.9 billion to support climate action in developing countries through its International Climate Fund. A significant portion of this funding is expected to be used to support REDD+ action. Such support is intended to include demonstration projects and 'payment for results' programmes, as well as continuing work on 'REDD+ readiness' to help countries build capacity and implement effective policies, to support the scaling-up of REDD+ activity. It is in this context that the UK Government has commissioned this report to provide an independent analysis of funding options for REDD+.

The report reviews major REDD+ programmes, highlighting gaps as well as good practice. It explores options for partnerships with forest nations and with other donors, as well as for expanding the UK Government's support for multilateral funds and programmes and its work in supporting forest governance. The report also looks explicitly at opportunities to use public finance to catalyse private sector activity and investment in REDD+.

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1. Executive summary

Why is REDD+ so important

REDD+ has emerged as one of the key areas for action on mitigating climate change. Deforestation and forest degradation account for about 17% of current global emissions[1]. Without REDD+, the goal of limiting the rise in global temperatures to 2°C above pre-industrial levels will be much harder, and substantially more expensive, to achieve[2].

REDD+

In 2005, in response to increasing awareness of the loss of forests in the tropics a group of forest nations made a proposal within the UNFCCC that negotiations for a post-2012 agreement should include incentives to mitigate emissions from deforestation.

The Bali Action Plan agreed at the UNFCCC conference in Bali in 2007 included provisions on **REDD** which aimed to provide an economic incentive structure that would reward activities that **R**educe **E**missions from **D**eforestation and forest **D**egradation[3].

These proposals have been broadened by subsequent negotiations, culminating in an agreement on **REDD+** in Cancun in December 2010. As well as including activities which reduce emissions from deforestation and forest degradation, REDD+ now explicitly includes the conservation of forest carbon stocks, sustainable management of forests and the enhancement of forest carbon stocks[4].

REDD+ also offers an opportunity to accelerate poverty alleviation, support climate-resilient economic development and protect biodiversity in forest nations. The world's forests support the livelihoods of 1.2 billion of the poorest people[5], contain 50-80% of the world remaining terrestrial biodiversity[6] and contribute to building climate resilience. Forests also offer critical ecosystem services, which support climate change adaptation and reduce the vulnerability to climate shocks and stresses[7].

The REDD+ funding landscape

REDD+ activity is at a very early stage in most countries and current expenditure on REDD+ is a fraction of the level required longer term to support reductions of emissions from deforestation to more sustainable levels[8], the three phases of REDD+ activity are summarised in Table 1 overleaf.

A substantial share of the 'REDD+ readiness' funding has been directed to multilateral funds and programmes. Progress has been mixed, reflecting the very real challenges in many partner nations and differences in effectiveness among the various programmes. A number of multilateral funds and programmes are also looking beyond the readiness phase, but none are fully operational yet.

As countries move from REDD+ readiness to demonstration projects and then larger scale deployment, more funding is being provided by major donors on a 'payment for results' basis, principally through bilateral programmes. Currently, 67% of donor funding for REDD+ is committed to bilateral activities. Much of this support is focussed on a relatively small group of forest nations.

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[1] Source: Intergovernmental Panel on Climate Change, 2007, *Fourth Assessment Report*. (We note that estimates vary; for example Van der Werf et al., 2009. *CO2 emissions from forest loss* estimated that they account for 12% of global emissions).
[2] Ibid.
[3] Source: FLEGT – REDD+ linkages: Briefing note - January 2011 - What is REDD+? Proforest.
[4] Source: Draft decision -/CP.16 Outcome of the work of the Ad Hoc Working Group on Long-term Cooperative Action under the UNFCCC.
[5] Source: World Resources Institute et al., 2005. World Resources 2005 - The Wealth of the Poor - Managing Ecosystems to fight Poverty.
[6] Source: Reuters, 2008. http://www.reuters.com/article/2008/06/20/us-philippines-biodiversity-idUSMAN18800220080620.
[7] Source: Beyond REDD+: The role of forests in climate change – The Forest Dialogue - 2008
[8] The annual cost of reducing emissions from deforestation by 50% has been estimated at $17-30 billion (source: The Eliasch Review, 2008). Commitments from donor countries for the 2010 – 2012 'Fast Start' period amounted to approximately $4 billion (source: Simula, M, 2010. Analysis of REDD+ Financing Gaps and Overlaps).

Table 1: The three phases of REDD+ activity

Phase	Activities	Principal funding sources
1	REDD+ readiness capacity building and planning	Public funds, largely channelled through mulitlateral funds and programmes
2	Institutional strengthening, policy reform and demonstration projects	Public funds through bilateral agreements and some multilaterals, and some private finance, often with public support
3	Deployment at scale and payment for results	Public funds through bilateral agreements and, potentially, the Green Climate Fund; private investment & carbon markets increasing over time

Early progress by the major donors has highlighted the potential to accelerate REDD+ implementation at a national level through effective bilateral partnerships with nations. The experience of Norway, by far the largest donor in REDD+, Germany and Australia provide useful experience that has informed the report's recommendations.

The private sector will need to play a major role in the deployment phase, but has yet to emerge as a major source of finance for REDD+. The private sector is also a major contributor to deforestation, either directly through the use of forest land and resources for agricultural and other uses or indirectly by creating demand for forest products. Whether as implementation partners or investors, engagement with the private sector will therefore be critical to the success of REDD+.

International funding for REDD+ is therefore characterised as much by the gaps in funding provision, as by early progress.

UK Government commitment to support REDD+

The UK Government plans to spend £2.9 billion in the four years to 2014/5 through its newly established International Climate Fund (ICF), helping developing nations take action on climate change. REDD+ is one of the priorities for the ICF, so a significant portion of the fund is expected to be made available to support REDD+ activity in forest nations. (In the earlier 'Fast Start' period, 20% of UK funding was allocated to REDD+).

The Government's objectives are broader than just climate change. In particular, through UK funding for REDD+, the Government also wants to accelerate poverty alleviation and biodiversity protection.

This report explores options for how and where this money could be spent, looking at the experience of multilateral bodies and other donors involved in REDD+, as well as the potential to use Government funds to catalyse private sector investment. It advocates a portfolio approach, combining funding for multilateral programmes and bilateral partnerships, complemented by support for private sector engagement, focussed at least initially on a small number of priority countries.

Multilateral funds and programmes

The UK is one of the largest donors on REDD+. Funding to date has been provided primarily through multilateral funds and programmes, helping forest nations get ready for REDD+. The UK has also supported forest governance reform, a crucial foundation for the successful implementation of REDD+ action. Continued support for this important work on REDD+ readiness and forest governance reform through multilateral and bilateral channels is likely to be a part of a successful portfolio.

Many of the multilaterals will have an important role to play in Phase 2 of REDD+ and some in Phase 3. However, these funds and programmes are at an early stage of development, with little track record of delivery. The Government should continue to support programmes that fit well with its strategic priorities, but at this early stage it is not clear that these multilateral initiatives are likely to be able to deploy substantial additional funding or to deliver beyond their current programmes in the period covered by this review. For example the

Forest Carbon Partnership Facility has disbursed only 8% of its funds since it was launched in 2008 and the UN-REDD Programme has disbursed only 20% of its funding to date.

The UK could seek to increase the scale and pace of relevant multilateral programmes or initiate new programmes that are aligned to the UK's strategic objectives. However, the Government's ability to scale up funding for REDD+ in this way would depend on the support of the host institutions and other donor member governments.

The Green Climate Fund proposed in the Cancun Agreement may seek commitments from donors during the funding period. This could provide a further opportunity to provide funding for REDD+ activities through a multilateral agency.

The complementary role of bilateral partnerships

Bilateral funding through partnerships with forest nations is likely to play an increased role in the demonstration and deployment phases of REDD+, with an increased focus on results-based payments and other innovative funding mechanisms.

As with the multilateral initiatives, bilateral support for Phase 2 and 3 activity is at an early stage, with only a limited track record of 'payments for results' through partnerships with forest nations. There are, however, a number of examples of successful bilateral partnerships for forest governance and community forestry programmes, such as DFID's Livelihoods and Forestry Programme in Nepal, which were initiated before REDD+ became a priority. Well designed partnerships have the potential to accelerate delivery in 'REDD+ ready' nations, by focusing results-based funding on strategic priorities with strong political backing and drawing on local experience and resources.

The results-based incentive structure makes funds available to partner countries for reducing their emissions from deforestation and forest degradation relative to an agreed national reference level. This approach is likely to deliver results at scale most quickly and to ensure value for money, particularly in Phase 3. This is because direct support often allows funds to flow more quickly to partner governments' programmes and projects. With careful design, direct support can also provide greater flexibility around the milestones and performance targets that trigger payments.

There is little precedent of any donor government successfully delivering forest funding through 'payments for performance' which combines carbon, biodiversity and poverty alleviation goals. In large part, this reflects the early stage of most REDD+ 'payments for performance' programmes (e.g. Norway's work with Indonesia). There are examples of bilateral forest funding programmes achieving results in poverty alleviation and biodiversity conservation. However, allocating 'payments for performance' focused on carbon abatement, while also achieving biodiversity protection and poverty alleviation, is likely to be very challenging. Nevertheless, funding programmes that deliver multiple benefits are likely to increase the positive social and environmental impact of UK REDD+ funding.

Payment for results programmes require a sound institutional foundation, so bilateral partnerships will need to be underpinned by continued support for forest governance reform. They also require partners to adopt and implement robust safeguards, to ensure that the funding delivers the desired outcomes without unintended adverse political, environmental or social consequences.

Donor governments are more directly accountable for the successes of partnerships with forest nations, though they would also be more clearly linked with any failures.

Greater collaboration between donors will be required, both internationally and at a country level, to maximise the impact of this increased level and diversity of funding. Partnerships can be targeted to support, complement and expand multilateral programme activities in partner countries. They can also be used to catalyse private sector engagement and investment and to encourage wider engagement with non-governmental organisations (NGOs) and civil society.

Catalysing the private sector

It will be critically important to sustain and encourage private sector engagement and to accelerate business action and investment in REDD+. As one of the largest donors on REDD+ and forest governance, the Government has an opportunity to provide leadership in this area, building on the UK's position as the global centre for emissions trading and the strong support of many leading British businesses for early action on climate change and sustainability.

The Government should work with partner nations to explore the potential for early involvement of the private sector as key partners in bilateral programmes, not just as a potential source of finance. The Government should also encourage multilateral funds and programmes to engage more actively with business.

In addition, the Government could develop a separate, flexible finance facility to provide direct support for innovative private sector projects which are aligned with the UK's strategic priorities, both geographically and thematically. Whilst the scale of the potential private sector response is inevitably uncertain, interviews conducted for this review suggest that there is strong interest from a number of credible early movers.

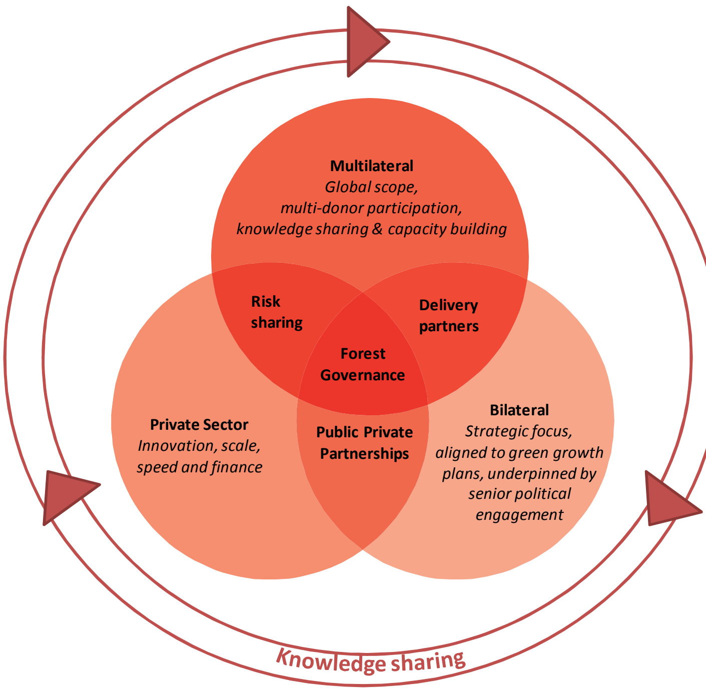
The Government should also encourage a more effective public private dialogue and knowledge sharing on REDD+, for example through business forums in the UK and in partner forest nations. It should be possible to use the Government's new Capital Markets Climate Initiative to promote and support private sector programmes and facilities. Private sector support will need to be underpinned by robust safeguards, to address the concerns of governments and civil society.

A mutually reinforcing portfolio

The scale of future funding through the ICF provides an opportunity for the Government to build a mutually reinforcing portfolio of support for REDD+, using a range of complementary funding channels and mechanisms in concert to maximise the impact of UK funding. These are shown graphically in Figure 1 below.

A mutually reinforcing portfolio would enable the Government to focus its support on geographic, sectoral and thematic priorities, including any strategic funding gaps, whilst at the same time maximising synergies and operational efficiencies between programmes and donors. It would be able to trial innovative models, share knowledge and experience and provide global leadership on REDD+, encouraging increased funding from other donors and from the private sector.

Figure 1: A mutually reinforcing portfolio



Geographic priorities

UK funding for REDD+ is likely to have most impact if it is concentrated on countries with strong potential to support the Government's strategic objectives for REDD+ and deliver substantial carbon abatement, poverty alleviation and biodiversity conservation benefits. The scale of available funding and resource constraints within the Government's REDD+ team are also likely to limit its ability to engage with more than four or five forest nations on potential partnering opportunities. Deciding where to focus initial funding will involve practical and strategic considerations, balancing ambition, timescales and risk with appropriate geographic spread to support wider political objectives. Geographic priorities should ideally include countries in each of the various phases of REDD+ activity, to support the UK's broader strategic objectives, to maximise learning and to mitigate delivery risks:

- Payment by results at scale offers the most promising means of delivering results, as experience suggests that this type of mechanism can be readily aligned to partner government priorities and programmes, with appropriate payment milestones set to reflect country circumstances. However, this model will typically require strong national capacity and accounting frameworks. The best potential for early scaling was identified in Indonesia, Brazil and Mexico, where institutional and MRV capacities are relatively well developed. UK support for payment for results in these and other countries will need to take into account the work of other donors, the need for additional funding and the potential to add value to existing initiatives.
- There is scope to support step-change in REDD+ readiness and implementation in many more countries and the costs of these will typically be lower. We have identified opportunities in Cameroon, Colombia, Ethiopia, India, Mozambique, Peru, Tanzania and Zambia, as well as in Indonesia and Brazil.
- Finally, there are opportunities to provide focussed readiness and governance support across a number of countries, most notably in Africa. In the Democratic Republic of Congo (DRC), the future potential is substantial but the environment is very challenging.

The potential REDD+ investment opportunities identified in these countries all offer carbon, poverty and biodiversity benefits, all have the potential to involve the private sector and most have clear links to wider green growth plans and climate resilient development.

As a next step, we suggest a detailed dialogue at a national or local level with potential partner governments, local stakeholders, multilateral agencies and other donors, to explore these opportunities in more depth, to assess feasibility and the risk reward potential, to look at possible funding channels and mechanisms and to agree priorities and plans. A key consideration will be the extent of political commitment at the highest level to support the partnerships and proposals.

Potential partner governments are likely to want to leverage support from multiple channels. The UK will therefore need to plan, phase and coordinate its interventions with those of other donors and programmes and other potential partner organisations (such as NGOs and local financial institutions), to maximise synergies and operational efficiencies and to encourage private sector participation.

Different REDD+ activities, channels and mechanisms may be able to operate at different scales and speed. For example forest governance activities are likely to cover more countries than results-based partnerships, which will tend to require a greater commitment of funding and resources. Private sector support could also be offered across more countries, to encourage take-up and innovation. Multilateral activities will tend to have a broader reach.

UK priorities should also have regard to the plans of other donors and the multilaterals. A number of other donors are interested in collaboration at a national level, particularly where the UK already has a presence and network, and the German Government has expressed interest in discussing establishing a joint facility with the UK Government, to leverage shared resources and increase impact.

Forest governance

Effective forest governance is a fundamental precondition for successful REDD+ activity. The UK has extensive experience supporting forest governance reform in Africa and Asia, through DFID programmes and the EU

Forest Law Enforcement, Governance and Trade (FLEGT) initiative. The Government should build on its experience of forest governance and learning from FLEGT, making support for forest governance a core component of its funding portfolio.

Safeguards

All countries supported by UK funding for REDD+ should be incentivized to adopt and implement the safeguards outlined in the Cancun Agreements. This will be particularly important to protect against potential environmental and social risks which might be associated with payments for results programmes or with support for the private sector on REDD+. There is an opportunity for UK leadership in these areas, by testing new approaches and frameworks for safeguards. Countries receiving UK funding through multilateral channels will also need to integrate relevant frameworks or standards.

Managing the increased funding

The UK Government's plans will require an increase in human resource capacity to programme and deliver the expected increase in REDD+ funding. Resources will continue to be required in the UK, to develop and coordinate the portfolio. The resources required locally to support national partnerships and programmes will depend on the scale and scope of the opportunity, the approach to partnering, the state of REDD+ readiness and the extent of local operational challenges.

There are opportunities to limit the additional resource requirement by partnering with other donors, multilateral agencies, NGOs, local financial institutions and the private sector in the funding and delivery of REDD+ activities and through innovative use of existing resources.

Getting the best out of the UK's REDD+ portfolio – ten core principles

1. **Build a mutually reinforcing portfolio:** A mutually reinforcing portfolio will help to maximise the impact of UK funding, manage risk, support knowledge sharing and broaden political influence.
2. **Commit to the long-term:** Be prepared to commit to the long-term, offering sustained and sufficient incentives to drive actions in partner nations, but link continued support to demonstrable progress in emissions reductions and to climate resilient development.
3. **Retain flexibility and allow for learning:** Retain flexibility to respond to political and market developments (e.g. in the context of the UNFCCC). Be prepared to adapt programmes to make them more effective or to move on if milestones are not met.
4. **Secure political support at the highest level**: Whether funding is being provided directly or through multilaterals, political support at the highest level in partner countries is critical.
5. **Target sectoral and economy wide transformational impacts:** Targeted and strategic actions to encourage REDD+ or to address the drivers of deforestation can create systemic impacts which can help accelerate wider climate resilient economic growth plans.
6. **Partner to build broad-based support and drive delivery:** Work with other donors as well as multilateral agencies, leading where the UK has strong networks and resources, but also playing supporting roles. Explore the potential for partnerships with local government, NGOs, indigenous peoples and other stakeholders as appropriate, to secure buy-in, access additional resource, accelerate action and reduce costs.
7. **Engage the private sector:** Private sector investment will be critical to the longer-term funding and success of REDD+. Public funds can catalyse action and leverage finance from the private sector. The Government's new Capital Markets Climate Initiative could help private sector engagement.
8. **Build on strong governance**: Build on the design and progress made in REDD+ readiness and forest governance (e.g. FLEGT), but recognise gaps and constraints.
9. **Share knowledge and best practice:** The UK is well placed to support knowledge sharing on REDD+, for example through its Climate and Development Knowledge Network.
10. **Safeguards and delivering co-benefits:** Safeguards are needed to mitigate the social and environmental risks of a REDD+ activities. Well designed safeguards can also enhance and incentivise positive outcomes.

2. An overview of REDD+ and the donor funding landscape

Why is REDD+ so important

The evolution of REDD+

REDD+ began life as REDD – a scheme in which developed states would pay developing states to protect their forest to mitigate climate change. But it quickly became apparent that only a few tropical countries would benefit and important biodiversity and sustainability concerns would not be fully addressed[9]. The scheme was remodelled as REDD+, which allowed for the sustainable management of forests and the conservation and enhancement of forest carbon stocks.

REDD+

In 2005, in response to increasing awareness of the loss of forests in the tropics a group of forest nations made a proposal within the UNFCCC that negotiations for a post 2012 agreement should include incentives to mitigate emissions from deforestation .

The Bali Action Plan agreed at the UNFCCC conference in Bali in 2007 included provisions on **REDD** which aimed to provide an economic incentive structure that would reward activities that **R**educe **E**missions from **D**eforestation and forest **D**egradation.[10].

These proposals have been broadened by subsequent negotiations, culminating in an agreement on **REDD+** in Cancun in December 2010. As well as including activities which reduce emissions from deforestation and forest degradation, REDD+ now explicitly includes the conservation of forest carbon stocks, sustainable management of forests and the enhancement of forest carbon stocks[11].

The Cancun Agreements, adopted by the 195 countries attending the UN climate conference in Cancun in December 2010[12], made a commitment to REDD+ on a global scale, encouraging developing nations to contribute to mitigation through their REDD+ activities, and linking this action to the provision of adequate and predictable financial resources and technical and technological support to them[13].

The Agreements established a framework within which the detailed development of the scheme will be negotiated[14], and which it is hoped will transform the early and largely voluntary action on REDD+ into a scalable activity across all forest nations.

Deforestation and forest degradation account for as much as 17% of current global emissions[15]. The remaining forests support livelihoods for 1.2 billion of the world's poorest people[16], contain 50-80% of the world's species diversity[17] and contribute to climate resilience and adaptation through critical ecosystem services that reduce vulnerability to climate shocks and stresses[18].

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[9] Source: Cancun: starting the REDD+ dance - http://www.cifor.cgiar.org/our-research/cancun-analysis-starting-the-redd-dance.html
[10] Source: FLEGT – REDD+ linkages: Briefing note - January 2011 - What is REDD+? - Proforest
[11] Source: Draft decision -/CP.16 Outcome of the work of the Ad Hoc working group on long-term Cooperative Action under the UNFCCC.
[12] A consensus decision was taken at the conference, despite opposition by Bolivia.
[13] Source: Briefing note: CP16/CMP 6: The Cancun agreements: summary and analysis - Climate Focus – January 2011.
[14] Under the 2010 Cancun Agreement, REDD+ covers activities which reduce emissions from: deforestation; forest degradation; conservation of forest carbon stocks; sustainable management of forests; and, the enhancement of forest carbon stocks.
[15] Source: Intergovernmental Panel on Climate Change, 2007, *Fourth Assessment Report*. (We note that estimates vary; for example Van der Werf et al., 2009. *CO2 emissions from forest loss* estimated that they account for 12% of global emissions).
[16] Source: World Resources Institute (WRI), et al., 2005. World Resources 2005 - The Wealth of the Poor - Managing Ecosystems to fight Poverty.
[17] Source: Reuters, 2008. http://www.reuters.com/article/2008/06/20/us-philippines-biodiversity-idUSMAN18800220080620.
[18] Beyond REDD+: The role of forests in climate change – The Forest Dialogue - 2008

Until recently, efforts to slow deforestation, at a national level and internationally, have had only limited success. Previous initiatives have struggled to integrate underlying commercial forces, agricultural policies and wider sustainable development opportunities.

As The Prince's Rainforest Project observed:

"…the political will has not been strong enough, or sustained for long enough, to ensure the implementation of development approaches that tackle the fundamental economic issues that cause deforestation"[19].

The REDD+ approach

REDD+ seeks to support and strengthen existing efforts by forest nations to conserve tropical forests by developing results-based mechanisms for rewarding reductions in emissions from deforestation and forest degradation, relative to agreed national reference levels. Achieving this will involve new stakeholders at the sub-national, national and international level and require innovative solutions and partnerships. It will also be important to involve the private sector in the formulation and implementation of solutions to reduce tropical deforestation.

The REDD+ approach is more than a revisiting of payments for ecosystem services. While payments for ecosystem services will form part of national REDD+ implementation, the REDD+ mechanism seeks to achieve long-term change in national policies towards sustainable forest management.

REDD+ cost effectiveness

In a report prepared for the UK Government, the Eliasch Review[20] estimated that the funds required to halve emissions from the forest sector by 2030 could total US$17 – 33 billion per year, based on various estimates from the literature and from work commissioned by the review. Modelling carried out by the same review team estimated that the global economic cost of climate change caused by deforestation could reach $1 trillion a year by 2100. The likely cost of action, in other words, is a small fraction of the possible cost of inaction.

Curbing deforestation, therefore, could offer one of the most cost-effective and fastest means of mitigating emissions[21]. Some progress is being made towards this goal, with many tropical forest countries moving forward with REDD+ readiness and some countries initiating demonstration projects and some larger-scale activity. However, rapid deforestation and forest degradation is continuing in many forested nations as a result of logging, clearance for agriculture and other factors.

Under the existing economic system, forests are often worth substantially more cut down than standing. In many countries this situation is compounded by unclear legal frameworks and insecure land tenure. The emerging REDD+ mechanism seeks to introduce incentives to maintain forests and take into account the situation of local and forest-dependent populations that act as stewards of the forest. A financing mechanism for REDD+ would also support poverty alleviation and help preserve biodiversity and other ecosystem services in developing countries[22].

[19] Source: The Prince's Rainforests Project, 2009. *An emergency package for tropical forests.*
[20] Source: Eliasch, J., 2008. Climate Change: Financing Global Forests.
[21] Source: The Economics of Ecosystems and Biodiversity (TEEB), 2010. *TEEB for business.*
[22] Source: Eliasch, J., 2008. Climate Change: Financing Global Forests.

REDD+ - poverty alleviation and biodiversity conservation

The Cancun Agreement provides that REDD+ actions should be consistent with conservation of natural forests and biological diversity. They should not be used for conversion of natural forests, but instead to incentivize the protection and conservation of natural forests and their ecosystem services, and to enhance other social and environmental benefits. This is particularly important for the most vulnerable groups who rely on healthy and productive forest ecosystems for fuel wood, non-timber forest products, shelter and other services[23].

Maintaining and restoring biodiversity promotes the resilience of forests to human-induced pressures and climate change impacts and helps maintain the long-term stability of the carbon pool. As such, maintaining biodiversity should be viewed as an indispensable prerequisite for reducing risks associated with REDD+ actions[24].

If REDD+ actions are not designed well they could do harm. Forests can only be protected and recover from deforestation and degradation if the needs of the people that depend on them are taken into account.

A recent IUCN report notes:

"*REDD+ should not create an additional burden for these people. Instead, the contributions that marginalised groups make to the conservation, sustainable management and restoration of forest resources should be strengthened and rewarded through REDD+ interventions*"[25].

REDD+ partnerships should engage marginalised groups such as indigenous peoples, forest-dependent communities and women to ensure that their needs are taking into account.

The meaningful participation of communities, NGOs and business enhances the role of governments as enablers of socio-economic development and increases the ability of countries to implement REDD+ initiatives[26].

There have been many experiences with national and sub-regional forest governance reform processes that provide useful frameworks and lessons that are translatable to the establishment of nationally-owned and credible REDD+ initiatives[27].

The three phases of REDD+ activity

The Cancun Agreement on REDD+ envisages a phased approach to implementation:

Phase 1: The development of national, and where appropriate sub-national, strategies or action plans, policies and measures, and capacity-building, followed by

Phase 2: The implementation of national, and where appropriate sub-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

Phase 3: Results-based actions and policies that should be fully measured reported and verified.

The choice of the starting phase of each country depends on national circumstances and available support. The three phases are analysed in Table 2 below.

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[23] Source: Draft decision -/CP.16 Outcome of the work of the Ad Hoc working group on long-term Cooperative Action under the Convention
[24] Source: Beyond REDD+: The role of forests in climate change – The Forest Dialogue - 2008
[25] Source: pg. 4, Building effective pro-poor REDD-plus interventions: How enhanced multi-stakeholder processes can ensure REDD-plus works for vulnerable communities, IUCN, January 2011.
[26] Source: Building effective pro-poor REDD-plus interventions: How enhanced multi-stakeholder processes can ensure REDD-plus works for vulnerable communities, IUCN, January 2011.
[27] in Ghana, DRC, Tanzania, China, Sri Lanka, Russia, Moldova and Central America, to name a few

Table 2: The three phases of REDD+ activity

	Phase 1: REDD+ readiness capacity building and planning	Phase 2: Institutional strengthening, policy reform, and demonstration projects	Phase 3: Deployment at scale and payment for results
Overview	National and sub-national strategy development, policy development & legislative action, capacity building.	National and sub-national strategy implementation, capacity building, including basic monitoring abilities, demonstration projects.	Implementation of results-based actions, Monitoring and verification of implementation.
Funding sources	Public funds largely channelled through multilateral funds and programmes.	Public funds through bilateral agreements and some multilaterals, and private finance with some public support.	Public funds through bilateral agreements and, potentially, the Green Climate Fund; private investment & carbon markets increasing over time.
Bilateral programmes	Extensive activity	Some donors are active in some countries	Some leading donors are starting to support phase 3 in key countries
Multilateral funds and programmes	Extensive activity	Some funds are starting to support Phase 2 activity	Not yet active
Private sector	Limited activity	Some small scale activity on demonstration projects	Not yet active

The REDD+ donor landscape

REDD+ activity is at a very early stage in most countries. This is reflected in the levels and sources of finance. Commitments from donor countries for REDD+ pledged during the 2010 - 2012 period total US$4.5 billion, far less than the annual funding requirement of US$17–33 billion estimated in the Eliasch report.

Principal donors

The REDD+ donor landscape is complex, with donors operating across geographies and in a range of thematic areas. Almost all stakeholders we spoke to highlighted the importance of greater coordination amongst donors.

Norway is currently by far the largest REDD+ donor. It is regarded by many as a leader in the development and implementation of REDD+ 'payment for performance' in carbon abatement. Other major donors include the USA, Japan, France, Australia Germany and the European Commission as well as the UK. A number of private philanthropic foundations are also active in the sector.

Comparing contributions is difficult because of differences in the classification of funding commitments and in reporting periods. For example, in addition to the US$120 million support for REDD+ provided through its International Climate Initiative, Germany provides US$500 million per year to its Biodiversity and Forest Fund. Japan contributes to a number of adaptation and mitigation activities through the Hayotama Initiative and other funding channels all of which are partly directed towards forestry[28].

Funding commitments for the principal donors are analysed in more detail in Table 3 at the end of this section. Where possible this summarises the donors' thematic and geographic focus and shows the allocation of funding between multilateral funds and partnerships and bilateral partnerships.

[28] During the review we were unable to contact officials in the Japanese government to confirm the amounts allocated to REDD+.

It should be noted that there are significant differences in the budgetary cycles and accounting practices of donor countries. These figures are intended to be indicative only, and are not directly comparable.

Funding channels

Most funding for REDD+ has been channelled either through multilateral institutions or directly through bilateral partnerships. There are a number of multilateral institutions focussed on REDD+, such as the World Bank FCPF and UN-REDD, as well as other funds such as the Global Environment Facility. The majority of the larger donors also complement multilateral funding with bilateral programmes and partnerships.

As countries move from REDD+ readiness to demonstration projects and onto larger-scale deployments, more funding is expected to be provided by major donors on a 'payment for results' basis, principally through bilateral partnerships. In this context, it is important that donors support early movers, national readiness programme and pilot emission reduction programmes. International support for developing country efforts will be essential to encourage an international cooperative mechanism to reduce land-use related emissions. Such support may involve direct payments, but also technical assistance, political support and capacity building.

Funding gaps

A recent report by the REDD+ Partnership [29] highlights funding gaps in REDD+ readiness support (Phase 1). Although the study did not cover all countries that are involved in REDD+ readiness, it does provide a valuable reference point.

The report demonstrated that, of the 16 REDD+ countries covered by the report, on average 87% of the total current funding need would be met. However there were large variances. Several countries (Argentina, Indonesia, Kenya and Peru) appear to have funding gaps greater than 30%, whilst Tanzania appears to have 4% more funding than needed to support their Phase 1 activities. The financing gaps for Phases 2 and 3 were not able to be reliably estimated by the report due to a lack of available date.

The report also noted that current funding flows are concentrated on two large countries (Brazil and Indonesia). While this reflects their significance in global emissions from the forest sector (they account for around 70% of the total area deforested per year), many geographical gaps remain, particularly in Africa.

The private sector will need to play a major role in the longer-term deployment phase, but has yet to emerge as a major source of finance. The private sector brings skills, knowledge and networks as well as finance that can be deployed at speed and scale. Private business and individuals are also directly and indirectly responsible for the majority of emissions that result from deforestation and degradation. Whether as implementation partners or investors, engagement with the private sector will therefore be critical to the success of REDD+.

[29] Simula, M, 2010. Analysis of REDD+ Financing Gaps and Overlaps, Ardot

Table 3: Overview of the donor landscape

Donor	Multilateral	Bilateral activities	Geographic focus	Pledged/ Disbursed £m[30]	Target phases[31]
Australia[32]	Forest Carbon Partnerships Facility (FCPF), Forest Investment Programme (FIP) and Global Environment Facility (GEF)	Demonstration projects, Monitoring Reporting and Verification (MRV)and policy and legal reform	Indonesia, Papua New Guinea, Vietnam, Fiji, Tanzania, Kenya and Cambodia	Pledged:179 Disbursed: 64	1, 2
Canada[33]	FCPF and GEF	Some bilateral activities incl. MRV and institutional capacity building and knowledge sharing	Mexico, Congo Basin Nations (COMIFAC, Morocco, Tunisia, Algeria (African Model Forest Initiative)	Pledged: 45 Disbursed: 25	1
Denmark[34]	FIP, FCPF, United Nations REDD Programme (UN-REDD) and GEF	Assist countries in preparation of REDD documents and in joint forest management	Africa, Bolivia, Nepal and Cambodia	Pledged: 26 Disbursed: Insufficient public data	1
Finland[35]	FCPF and GEF	Some bilateral activities including promoting Regional knowledge sharing	Andean regional support , African regional support	Pledged: 31 Disbursed: Insufficient public data	1
France[36]	FCPF and GEF	Wide range of activities including sustainable forest management planning, remote sensing & development of national strategies	Amazonian, Congo & Indonesian forest basins	Pledged: 200 Disbursed: 57	1
Germany[37]	FCPF and GEF	Wide range of activities including technical forestry assistance and institutional capacity building	South America (Amazon region), Africa (Congo Basin) and Asia (Indonesian rainforest)	Pledged: 356[38] Disbursed: Insufficient public data	1
Japan[39]	FCPF, FIP and GEF	Capacity building in MRV methods and technology exchange	Brazil, Burkina Faso, Cambodia, China, Ethiopia, Gabon, India, Indonesia, Kenya, Laos, Malawi, Malaysia, Morocco, Myanmar, Nepal, Nicaragua, Philippines, Senegal, Thailand, Tunisia, Vietnam	Pledged: 308 Disbursed: 136	1

30 Pledged and disbursed figures are estimates based on publically available data and where possible supported by stakeholder interviews. It should be noted that there are differences in the way in which donor countries account for funds, including differences in funding cycles and disbursal rates
31 Phase 1: Readiness - Source: Meridian Institute, 2009. *Reducing Emissions from Deforestation and Forest Degradation (REDD): An Options Assessment Report and stakeholder interviews.*
32 REDD+ Partnership Survey Report: Australia, (2010)
33 REDD+ Partnership Database (www.reddplusdatabase .org)
34 REDD+ Partnership Survey Report: Denmark (2010)
35 Finland contribution to REDD+ financing, 2010, Ministry for Foreign Affairs of Finland, REDD plus database (www.reddplusdatabase.org)
36 REDD+ Partnership Survey Report : France (2010)
37 http://pdf.wri.org/climate_finance_pledges_2010-11-24.pdf
38 This is an estimate based on publically available information and includes estimated funding directed to other areas of ODA which also may have an impact on REDD+ such as climate adaptation projects
39 REDD+ Partnership Database (www.reddpluspartnership.org)

Donor	Multilateral	Bilateral activities	Geographic focus	Pledged/ Disbursed £m[30]	Target phases[31]
Norway[40]	FCPF, FIP, UN-REDD, Congo Basin Forest Fund (CBFF) and GEF	Extensive programme of policy and legal reform in partner countries, aiming to develop results based payments	Brazil, Indonesia, Guyana, Tanzania, Mexico, Congo Basin	Pledged:1,650 Disbursed: Insufficient public data	1,2 & 3
Spain	FCPF and GEF	Some bilateral activities incl. forest conservation in national parks and biosphere reserves	Latin America, potentially West and Central Africa	Pledged: Insufficient public data[41] Disbursed[42]: 21	1
Sweden[43]	GEF	Some bilateral activities including forest governance, REDD readiness, land use planning	Africa, Central America	Pledged: 46 Disbursed: 5.2	1
Switzerland[44]	FCPF	Some bilateral activities including technical forestry projects and regional knowledge exchange	Madagascar, Nepal, Peru, Philippines, Ghana, Madagascar, Indonesia, Colombia	Pledged: 31 Disbursed: Insufficient public data	1
USA	FCPF, FIP and GEF	Bilateral activities include	Planned for Asia, Latin America. Potential for other countries/regions to be included	Pledged: 616[45] Disbursed: 107[46]	1,2

40 Forum for the Future, 2009. *Forest Investment Review*.
41 Spain has committed 125M€/year for 2010-2012 period for climate change. Part of these funds will be dedicated to REDD+, but the amount is decided yearly.
42 REDD+ Partnership Database (www.reddplusdatabase.org)
43 http://pdf.wri.org/climate_finance_pledges_2010-11-24.pdf
44 REDD+ Partnership Database (www.reddplusdatabase.org)
45 USA ID Strategic Choices for United States Fast Start Financing for REDD+ October 28, 2010 (http://www.usaid.gov/our_work/environment/climate/docs/UnitedStatesREDD+Strategy.pdf)
46 http://reddplusdatabase.org/arrangement/list

3. *UK funding – making the most of multilateral and bilateral programmes*

Summary of conclusions and recommendations

The UK Government is making a substantial commitment to REDD+. This is designed to provide the foundation for reductions in forest-related emissions in developing countries while, at the same time, supporting poverty reduction, climate resilience and biodiversity protection. Multilateral funds and programmes have formed the core of the UK Government's funding for REDD+ to date, with £165 million currently committed almost exclusively through the multilateral system.

In this chapter we examine the performance of multilateral funds and programmes for REDD+, and look at the experience of major donors with bilateral programmes and partnerships. We seek to identify the benefits and associated challenges of the two channels and the implications of these for meeting the Government's objectives.

UK funding through multilateral funds and programmes is helping forest nations get ready for REDD+. The UK has also supported forest governance reform, a crucial foundation for the successful implementation of REDD+ action. It should continue to support this important work on REDD+ readiness.

Many of the multilaterals will have an important role to play in Phase 2 of REDD+ and some in Phase 3. However, these funds and programmes are at an early stage of development, with little track record of delivery. The Government should support programmes that fit well with its strategic priorities, but it is not clear that multilateral initiatives are likely to be able to scale up and deploy substantial additional funding or to deliver results based support beyond their current programmes in the period covered by this review. For example the FCPF has only disbursed 8% of its funds since 2008 and UN-REDD has disbursed only 20% of its funding to date.

The UK government could seek to increase the scale and pace of relevant multilateral programmes or initiate new programmes that are well aligned to the UK's strategic objectives. However the ability of the Government to scale up funding for REDD+ in this way will depend on the support of the host institution and other donor member governments and may not be achievable in the four year funding period.

The Green Climate Fund proposed in the Cancun Agreement may seek commitments from donors during the funding period. This could provide a further opportunity to provide funding for REDD+ activities through a multilateral agency.

Bilateral funding through partnerships with forest nations is likely to play an increased role in the demonstration and deployment phases of REDD+, with an increased focus on payment for results and other innovative funding mechanisms.

As with the multilateral initiatives, bilateral support for Phase 2 and 3 activity is at an early stage, with only a limited track record of 'payments for results' through partnerships with forest nations. There are however a number of examples of successful bilateral partnerships for forest governance and community forestry programmes initiated before REDD+ was on the international agenda, such as DFID's Livelihoods and Forestry Programme in Nepal. Well designed partnerships have the potential to accelerate delivery in REDD+ ready nations, by focusing results-based funding on strategic priorities with strong political backing and drawing on local experience and resources.

The results-based incentive structure makes funds available to partner countries for reducing their emissions from deforestation and forest degradation relative to an agreed national reference level. This approach is likely to deliver results at scale most quickly and ensure value for money, particularly in Phase 3, as experience suggests that this type of mechanism can be readily aligned to partner government programmes and projects, with appropriate payment milestones set to reflect country circumstances. However payments for results programmes require a sound institutional foundation and adopt and implement robust environmental and social safeguards to ensure that the funding delivers the desired outcomes without unintended negative political, environmental or social consequences. For example, misaligned incentives could exacerbate poverty or result in conflict locally. Bilateral partnerships will also need to be underpinned by continued support for forest governance reform.

Donor governments are more directly accountable for the successes of partnerships with forest nations, though they would also be more clearly linked with any failures.

Partnerships can be targeted to support, complement and expand multilateral programme activities in partner countries. They can also be used to catalyse private sector engagement and investment and to encourage wider engagement with NGOs and civil society. Bilateral partnerships also offer the potential for close collaboration with large donors in individual forest nations or across the portfolio of bilateral partnerships.

UK funding for international forestry and REDD+

Existing commitments

The UK Government has already made substantial commitments to support REDD+ activities. Since 2008, £165 million has been directed to REDD+ almost exclusively through the multilateral system. The biggest commitment is £100 million pledged to the Climate Investment Funds' Forest Investment Programme (FIP), which is administered by the World Bank. The UK has also invested £50 million in the Congo Basin Forest Fund (CBFF) covering the ten countries in the Congo Basin. The CBFF is administered by the African Development Bank. A further £15 million has been committed to the World Bank's Forest Carbon Partnership Facility (FCPF) - £3.5 million to the FCPF Readiness Fund and £11.5 million to the FCPF Carbon Fund.

Over the last decade, the Government has also supported numerous forest governance programmes and has been a leading supporter of the EU action plan on Forest Law Enforcement, Governance and Trade (FLEGT). The UK Government's existing Forest Governance and Trade Programme is set to end in 2011 and a Forest Governance, Climate and Markets programme has been proposed to consolidate and expand on current forest governance activities in coordination with work on REDD+.

UK Government country offices in forested nations also have ongoing programme activities which cover a wide range of thematic areas, including poverty reduction, biodiversity conservation, carbon abatement and wider low carbon development. Through the recent Bilateral Aid Review (BAR) a number of country offices have proposed specific forestry and REDD+ related programmes for funding support.

Increased funding targeted at REDD+

The UK Government has a commitment to disburse £2.9 billion of climate finance over the next four years (2011/2-2014/5) to help developing countries adapt to the impacts of climate change and move to a low carbon growth path. The Government has established the International Climate Fund (ICF) to coordinate this spending. REDD+ is one of the priorities for the ICF, so a significant portion of the ICF is expected to be made available to support REDD+ activity in forest nations.

Approximately 20% of Fast Start funding by the UK Government was allocated to REDD+. The Fast Start period runs from 2010 to 2012 and so overlaps the start of the commitment period under consideration in this report.

UK Government goals and objectives

The Government wants to use its funding to support innovative and sustainable REDD+ initiatives that will lead to reductions in forest-related emissions in developing countries, while at the same time supporting poverty reduction, climate resilience and biodiversity protection.

The objectives for the UK Government's REDD+ finance are to:

- Support countries to become 'REDD+ ready' to participate in 'payment for results' programmes and take complementary domestic action;
- Support innovative mechanisms for payment for results, which leverage private sector involvement in REDD+, leading to immediate results on the ground;
- Create and support an efficient, effective and coordinated international system to help countries to deliver REDD+ outcomes; and
- Learn what makes for effective REDD+ programming and sharing these lessons with forested nations and the international community.

Finance can be channelled through multilateral and bilateral routes. A critical choice is deciding the best balance between these two channels and how this weighting might change over time. The remainder of this chapter examines this balance in the context of REDD+.

Channelling funds through multilateral routes

Overview of multilateral funds and programmes

Multilateral funds and programmes form an important part of the REDD+ donor landscape. They operate at the global level, as forums through which REDD+ international policy is informed, and at a national level, working with governments to develop policies and strategies, build capacity and deliver programmes.

The review examined the performance of multilateral funds and programmes for REDD+. It sought to identify the benefits of directing funding through multilaterals, the associated challenges and the implications of these for meeting the UK Government's objectives.

Funds and programmes to be included in the review were selected in consultation with the Government on the basis of scale, relevance to REDD+ and the extent of UK engagement with these agencies to date. An overview of these is set out in Table 4. A more detailed analysis of each fund and programme is contained in Appendix 6.

The review draws on the views of forest nations, donors, NGOs and other stakeholders. It is important to note that many of the funds and programmes are at a relatively early stage in their activities and so may not yet have established a consistent performance track record.

Advantages of funding through multilaterals

Multilateral organisations have mobilised large-scale funding for REDD+ quickly and effectively. They perform a pivotal leadership role coordinating and supporting other donors, bringing a mandate and legitimacy to enable action around the world. Channelling funding through multilateral agencies offers a number of potential advantages for donors such as the UK Government.

Global scope: The global remit of multilateral funds means funding can have an impact in priority areas around the world without the need to establish individual bilateral relationships and arrangements.

Reduced risk: Because multilateral funds and programmes by their very nature involve multiple donors and because funds and operations are managed by third party bodies, donors see multilateral funding as a low risk option. Also, as funds are consolidated from different sources and deployed across many REDD+ countries, risk is spread. However multilateral funding is not a risk free option. Concerns over governance, financial management and operational performance do sometimes occur and may impact on the reputation of contributing donors and the effectiveness of their support.

Table 4: REDD+ multilateral fund overview

Fund	Description	REDD+ thematic focus	Geographic focus	P £m [47]	F £m [48]	D £m [49]	% of funding disbursed	Requirement for additional funding
FCPF Readiness Fund (FCPF-RP)[50]	World Bank Program to assist developing countries in REDD+ efforts. Assists tropical and subtropical forest countries in the policies, institutions and mechanisms needed for REDD+ (REDD+ readiness). In operation since June 2008.	REDD+ readiness piloting payment for performance and knowledge sharing	37 REDD+ countries: 14 in Africa, 15 in Latin America, 8 in Asia Pacific	95	77	6	8%	Open to additional funding, with Medium absorptive capacity but with a sunset clause in 2012.
FCPF Carbon Fund (FCPF-CF)[51]	Will provide performance-based payments for verified emission reductions from REDD+ programmes. Only countries that have achieved progress toward REDD readiness will be eligible. Expected to be operational in 2011.	Payments for verified credits	N/A	43	32	n/a	n/a	Open to additional funding and requires further £28 million. Confident that funding gap will be filled but keen to attract private sector funding.

[47] P - Pledged
[48] F - Funded
[49] D - Disbursed
[50] Source: Figures from the Climate Funds update website (http://www.climatefundsupdate.org/listing/forest-carbon-partnership-facility)
[51] Source: Figures from the Climate Funds update website (http://www.climatefundsupdate.org/listing/forest-carbon-partnership-facility)

Fund	Description	REDD+ thematic focus	Geographic focus	P £m [47]	F £m [48]	D £m [49]	% of funding disbursed	Requirement for additional funding
UN-REDD[52]	United Nation-REDD Programme aims to support the development and implementation of national REDD+ strategies. Launched in September 2008. Implemented by the FAO, UNDP and the UNEP.	National readiness support and knowledge development	Bolivia, Democratic Republic of Congo (DRC), Ecuador, Indonesia, Panama, Papua New Guinea, Tanzania, Vietnam, Zambia [53]	106	60	12	20%	Open to additional funding and has aspirations to grow. Five year strategy (2011 – 2015) outlines an intention to add 20 countries to programme.
FIP[54]	Provides scaled-up financing to developing countries for readiness reforms and public and private investments, identified through national REDD+ readiness or equivalent strategies. One of World Bank Climate Investment Funds (CIFs). Operational since July 2009, but not yet disbursing funds.	Wide range of activities	Brazil, Burkina Faso Democratic Republic of Congo, Ghana Indonesia Mexico, Laos , Peru (Pilot countries with potential for expansion)	335	63	2[55]	3%	Open to some limited further funds but is still in the design phase and has limited track record of delivery.
GEF[56]	The GEF serves as a financial mechanism for the following conventions: UNFCCC, CDB, POPs and the UNCCD. Through its Trust Fund, it supports projects that benefit the global environment, link local, national, and global environmental challenges and promote sustainable livelihoods.	Wide range of activities including REDD+ Project development and capacity building	Global	154	U[57]	U	0%	Open to additional funding but GEF's current funding envelope for REDD+ is closed; could be extended in future.

[52] Figures from the Climate Funds update website (http://www.climatefundsupdate.org/listing/un-redd-programme)
[53] In addition to the 12 UN-REDD Programme countries receiving support to National Programmes, the Programme also supports 17 other partner countries across Africa, Asia-Pacific and Latin America. These countries are: Argentina, Bangladesh, Bhutan, Central African Republic, Colombia, Costa Rica, Ecuador, Gabon, Guatemala, Guyana, Kenya, Mexico, Nepal, Nigeria, Republic of Congo, Sri Lanka and Sudan. Ecuador is awaiting a decision on its inclusion in the UN-REDD programme. Changes may be made following the UN-REDD meeting in Vietnam at the end of March 2011.
[54] Figures from the Climate Funds update website (http://www.climatefundsupdate.org/listing/forest-investment-programme)
[55] Figures from the Climate Funds update website (http://www.climatefundsupdate.org/listing/un-redd-programme)
[56] GEF Sustainable Forest Management & REDD+ Investment Programme, GEF, 2009
[57] U= unknown

Fund	Description	REDD+ thematic focus	Geographic focus	P £m [47]	F £m [48]	D £m [49]	% of funding disbursed	Requirement for additional funding
Congo Basin Forest Fund [58]	The goal of the CBFF is to complement existing activities; and to support transformative and innovative proposals which will develop the capacity of the people and institutions of the Congo Basin to enable them to manage their forests; help local communities find livelihoods that are consistent with the conservation of forests; and reduce the rate of deforestation.	Wide range of activities including REDD+ Project development and capacity building	COMIFAC nations	103	103	7	7%	Very low over next 4 years. Currently facing challenges to disburse current funds.
Green Climate Fund	Plans for the Green Climate Fund, mentioned in the 2009 Copenhagen Accord, were formalized in the 2010 Cancun Agreement. Its mandate encompasses mitigation including REDD+, adaptation, capacity-building, technology development and transfer. The Fund is to be governed by an international committee with balanced representation from developed and developing countries. The World Bank is to act as trustee. Not yet in operation.	To be determined – potentially all Phases	All developing countries	n/a	n/a	n/a	n/a	Open to funding and expected to play a significant role in funding for climate action by developing countries, which is targeted to reach £62 billion per year by 2020. However the size and timing of the Fund have yet to be agreed.

[58] Figures from Climate Funds update (www.climatefundsupdate.org) - http://www.climatefundsupdate.org/listing/congo-basin-forest-fund

Transferring pledged funding: The UK Government is typically able to transfer funding to multilateral entities without complex negotiations or long delays. However it is important to recognise that this does not necessarily mean that funding will be disbursed to the underlying programmes and projects quickly or efficiently.

Knowledge sharing and capacity: Multilaterals have proven to be valuable forums for sharing views and experience on development issues and offer useful services for specific programmes. For example, the FCPF Readiness Fund provides a knowledge sharing platform and funding channel to support REDD+ readiness activities in a diversity of countries. It has also played an important role supporting the development of the international REDD+ architecture.

Fund management capabilities: The World Bank and UN-REDD offer funding channels that allow donors to direct funds to specific activities and specific geographic locations. For example, Norway has given funds to UN-REDD for the development of monitoring, reporting and verification (MRV) systems in Mexico.

Poverty alleviation: The extent to which the multilateral initiatives prioritise poverty reduction objectives, or address tenure issues or the rights of indigenous peoples, varies greatly. While not dealing specifically with poverty alleviation, the FCPF commitment to inclusiveness and broad participation provides scope for doing so. The FCPF Readiness Preparation Proposal (RPP) procedure enables the promotion of pro-poor REDD+ options as part of the process of building a national strategy. However, a recent review of RPPs by IUCN shows that budgets give significantly more attention to the technical issues of building MRV baselines and technical capacity and much less to engagement, education and information and training. The GEF is supporting work with local communities to develop alternative livelihood methods to reduce emissions and sequester carbon. The FIP has established a dedicated initiative to support the participation of indigenous people and other locally involved communities. The FIP Indigenous Peoples and Local Communities Dedicated Initiative will provide grants to support participation, but is not yet operational.

Biodiversity conservation: The multilateral REDD+ initiatives also deal with biodiversity considerations to varying degrees and in different ways. The UN-REDD Programme encourages countries to integrate biodiversity into their national strategies but does not require this. It provides countries with information, tools and guidelines regarding the incorporation of biodiversity issues into national strategies, in cooperation with UNEP-WCMC.[59] FCPF requirements include strategic environmental and social assessments (SESA) as part of the national REDD+ strategy development process. These aim to assist countries in the identification of possible impacts and risks as well as opportunities. The FCPF also provides World Bank safeguard policies to countries to promote environmental and social sustainability of REDD+ activities. When and how these assessments are to be conducted and the extent to which they will adequately address biodiversity remains uncertain[60].

Disadvantages of funding through multilaterals

Multilateral climate initiatives face similar challenges to many other multilateral funds and programmes, in relation to efficiency in fund management and delivery, focus, and targeting, as well as performance accountability. The main actual and potential disadvantages of financing climate action through multilateral funds and programmes are:

Strategy and focus: The majority of multilateral REDD+ initiatives focus on capacity building, policy reform and demonstration activities in Phase 1 and 2 of REDD+ as shown in Table 5 below.

They also provide important fora for coordination and coalition building, laying the ground for results-based payments for REDD+ at a larger scale in Phase 3.

[59] Pistorius T, Schmitt CB, Benick D and Entenmann S (2010): Greening REDD+: Challenges and opportunities for forest biodiversity conservation. Policy Paper, University of Freiburg, Germany.
[60] Ibid.

Table 5: Role of multilateral programmes within the phased approach to REDD+[61]

	REDD+ thematic focus	P1	P2	P3
FCPF Readiness Fund	REDD+ readiness piloting payment for performance and knowledge sharing			
FCPF Carbon Fund	Payments for verified credits			
UN-REDD	National readiness support and knowledge development			
FIP	Wide range of REDD+ activities			
GEF	Wide range of activities including REDD+ project development and capacity building			
CBFF	Wide range of activities including REDD+ project development and capacity building			
Green Climate Fund	To be determined – potentially all Phases	tbd	tbd	tbd

Key

Delivery to date
Planned delivery

The UK could seek to increase the scale and pace of relevant multilateral programmes or initiate new programmes that are aligned to the UK's strategic objectives. However the Government's ability to scale up funding for REDD+ in this way would depend on the support of the host institution and other donor member governments and may not be achievable in the four year funding period.

Organisational experience: Multilateral organisations have only limited experience of administering climate finance and it is taking time for them to adapt to the results-based rational of REDD+ financing. In accordance with the Bali Action Plan and the Cancun Agreements, climate action that qualifies for international support will be subject to international MRV. Disbursement of funds against ex-post measurement of results constitutes a change in paradigm compared to the cost- and budget-based finance of traditional overseas development assistance (ODA). Multilateral institutions that plan to play an enhanced role in climate finance for Phase 2 and 3 of REDD+ will need to adapt their operational procedures to accommodate the new disbursement rules. This is expected to take time and may slow down initial disbursements.

Delivery track record: It is too early to judge many of the multilateral agencies on their track record in Phase 2 and 3 of REDD+. However, the DFID Multilateral Aid Review observes that, whilst multilateral organisations perform well in meeting international and UK development and humanitarian objectives and encouraging partner behaviour, "there is not enough evidence of multilaterals consistently delivering results on the ground, particularly in fragile states. This is partly because of weaknesses in strategic and performance management, including human resource management, in many multilaterals"[62].This supports the point that the Government may need to look beyond multilateral organisations to address local forest governance needs and to achieve 'on the ground' REDD+ results.

Disbursement effectiveness: Administrative complexity poses a serious barrier to rapid and effective disbursements in many funds and programmes. The project development period in GEF (not specific to REDD+) was 66 months in 2006 and, although it is now improving, is still very long. The FCPF has only disbursed 8% of its funds since 2008 and UN-REDD has disbursed only 20%.

Administration costs: Although there should be economies of scale in the administration of multilateral funds and programmes, the multilaterals' own administration costs are often higher than those of UK

[61] Adopted from Arlot, Analysis of REDD+ Financing Gaps and Overlaps, 2010.
[62] Department for International Development, 2011. Multilateral Aid Review: Ensuring maximum value for money for UK aid through multilateral organisations, P.19.

Government programmes.[63] This is echoed in DFID's Multilateral Aid Review, which observes that "most multilaterals are not sufficiently focused on driving down costs or achieving value for money"[64].

Government resources: Channelling funds through multilaterals is not a low resource option**.** The nature of the UK Government's REDD+ objectives will require sustained engagement with the agencies involved to maintain the strategic focus of the funds and programmes and to achieve the institutional changes necessary.

Cooperation and coordination: In the past, cooperation between multilateral agencies, funds and programmes has not been strong. This issue has now been recognised and the FCPF, UN-REDD and other multilaterals are increasing coordination of their activities.

Private-sector engagement: There is little private sector engagement in most multilateral funds and programmes, limiting the scope and potential for REDD+ activities, many of which depend critically on private actors. The plans for the Carbon Fund and the FIP, which both blend public and private finance, may help to address this, once they are operationalised. The UK Government may also be able to use its influence over the strategy of the multilaterals to encourage greater engagement with the private sector.

Environmental and socio-economic impact: Some observers are concerned that the multilateral community has failed to meet social and environmental commitments or to implement sufficient environmental safeguards in their programmes and activities65. There have also been some criticisms that the multilaterals have failed to consult properly with civil society, forest communities and indigenous peoples in developing national strategies, although this has started to change over the last year.

A number of these issues and challenges could also feature as potential concerns for bilateral funding options and would need to be addressed in any detailed funding plans.

Options for future multilateral funding by the UK Government

The multilaterals are playing an important role in progressing REDD+. The Government should continue to support multilateral funds and programmes that fit well with its strategic priorities. However, it is not clear that at this early stage these are likely to be able to deploy substantial additional funding or to deliver beyond their current programmes in the period covered by this review.

The Government should consider increasing work with other donors, and working in new ways to help the multilateral institutions they fund enhance their technical and administrative capacity, with the aim of increasing the efficiency and efficacy of REDD+ fund disbursal.

Subject to that, the main opportunities to provide increased support for REDD+ through multilateral funds and programmes in this period are as follows:

- **Forest Investment Programme**: The FIP is probably the multilateral fund that is best aligned with the UK Government's objectives. However, the FIP's country programme is still at the design stage and the fund does not yet have a track record so we would not recommend further commitments at this stage. The Government should seek to continue to play an active role in the governance of the fund, support country programmes and, where practicable, help share knowledge and experience from the FIP with other donors and multilateral agencies.
- **The FCPF Readiness Fund**: The FCPF Readiness Fund is targeted at REDD+ readiness rather than REDD+ implementation. It has disbursed 8% of its funds since 2008, and has a sunset clause for 2012[66]. The UK has allocated £3.5 million to the Fund and is an active shareholder on the fund's Participants Committee. It will be important for the UK to continue as an active participant in this Fund and the Government may therefore wish to consider some additional funding.

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[63] House of Commons International Development Committee., Department for International Development Annual Report & Resource account 2009 – 10: Third Report of Sessions 2010 – 11. Volume 1
[64] Department for International Development, 2011. Multilateral Aid Review: Ensuring maximum value for money for UK aid through multilateral organisations, P.19.
[65] Source: Dooley, K. Griffiths, T. Martone, Francesco, F. Ozinga, S., 2011. *Smoke and Mirrors: A critical assessment of the Forest Carbon Partnership,* FERN and Forest Peoples Programme
[66] Source: www.climatefundsupdate.org/listing/forest-carbon-partnership-facility

- **The FCPF Carbon Fund**: The FCPF Carbon Fund is a £125 million fund managed by the World Bank to catalyse demonstration projects. The UK has already contributed £11.5 million. The World Bank is currently seeking to raise the remaining £28 million to complete the fund and is keen to obtain private sector contributions. Other donors may also want to participate and may be given priority over existing funders. There are no plans to scale-up the fund further at this stage.
- **UN-REDD**: UN-REDD will be scaling up its activities over the next five years with a plan to add a further 20 countries to its programme, and is becoming an important partner at a national level for forest nations. UN-REDD provides a useful additional forum for the development of international REDD+ architecture. The UK plans to re-establish its observer role and funding could be set aside to support this. UN-REDD could also be used as channel for bilateral funding to partner nations.
- **Global Environment Facility**: The GEF disburses REDD+ funding across a very wide geographic range and has funding windows targeted at SFM and REDD+. It has, however, faced criticisms of its speed and agility. For example, a paper by Lattanzio (2010) claims that *"Since its inception, GEF's project approval process has been long and complex"*[67]. The UK Government has already committed approximately £210 million to the GEF. No further funding is proposed at this stage.
- **The Congo Basin Forest Fund (CBFF):** The CBFF is the UK's other existing major commitment. However, it is facing continuing disbursement challenges (only 7% since 2008). Additional funding is not warranted at this stage, though the Government could explore other ways in which it could support technical capacity building and operational improvements to help accelerate effective fund disbursement.
- **Green Climate Fund:** The other important focus for multilateral activity is likely to be the Green Climate Fund. However, the governance, strategy, size and timing of this fund are all uncertain, pending further negotiation through the UNFCCC. If the Green Climate Fund seeks commitments for REDD+ from donors during the funding period, this will be an option that the Government will wish to consider.

Bilateral partnerships with forest nations to accelerate REDD+

An alternative, or complementary, channel for the UK Government's REDD+ investment is to deploy it through direct bilateral partnerships with forest countries. The review examined the performance of existing bilateral REDD+ partnerships and programmes to identify the benefits and challenges of this approach, looking in particular at the experience of the Norwegian Government's International Climate and Forest Initiative, the German International Climate Initiative, the Australian International Forest Carbon Initiative, to help inform options for UK funding.

Emerging role of bilateral partnerships

Currently, 67% of donor countries' financing of REDD+ activities is committed to bilateral activities, with many of the larger donors providing an even larger proportion of their funding through bilateral channels. Spending of major donors is analysed in Table 6.

Table 6: Comparison of spending through multilateral and bilateral channels by major donors

Donor	Financing for REDD+ through multilateral programmes from 2008 (£ million)[68]	Financing for REDD+ through bilateral programmes from 2008 (£ million)[69]
Norway	337	1,453
Japan	44	910
Germany	37	137

[67] Lattanzio, R, 2010. *Global Environment Facility (GEF): An Overview*. US Congressional Research Service
[68] Source: Simula, M, 2010. Analysis of REDD+ Financing Gaps and Overlaps, Ardot.
[69] Ibid

USA	79	54
Australia	23	42

Bilateral funding has, to date, predominantly focused on programmes that deal with specific thematic areas such as MRV, support for pilot project activities, capacity building and strengthening REDD+ institutions.

As countries move from REDD+ readiness to demonstration projects and onto deployment at scale, more funding is being provided by major donors on a ‘payment for results’ basis, principally through bilateral partnerships. The partnership approach is built on high level political engagement, with funding targeted at priority issues and areas agreed with the partner nation.

Norway's experience of bilateral partnerships

Case Study 1: Norwegian International Climate and Forest Initiative

The Government of Norway's International Climate Forest Initiative seeks to achieve cost-effective and verifiable reductions in greenhouse gas emissions from REDD+. It is backed by a pledge of US$2.8 billion, with future disbursements dependent on successful outcomes. Norway has established bilateral REDD+ partnerships with Brazil, Indonesia, Guyana, Tanzania, DRC and Mexico, as well as supporting multilateral initiatives with UN-REDD, FCPF, FIP and CBFF amongst others, to ensure that these funds are effectively administered.

Norway's approach has enabled it to design REDD+ partnerships that appeal directly to the highest levels of government, often the executive branch, while insisting on concrete action and accountability backed by relatively large amounts of funding. The complementary elements of this strategy include:

- Setting agreed targets for carbon abatements and results-based payments.
- Designing transparent and independent financing channels in coordination with governments.
- Establishing independent REDD+ oversight and financing bodies not controlled by single ministries or associated with previous aid initiatives (also applies to financing mechanisms).
- "Systematic dialogue on climate and forest policy" forming part of broad-based climate policy cooperation.

What has been achieved to date?

Norway appears to have succeeded in catalysing an open discussion and securing official commitment to REDD+ through its focussed partnering strategy. However, substantive progress to date in reducing the rate of deforestation and forest degradation and associated emissions, and in improving sustainable forest management in partner countries, has been limited:

In **Indonesia**, the Norwegian bilateral partnership *"generates the needed focused government attention because the amount is significant, the purpose is clearly focused and it has a clear and transparently managed agenda and timeline,"* according to Kuntoro Mangkusubroto, chairman of the REDD+ taskforce and head of Indonesia's national development plan monitoring body.

The partnership has successfully overcome important barriers to more sustainable management of Indonesia's forests. By widening the process for forest management to a range of agencies and constituencies, the initiative has allowed unprecedented debate on land use, economic development and means to ensure sustainable growth in Indonesia. Debate continues over securing a robust deforestation moratorium, with the significant political challenges that this involves. Overall the partnership appears to have created the potential for reducing deforestation in the medium to long term.

In **Guyana**, Norway has helped to develop the Guyana REDD+ Investment Fund (GRIF) with the World Bank as Trustee, providing an example of how a national donor government acting bilaterally can potentially work with multilateral institutions for REDD+ objectives. Progress with GRIF has been held up by concerns over a planned large hydro-electricity project at Amaila Falls. Although part of a low-carbon and REDD+ development strategy, the construction of the dam may risk increasing deforestation and hence reduce the net carbon abatement impact of the project. GRIF partners are attempting to find a way to resolve this issue.

The experience of the **Amazon Fund** in Brazil is addressed in a separate case study, along with a case study of Norway's previous non-REDD+ community forestry funding in **Tanzania**.

Looking to the future

Norway's efforts have helped to position REDD+ as one of the priorities for several developing country governments, while creating political momentum behind national efforts to reduce deforestation and degradation. Whether this commitment translates into substantial action is likely to depend on political and economic factors, as well as the effectiveness of the efforts of Norway and other donors.

(Source: stakeholder interviews)

Case Study 2: Amazon Fund - a regional fund in Brazil, managed by the national development bank

In December 2008, Brazilian President Luiz Inácio Lula da Silva announced Brazil's commitment to reduce Amazon deforestation to 80% below the 1996 – 2005 baseline over the coming decade. To support this goal, Brazil created the Amazon Fund, supported by an initial pledge of US$1 billion from the government of Norway and a subsequent pledge of $29.8 million from Germany.

The fund is aimed at raising donations for investments in efforts to prevent, monitor and combat deforestation, as well as to promote the preservation and sustainable use of forests in the Amazon Biome[70]. The Fund is managed by the Brazilian National Development Bank (BNDES).

The Amazon Fund plans to support activities in the following areas[71]:

- Management of public forests and protected areas
- Environmental control, monitoring and inspection
- Sustainable forest management
- Economic activities based on the sustainable use of forests
- Ecological and economic zoning, territorial arrangement and agricultural regulation
- Preservation and sustainable use of biodiversity
- Recovery of deforested areas

The Fund may also support the development of systems to monitor and control deforestation in other Brazilian biomes and in biomes of other tropical countries.

A recent report highlighted some important features of the Amazon Fund[72]:

- A multi-stakeholder committee, involving federal and state officials and civil society representatives, guides the fund, sets the funding criteria and monitors their application.
- While Norway is the predominant funder, there are relatively few conditions attached to their donations and trust has been placed in BNDES to manage the fund.
- International funds are secured on the basis of demonstrated emissions reductions
- In setting up the fund the government mandated that BNDES could only retain 3% of donations to cover management costs. This is competitive compared to other similar funds.
- Project investment decisions follow credible guidelines, coherent with government policy, and are agreed by the multi-stakeholder committee with high levels of transparency.

[70] Ibid
[71] Ibid
[72]Source: Zadek, Forstarter, Fernanda Polacow and Joao Boffino, 2009. Radical Simplicity in Designing National Climate Institutions: Lessons from the Amazon fund, AccountAbility.

- The Amazon fund is subject to the social and environmental safeguards of BNDES and includes specific safeguards related to free, prior and informed consent of local people.

What has been achieved to date?

The Brazilian Foundation for Sustainable Development (FBDS) has stated that of the 67 projects that have applied for funding, 13 have been approved so far. Another 40% of these projects are currently being analysed, with the rest waiting analysis.[73]

The Fund has disbursed $7.10m to date to six projects in its portfolio[74]. According to the FBDS the 3 larger scale projects have secured nearly 80% of this funding[75], which may at least in part be attributed to their greater capacity to meet the planning and due diligence requirements of BNDES.

Looking to the future

The Amazon Fund looks set to play a prominent role across all three phases of REDD+ in Brazil, in one of the most important biomes for the future of REDD+. It has strong political support, sound governance and fund structures and substantive donor funding. Subject to progress on fund disbursement in the short to medium term there could be opportunities for donor REDD+ nations to work in partnership with Brazil by complementing the core funding pledges of the Norwegian and German governments, and to provide specific support geared towards improving rates of disbursement from the Amazon Fund.

However, some observers have expressed concerns over the current efficiency and effectiveness of the application management process – for example, the project selection process is too centralised. There may therefore be opportunities for REDD+ donor nations to provide technical assistance to applicants (the German government is already engaged in this through KfW), and to the Fund itself, to increase the success rate and disbursement to smaller organisations and community groups.

[73] Source: www.pointcarbon.com/news/1.1526930 (accessed 21 April 2011).
[74] Source:www.climatefundsupdate.org/listing/amazon-fund (accessed 21 April 2011). This information from the Climate Funds Update website was received on the 15/02/2011 and it is subject to change on a daily basis.
[75] Source: www.pointcarbon.com/news/1.1526930 (accessed 21 April 2011).

Case Study 3: NORAD and Shinyanga, Tanzania

Since 1989 The Norwegian Agency for Development Cooperation (NORAD) has supported the community-based Shinyanga Soil Conservation Programme (HASHI) in partnership with the government of Tanzania. Shinyaga has a high population density and an expansive agro-pastoral land use system dependent on livestock and subsistence and cash cropping which had degraded large areas of land, leading it to be declared the “Desert of Tanzania” by President Nyerere in 1985.

An analysis carried out by IUCN and Tanzania’s Ministry of Natural Resources and Tourism Forestry and Beekeeping Division from 2004-2005 identified the following outcomes from the HASHI programme:

- Approximately 500,000 hectares of forest and woodlands had been restored involving 825+ villages and benefiting more than 2.5 million people.
- The area of restored woodland (*ngitili*) had increased dramatically, from 600 hectares in 1986 to between 250,000 and 400,000 hectares by 2004.
- Restored *ngitili* provided habitat for 152 species of tree shrub and climbers, 30 different families of grass and herbs, 145 bird species and 13 species of mammals.[76]
- The economic value of restored *ngitili* was assessed as $14 per month per person, which is higher than the national average rural consumption of $8.50 per month per person. This added economic value is partly reduced by an average of $65 cost per family per year for wildlife damage as a result of restored forest near their land.

Advantages of funding through bilateral partnerships

There are a number of important reasons why donors have engaged in bilateral partnerships to deliver REDD+ funding. As one major REDD+ donor observed, a bilateral partnership has allowed them to *“achieve more, in a shorter period of time, and with greater flexibility [than through multilaterals]”*.

The key advantages identified by the review are outlined below.

Political commitment: Support at the highest level is critical to the success of any REDD+ programme, bilateral or multilateral, particularly if catalytic and transformational change across a national economy is the overarching objective.

The Norwegians have demonstrated that political engagement through bilateral partnerships can create unprecedented political momentum behind the development of REDD+ activity within the host country. Germany has used bilateral commitments through its International Climate Initiative programme to engage with a number of key forest nations and regions (e.g. Brazil, Indonesia and Congo Basin) on the planning and implementation of REDD+ activities and their alignment with development strategies.

Speed and flexibility of delivery: Direct support often allows funds to flow more quickly to partner government’s programmes and projects. It also provides significant flexibility on how payments are made. Payments can be conditional on milestones or performance targets being met. Where there are well-established local financial institutions, these can be used to support delivery, helping to realise early success and providing an opportunity to test different implementation arrangements.

German government officials interviewed as part of this review felt that well designed bilateral vehicles are able to disburse large sums, quickly and effectively. While they also support complementary multilateral

[76] Profor, 2006. *Summary of Case Study – Tanzania* (Summary of original document prepared by Winrock International, 2006). Available online: www.profor.info/profor/Documents/pdf/livelihoods/TanzaniaCaseStudy.pdf (Accessed 27th April, 2011)

programmes (Germany has allocated EUR 40 million to the FCPF), Germany is committing to bilateral approaches for REDD+ implementation.

Innovative policies and approaches: Bilateral engagement allows donor countries to test and experiment with new policy and programmatic approaches. The lessons from these can then be used elsewhere and in the global REDD+ architecture. For example, Norway has worked with the government of Guyana to develop a REDD+ strategy as part of a wider low carbon development plan, enabling the partners to test a 'payment for performance' approach.

Strategic focus: A bilateral partnership allows donor governments to prioritise areas where they can add most value, for instance in an area of technical expertise or using geographic experience or resources.

Australia is working in partnership with Indonesia, helping to trial practical approaches to REDD+ and to design national forest carbon measurement, reporting and verification systems. Japan focuses its bilateral activities on areas such as MRV and satellite mapping for REDD programs, where it has strong technical expertise and has funded a research centre to develop best practice in REDD+. The USA is using the unique expertise of US agencies such as NASA and US Forest Service to support government to government technical relationships.

DFID's Livelihoods and Forest Programme in Nepal also provides a good example of where the UK government has applied its expertise in community forestry and forest governance (see Case Study 4 below).

Case Study 4: DFID Nepal – Livelihoods and Forestry Programme

DFID allocated almost £20 million between the 2001 and 2011 for community forestry in Nepal through its Livelihoods and Forestry Programme (LFP), with the stated objective to help almost one fifth of the population of Nepal to make a better and more sustainable living from forest resources. This long term bilateral partnership between the UK and Nepal has allowed DFID to target and support local forestry priorities with demonstrable results:

- Forest user group incomes increased by 61% from 2003-08 "with over a quarter of this being directly attributable to DFID's programme". Income for excluded groups (including Dalits) nearly doubled.
- Approximately 1.5 million person days of employment were created annually in the 15 LFP districts (equivalent to about 7,500 full time jobs), either directly or indirectly by forestry groups.
- 433,000 people were lifted out of poverty in 7 LFP supported districts.

This partnership is set to continue, with DFID recently announcing a further £40 million to support Nepal's 10-year National Forestry Programme (NFP). This programme includes a focus on community level support with the aim of increasing community ownership of tens of thousands of forest still under government control.[77]

Partnerships with other donors: Effective alliances with other donors are more easily established in the narrower context of an individual national partnership or a portfolio. Collaboration can lower costs, reduce resource use and potentially increase the success of in-country programmes, without loss of strategic focus.

The review has identified strong interest in potential collaboration with the UK from a number of other donors (e.g. Norway, Germany and Australia), particularly where the UK Government already has a presence and network (e.g. east and southern Africa). The German Government has expressed interest in discussing the establishment of a joint facility with the UK Government, to leverage shared resources and increase impact.

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[77] House of Commons, 2010. *DFID's Programme in Nepal - International Development Committee*. Available online: www.parliament.the-stationery-office.co.uk/pa/cm200910/cmselect/cmintdev/168/16808.htm (Last accessed 21st April 2011)

Complementing and enhancing multilateral activities: Bilateral partnerships can be targeted to complement, build on and enhance multilateral programmatic activities in partner countries, for example by plugging gaps in existing multilateral provision and supporting REDD+ countries to better engage with multilateral process at later stages.

Private sector: Bilateral partnerships allow greater flexibility to use public funds to catalyse action and leverage finance from the private sector. The private sector has yet to emerge as a major source of finance for REDD+. Given public expenditure constraints, however, it will need to play a major role in the longer-term deployment phase. In Indonesia, Australia is developing a roadmap for access to international carbon markets. The roadmap is a multi-phased approach that is assisting Indonesia to develop the technical and financial pre-requisites for participation in future international carbon markets for REDD+.

Partner nation ownership of the process: Bilateral partnerships allow partner countries to be part of the design process of REDD+, helping to create the technical and institutional capacity in-country to manage their own funds and resources. This is demonstrated through the local planning and governance capacity building achievements of the USA's landscape level planning and forest management system, developed with national partners as part of the CARPE programme – see Case Study 5). This gives partners greater ownership of the process and ensures sustainability. Brazil is a good example of this, where external funding from Norway and Germany, channelled through the Amazon Fund (see Case Study 2), has allowed them to develop a REDD+ capability in the national development bank. Country specific mechanisms can also be created which are directly relevant to the national REDD+ context.

Biodiversity conservation: Bilateral REDD+ initiatives are able to address biodiversity and the links with climate change more explicitly than the current multilateral programmes dealing with REDD+. For example, funding by the German Government supports countries with valuable carbon sinks and high biodiversity, as well as a high potential for emissions reduction. Fast Start funding for forest conservation combines pledges in relation to both REDD+ and biodiversity.

Norway has established the Guyana REDD+ Investment Fund (GRIF) to support performance-based payments for ecosystem services in Guyana. The scheme covers at least 16 million hectares of rainforest and progress is assessed against indicators for forest governance, biodiversity and safeguards as well as emissions reductions. There are also examples of non-REDD+ bilateral forest funding programmes generating measurable biodiversity results, for example the NORAD Shinyanga forest restoration programme in Tanzania which has resulted in an increase in habitat for a number of plant, animal and bird species (see Case Study 3).

Case Study 5: USAID's Central African Regional Programme for the Environment (CARPE)

The Central African Regional Program for the Environment (CARPE) was developed in 1995 as a 20-year program with the strategic objective to "Reduce the rate of forest degradation and loss of biodiversity through increased local national and regional natural resource management capacity"., which is strongly aligned with the goals of REDD+. In this time it has achieved forest governance and conservation success in one of the most challenging geographic regions for REDD+.

An external evaluation[78] of CARPE Phase II carried out in 2010 highlighted the following achievements:

"The landscape approach and landscape-level land use planning have proven to be two of the greatest strengths of the CARPE design. Diverse stakeholders were convened to develop a common vision for their lands, resulting in many landscape-level land use plans and natural resource management plans for protected areas (PA), extractive resource zones and community lands. The types of PA have been diversified, and their management has been strengthened; the greatest remaining challenge for PA is sustainable financing. Illegal logging has been reduced in the landscapes. CARPE II strongly supported development of forest management systems for logging concessions as evidenced by an increase from zero to 4.5 million hectares of timber under FSC certification."

"CARPE has enjoyed efficient management by the USAID CARPE Team, whose program implementation and tracking tools have provided necessary coherence to a complex and ambitious undertaking."

It also flagged the following areas for improvement:

"Biodiversity conservation in managed and certified forests must be further strengthened. Progress on community-based natural resources management (CBNRM) has been limited. It has been constrained by lack of tested proven models and adequate legal frameworks to empower community managers".

"CARPE management and partners supported a range of policy and regulatory reforms and advocacy initiatives, but these could have been better targeted. Through CARPE, 30,000 people received training on conservation related-subjects. The program developed effective monitoring systems for deforestation, but to date, monitoring forest degradation and the bush meat trade have proven elusive.

On the basis of the relative success of Phase II, the evaluation recommended funding for Phase III, through to at least 2020.

Other bilateral community forestry and forest governance programmes

Case study 6 provides a further example of successful bilateral community forestry and forest governance programmes at a comparable scale to UK REDD+ funding. They show how bilateral partnerships allow donor governments to tailor their funding programmes to meet country specific objectives and support local forestry priorities to achieve 'on-the-ground' results at scale.

[78] USAID, 2011. Summary of the Evaluation of CARPE Phase II.

Case Study 6: German Forest Programme

The overarching goals of the German Development Cooperation in the forest sector are: securing global environmental sustainability and alleviation of poverty, thus contributing especially to Millennium Development Goals 1 and 7. Through the Federal Ministry for Economic Cooperation and Development, the government supports public authorities, civil society and private entrepreneurs in their efforts to manage forests sustainably and to benefit from all functions of intact forest ecosystems.

The annual target figure for German bilateral development cooperation in the forest sector amounts to approximately 125 million Euros.[79]

The German Technical Cooperation agency GTZ's *'Forest Governance in a Rapidly Changing World'*[80] highlights a number of key outcomes of the programme:

- "60-70% of projects achieve their objectives in their entirety. GTZ policy level projects are significantly successful in improving strategic, legal and policy framework conditions."
- GTZ states that they combine "support for grassroots implementation up to nationwide policy and strategy formulation. This contributes to our detailed understanding of partner structures, which enables us in turn to offer flexible, rapid and locally appropriate interventions."

GTZ's '*Evaluation Report on the work of GTZ and its partners 10th cross-section analysis 2006-2007*'[81] gives an evaluation score using independent evaluators for 22 community based natural resource management programmes within their longer list of programmes. Of this 11 were rated 'successful' with 2 rated 'very good', 6 'satisfactory' and 3 'not successful'. The following extract from the evaluation report provides an example of what qualifies as a successful programme:

Use of resources in Burkina Faso

"From 1989 to 2004, GTZ supported a regional programme in two of Burkina Faso's four Sahel provinces, which aimed to enable the local population to use their natural resources responsibly and sustainably, and thus to safeguard their livelihoods.

"The programme promotes the current decentralisation process and has been met with a good response from other donors and neighbouring countries in the Sahel zone. The programme took the national policy of Burkina Faso into account and gave it vital support. Beyond this, the programme helped to increase yields, regenerate the tree cover, reduce conflicts between crop farmers and animal breeders, and to diminish traditional dependencies."

"This project tackles some of the same natural resource governance challenges associated with REDD+ and demonstrates the ability of bilateral funding to support decentralisation processes, establish local governance bodies and resolve land conflicts effectively."

The case studies presented are only a small selection of the total portfolio of bilateral funding for improved forest governance and community forestry which includes other major donor governments such as France, Japan and Australia. It should be recognised that there has been variable performance between these programmes and aside from demonstrating best practice they also provide valuable lessons on how to mitigate the risks of bilateral funding for forestry.

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[79] German Federal Ministry of Economic Cooperation and Development, (2007). German Development Cooperation in the Forest Sector: Approach-Impact-Prospects.

[80] GTZ, 2008. Forest Governance in a Rapidly Changing World: Capacity Development by GTZ. Commissioned by the German Federal Ministry for Economic Cooperation and Development.

[81] GTZ, 2007. Evaluation Report on the work of GTZ and its partners 10th cross-section analysis 2006-2007. Available online: www.gtz.de/en/dokumente/Evaluation-Report-0801.pdf (Accessed 26th April 2011).

Challenges of bilateral partnerships

Despite their advantages, bilateral programmes and partnerships also present a range of challenges for donor governments:

Reputational risk: By entering into a bilateral partnership with a country, donor governments are more directly accountable for successes and failures. The partnership will also need to address a wide range of often divergent interests associated with forest resources, ranging from the private sector and the provincial government to indigenous people and forest communities, if it wants to avoid public criticism and reputational damage.

Resources: The resources required to support national partnerships and multilateral programmes will depend on the scale and scope of the opportunity, the approach to partnering, the state of REDD+ readiness and the extent of local operational challenges.

Stakeholders consulted during this review felt that a dedicated team was required to deliver a substantive and effective REDD+ bilateral partnership, although the number and skills of staff and the manner in which they are deployed will depend on the context and ambitions of the programme (see panel on staffing). There are, however, innovative ways in which resources can be deployed in country to minimise costs and increase effectiveness.

Stakeholder engagement: Bilateral donors have attracted criticism for their lack of stakeholder engagement and consultation. Any programme will need to ensure that there is significant in-country dialogue with all relevant stakeholders including the private sector, indigenous people and forest communities (see panel on community participation and pro-poor engagement). Both the multilateral institutions and the bilateral donors have had challenges engaging with the relevant stakeholders and ensuring the protection of forest communities and indigenous people in REDD+ programmes.

Monitoring and evaluation: Countries have tended to limit monitoring and evaluation to the project level. However a number of donors are starting to develop mechanisms to evaluate programme impacts. Linking funding to outcomes such as carbon abatement, biodiversity conservation and poverty reduction is difficult. Monitoring and evaluation can help to account for social costs and benefits and biodiversity conservation, enabling safeguards to be operationalised (see chapter on governance).

Coordination and knowledge sharing: The geographic and thematic diversity of donor activity and the multiplicity of funding channels encourage innovation but risk inefficiency, gaps in provision and duplication of effort. There is a need for donors and multilateral agencies to coordination activities and share knowledge and best practice.

Absorptive capacity: Bilateral donors face many of the same challenges of the multilaterals in influencing programmes and projects: poor governance and inadequate management capacity and institutional constraints and lack of effective disbursal mechanisms can all hinder or disrupt funding. However the ability to focus strategic priorities with strong political commitment and local knowledge and resources can help to mitigate these risks[82].

Negative impacts of payment for performance: Partners developing bilateral funding programmes which use results-based payments need to work carefully to understand local contexts. Sound forest governance standards and defined land tenure rights are likely to be essential pre-requisites for a payment scheme. Sufficient attention should be paid to the wider social and environmental impacts of payment for performance schemes, which could include exacerbated land conflict and poverty. Implementing robust social and environmental safeguards are therefore likely to be important. It will also be imperative that 'payments for performance' programmes build on "sustained and effective capacity building"[83], to help partners avoid any potentially negative consequences.

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[82] Nussbaum. R, Hoare, A, McDermott C, Saunders J and Costa, P- Accelerating Transfers of Interim Finance for REDD+: Building Absorptive capacity (2009) – Proforest

[83] Source: Proforest, (2009). Interim Finance for REDD+: Building absorptive Capacity. Available online: www.eci.ox.ac.uk/publications/downloads/mcdermott2009-dfid.pdf (Accessed 27th April 2011).

Staffing bilateral programmes

Donors have tended to use resources in different ways dependent on the country and partnership context:

- **Frontline staff:** Some donors have delivered country programmes using country office or frontline staff. This has often been more resource-intensive but it gives donors greater control over funds and project outcomes. Donors that have tended to use this approach usually have teams in country with the necessary technical skills.
- **Technical cooperation:** Other donor governments have used a smaller number of frontline staff and supplemented them with external suppliers to assist in managing their projects. Australia has utilised such a strategy in Indonesia. AusAID have two full time employees in-country, with a strong team recruited through a service provider to support implementation.
- **Political cooperation:** Norway currently has around six full time staff dedicated to its International Climate and Forest programme. In partner countries, it uses a number of different channels to deliver funding, including leveraging the resources of the multilateral programmes in partner countries or using regional or national institutions.

Options for future bilateral funding by the UK Government

Bilateral partnerships with forest nations would enable the UK Government and partner nations to focus funding on strategic priorities where a combination of strong political commitment, local experience and resources to help accelerate delivery.

Partnerships would provide the flexibility to use a range of different funding channels and mechanisms. Bilateral, results-based payments can be used to complement multilateral funding, as well as support for the private sector. The partner nations can also test policies, undertake demonstration activities and generate lessons for the design of international REDD+ architecture.

Partnerships that support low carbon economic development and tackle the drivers of deforestation have the potential to create transformational and lasting change. Results-based incentives can greatly enhance their effectiveness[84].

Bilateral partnerships need to be anchored in partner nations' existing forestry and land use activities. Strong safeguards and broad stakeholder support are likely to be required. Safeguards provide assurance that the funds are "*directed towards actions which minimise adverse social and environmental impacts and potentially enhance social and environmental aspects, including human development and the conservation of biodiversity*"[85].

The safeguards should:

- Develop capacity within governmental and non-governmental and community organisations.
- Support multi-stakeholder dialogues, particularly engagement of vulnerable or marginalised groups potentially affected by REDD+ and in need of protection by safeguards.
- Support the development of appropriate legal frameworks to support the safeguards at the national level.

We look in more detail at safeguards within the governance chapter that follows.

To provide sufficient incentive for partner nations, bilateral partnerships should be based on a long-term funding commitment, albeit with continued support linked to demonstrable progress. This is not a quick process and donors may need to be willing to commit to a period beyond budgetary cycles.

[84] Source: Report of the Informal Working Group on Interim Finance for REDD+, 2009.
[85] See for example: Building effective pro-poor REDD-plus interventions: How enhanced multi-stakeholder processes can ensure REDD-plus works for vulnerable communities, IUCN, January 2011.

Bilateral partnerships offer the potential for close collaboration with large donors in individual forest nations or across the portfolio of bilateral partnerships. This would enable UK funding to leverage additional donor funds and have increased impact, as well as reducing management costs.

Community participation and pro-poor engagement

REDD+ can help to close 'benefit gaps' by engaging forest-dependent peoples in effective multi-stakeholder processes that address issues of governance, legal frameworks and rights. Issues over rights to carbon and trees can be resolved through multi-stakeholder dialogue, helping to ensure that marginalised groups such as indigenous peoples, women and forest-dependent communities are able to obtain a fair share of REDD+ benefits. This will greatly enhance crucial support for REDD+, not only at the stage of design but also at the time of implementation.

Some key elements of a REDD+ approach that benefits the poor are as follows:

- Participation of vulnerable groups in the development and implementation of REDD+ strategies and activities. The issues of transparency and of free, prior and informed consent are relevant.
- Clarity of rights, benefits and responsibilities of vulnerable groups, including clarifying who owns or has the right to use trees and who owns the carbon.
- Equitable sharing of benefits and responsibilities as defined by an appropriate process. REDD+ projects and programmes will not result in reduced emissions or enhanced removals unless the people who need to take action, and who are most affected, are incentivised.
- Links to and investment in resilience of vulnerable livelihoods.
- Application of environmental and social safeguards to benefit livelihoods and biodiversity.

The challenge of funding on a payments for performance basis

Implementing payment for results under REDD+, whilst protecting biodiversity and alleviating poverty is an ambitious but potentially highly rewarding option for UK REDD+ funding, and an opportunity to offer leadership within the donor community. Previous experience indicates that in many countries and circumstances bilateral funding may be the more likely pathway for the UK government to achieve this, given the need to tailor payment for performance programmes to specific country situations and to accompany payment for performance programmes with effective capacity building support at national, sub-national and local levels.

There is little precedent of any donor government successfully delivering forest funding through 'payments for performance' which combines carbon, biodiversity and poverty alleviation goals. In large part, this reflects the early stage of most REDD+ 'payments for performance' programmes (e.g. Norway's work with Indonesia). There are examples of bilateral forest funding programmes achieving results in poverty alleviation and biodiversity conservation. However, allocating 'payments for performance' focused on carbon abatement, while also achieving biodiversity protection and poverty alleviation, is likely to be very challenging. Nevertheless, funding programmes that deliver multiple benefits are likely to increase the positive social and environmental impact of UK REDD+ funding.

Many of the same challenges are likely to be faced, whether the funding is provided through multilateral channels or through bilateral partnerships. There are encouraging examples of measurable poverty alleviation benefits from existing bilateral community forestry and forest governance programmes, such as DFID's Livelihoods and Forestry Programme in Nepal described in Case Study 4.

However there are few prominent examples of either bilateral or multilateral forest funding programmes generating measurable biodiversity benefits. Some 'debt-for-nature' swaps between countries such as the USA and France in partnership with nations such as Peru, the Philippines and Cameroon, have led to demonstrable conservation results. For instance the $40 million of debt removed between the USA and Peru has reportedly allowed for the protection of 11 million hectares of the most biologically diverse and critically endangered rainforest in the country.

As national MRV systems develop and carbon monitoring technology improves it is likely that measuring and verifying carbon results linked to REDD+ funding will become more viable for donor governments. Achieving these measurable carbon abatement results will only be possible with sustained capacity building efforts and robust third party verification of the direct link between UK funding and carbon reductions from REDD+.

Balancing multilateral and bilateral partnerships

REDD+ is a relatively new and untested concept and will necessarily require a degree of experimentation and diversification to identify the most effective approaches for different countries and regions. The UK is one of the largest donors to REDD+ and, therefore, has an opportunity to play a leading role in testing various approaches to REDD+.

Funding to date has been provided primarily through multilateral funds and programmes, helping forest nations get ready for REDD+. The UK has also supported forest governance reform, one of the critical conditions for successful implementation of REDD+ action. Continued support for this important work on REDD+ readiness through multilateral and bilateral channels is likely to be part of a successful portfolio.

The multilaterals have a critical role to play in creating a platform for discussion and political comment and ensuring policy coherence. They are also important in assisting countries through the early stage of the readiness process.

Many of the multilaterals will have an important role to play in later phases of REDD+. However, these funds and programmes are at a much earlier stage of development. The Government should continue to support programmes that fit well with its strategic priorities. But it is not clear that at this early stage that the multilateral programmes are likely to be able to absorb substantial additional funding or to deliver beyond their current programmes in the period covered by this review.

Seeking to change the strategy or design of other multilateral funds to align with the UK Government's REDD+ objectives would take time and be resource-intensive. In multilateral organisations, the UK is only one member in a group of other influential donor governments, ranging from six other donors in the FIP to sixteen in the FCPF. Influencing a change in focus or extending the timeframes of these funds will be extremely challenging, given that decisions must be made multilaterally.

Bilateral partnerships can help to link early progress on REDD+ readiness to subsequent demonstration and deployment phases, accelerating the scale up of activities through results-based funding, focussed on clear strategic priorities. They are likely to form an important part of a successful REDD+ portfolio.

Bilateral partnerships can be targeted to complement, build on, and expand multilateral programmatic activities in partner countries. The results-based incentive structure rewards forest nations for reducing their emissions from deforestation and forest degradation relative to an agreed national reference level. Donor governments are more directly accountable for the successes of these bilateral partnerships, though they would also be more clearly linked with any failures.

Multilateral and bilateral approaches are not mutually exclusive. Donors can work with multilateral agencies in partner nations and can also channel bilateral funding. Major donors such as the Norwegian government are working with the UNDP and World Bank for REDD+ programmes in partnership with Mexico and Guyana respectively.

Directing bilateral funding through multilateral institutions can be particularly useful in countries where donor agencies do not have extensive presence. For example Arvin Eikeland Gadgil, the Political Advisor to the Ministry of Foreign Affairs of Norway, highlights the capacity of UNDP to work at the local level with forest dependent communities and Indigenous Peoples as a key consideration in signing the US$15 million agreement signed between with the UNDP for strengthening REDD+ implementation in Mexico[86].

The typical attributes of multilateral funds and programmes compared to bilateral partnerships are summarised in Table 7.

Table 7: Summary of attributes of multilateral programmes and bilateral partnerships

	Multilateral programmes	**Bilateral partnerships**
Support REDD+ readiness (Phase 1)	• Ensures dialogue and international coherence in REDD+ readiness • Some multilateral development banks have poor legacy reputations in important REDD+ nations and NGO & observer concerns over national consultation processes	• Can provide direct support for readiness • Potential to focus on issues other than institutional planning, e.g. forest governance reform
Support innovative mechanisms for payment for results (Phases 2 & 3)	• FCPF Carbon Fund plans to fund demonstration activities, but not at scale • Existing rules and procedures may not offer sufficient flexibility to pilot innovative delivery mechanisms	• Results-based payments for carbon abatement, whilst conserving biodiversity and alleviating poverty • Monitored, reported and verified by UK Government, partner nation and independent review
Potential for 'transformational change'	• Mission driven, often 'one-size fits' all approach does not always deliver partnership behaviours • Typically haven't yet linked REDD+ to low-carbon growth plans (FIP is major exception) • Other donors may have different priorities and concerns so UK Government's objectives may be diluted	• Opportunity to align REDD+ funding with wider climate resilient economic growth plans and other national objectives • Ability to focus where the UK Government can add most value through existing strategic programmes or relationships • Scale of UK funding is a constraint, but potential to partner with other donors
Human resource requirements	• Likely to be lower than bi-lateral funding • Maintaining active participation in these funds and programmes not to be underestimated	• Likely to be more resource intensive • Current resource pressures may limit options
Disbursement rates	• Typically more complicated or bureaucratic governance and/or administrative procedures which can slow down disbursement rates	• Greater direct control, and can be conditional on milestones being met • Little precedent under 'payment for performance' and rates vary
Reputational benefit	• UK Government funding is rarely linked to specific in-country outcomes	• Reputational benefits from successful programmes (and risk of failure) accrue more directly

[86] UNDP, (2010). Press Release: REDD+ in Mexico – US$15million Agreement Signed between the Government of Norway and the United Nations Development Programme. Accessed online 21st April 2011 http://www.un-redd.org/AboutUNREDDProgramme/NationalProgrammes/Partner_Countries/tabid/4648/language/en-US/Default.aspx

4. *Forest governance as a prerequisite for REDD+*

Summary of conclusions and recommendations

Effective forest governance is a fundamental precondition for successful REDD+ activity. Forest governance reform is therefore likely to be an important aspect of REDD+ readiness activity. The UK has extensive experience supporting forest governance reform in Africa and Asia, through DFID programmes and the EU Forest Law Enforcement, Governance and Trade (FLEGT) initiative. The Government should build on its experience of forest governance and learning from FLEGT, making support for forest governance a core component of its funding portfolio.

Despite its fundamental importance, many donors and programmes are not integrating forest governance reform into support for REDD+. The UK Government's new Forest Governance, Markets and Climate (FGMC) and REDD+ programmes should be designed in parallel to ensure that synergies and efficiencies are captured and the lessons learned are adopted more widely.

In countries covered by both FGMC and bilateral REDD+ partnerships, programmes should be co-designed to ensure synergies are maximised, and forest governance reform should be made a condition of continuing Government support. This offers the UK an opportunity to demonstrate leadership, by piloting and testing new approaches in the implementation of cost-effective forest governance for REDD+.

Even where FGMC is not active, there will be opportunities to apply lessons learned and implementation models in national partnerships; equally, experience from REDD+ partnerships and programmes elsewhere will help to inform FGMC.

The UK Government should ensure that that the safeguards outlined in the Cancun Agreement are being effectively addressed in all of their REDD+ funding whether though bilateral, multilateral or private sector channels.

Introduction

Governance is widely acknowledged as a key building block of REDD+ and of REDD+ readiness. It was noted in the Eliasch Review (2008) that "*Improving forest governance in the context of international action on climate change is the principal means by which nation states can reduce deforestation.*"[87] The UK Government has historically made significant investments to improve forest governance, particularly across Africa and Asia. This section discusses the linkages between current and proposed forest governance programmes and REDD+, and how they might co-exist and support each other.

[87] Eliasch, J., 2008. Climate Change: Financing Global Forests.

Key UK forest governance programmes[88]

Forest Governance and Trade Programme

The UK Government currently supports a number of ongoing and proposed programmes that address governance in the forest sector. Its key programme is DFID's Forest Governance and Trade Programme: a five-year (2006 – 2011), £24 million programme that aims to tackle the problems of illegal logging in developing countries across Asia and Africa and the associated international trade in illegally logged timber. Its main area of activity is supporting reforms in countries that enter voluntary partnership agreements (VPAs) under the EU FLEGT Action Plan.

EU FLEGT

FLEGT is a European Union initiative to assist developing countries in preventing illegal logging and benefiting from greater access to the EU timber markets. FLEGT can support REDD+ by promoting improved forest governance and addressing some of the causes of deforestation, creating enabling conditions for scaled-up investments and providing a transparent and inclusive national process for policy making in the land use sector.

Voluntary partnership agreements (VPAs) - bilateral trade agreements between the EU and a partner country (either producing or processing timber) – are an important part of FLEGT. VPAs include commitments and action from both parties to halt trade in illegal timber, most importantly through the implementation by the partner country of a timber licensing scheme for timber exported to the EU. Each licensing scheme will be underpinned by a Legality Assurance Scheme that monitors and verifies legal compliance along the supply chain.

The Forest Governance Markets and Climate Programme (FGMC)

FGMC is a new programme being developed by the UK Government to continue and extend its current work on FLEGT. The ten year programme will create the governance foundations that are required for effective REDD+ programmes, taking the lessons learnt from the FLEGT VPA process in the timber industry and applying it to other commodity groups such as palm oil, soy and cattle ranching to tackle drivers of deforestation.

DFID, working with DECC and Defra, plans to implement the programme as part of a coordinated effort with the EU, entering in to partnership with up to 12 countries, including those that are already part of the current Forest Governance and Trade programme (Indonesia, Ghana, Liberia, and DRC).

Learning from the FLEGT process

FLEGT has been seen by many stakeholders as a successful initiative that has made very positive progress in improving forest governance in partner countries. It has also been acknowledged as an important pillar of REDD+ by other donors. For example, Norway has included its development and implementation as a condition of its REDD+ bilateral agreement with Guyana and has reinforced the process in Indonesia.

Given the central role of forest governance within REDD+, there are areas of best practise which the UK Government should consider incorporating into any REDD+ partnerships. This can either be through leveraging FLEGT capacity in-country or, if countries are not currently engaged in FLEGT, by ensuring that a process is in place to incorporate the lessons learnt from FLEGT.

Multi-stakeholder participative processes

In many FLEGT nations multi-stakeholder participative processes similar to those to be included in REDD+ dialogues are already well developed. Civil society has been engaged in designing the VPA process and monitoring the resulting agreements. This has increased the social sustainability and acceptance of the FLEGT process in-country.

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[88] A detailed overview of these programmes can be found in Appendix 7.

Where possible, the UK Government should build on these existing FLEGT stakeholder engagement platforms within its REDD+ partnerships, supplementing these with REDD+ stakeholders such as representatives from the agricultural, energy and mining sectors. The FLEGT process also emphasises transparency in stakeholder consultations and dialogues. This should be a core component of the UK Government's stakeholder engagement.

Monitoring and evaluation practice

The measuring of forest governance improvements is a key component of FLEGT and is likely to be an important indicator of REDD+ success, complementary to carbon abatement, poverty alleviation, biodiversity conservation and other indicators.

Building adequate capacity and human resources in country[89]

To implement effective forest governance there must be the appropriate level of skilled human resource to manage community engagement and enforcement of forest law 'on the ground'. This often requires capacity building and training of existing government and NGO teams. Where possible, we recommend that the UK Government leverages this existing forest governance capacity, as well as the capacity building processes employed in its REDD+ partnerships.

Clarification of land tenure

Almost all stakeholders we interviewed cited clarity on land tenure rights as a precondition to successful land use and forestry programmes (including FLEGT). In FLEGT nations the VPA process may have already made significant progress in clarifying land tenure for REDD+. Where FLEGT is not operating, it may still be possible to use the process employed to clarify land rights in a nationally appropriate manner.

Linkages between FGMC and REDD+

The FGMC programme has strong potential to complement and support any UK Government REDD+ partnerships. Key linkages are outlined below:

Accelerating forest governance reform

Forest governance reform in many nations has been slow and there is an opportunity for REDD+ to provide added resource and incentives for the acceleration of forest governance process reform through the FGMC.

Forest governance as a condition of REDD+ funding

Forest governance reform has featured as a condition of other donors' REDD+ partnerships. This should be an important consideration in the design and establishment of UK REDD+ programmes.

Leadership role

The UK Government has developed capacity and technical capability in forest governance reform in support of the EU FLEGT Action Plan and, previously, through the leadership it demonstrated in the Asia, Africa and ENA-FLEG ministerial conference processes. It therefore has a unique opportunity to demonstrating leadership in embedding forest governance reform within REDD+.

In countries covered by both FGMC and bilateral REDD+ partnerships, programmes should be co-designed to ensure synergies are maximised, and forest governance reform should be made a condition of continuing Government support. This will enable the UK to pilot and test new approaches in the implementation of cost-effective forest governance for REDD+.

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[89] Nussbaum, R (2010). How can FLEGT be used to achieve REDD+ objectives?

Even where FGMC is not active, there will be opportunities to apply lessons learned and implementation models in national partnerships; equally, experience from REDD+ partnerships and programmes elsewhere will help to inform FGMC.

Improve implementation of existing community forestry laws

UK REDD+ funding can be used to help local communities secure their rights under existing community forestry laws (e.g. Forests Rights Act in India, Participatory Forest Management in Tanzania). For example, REDD+ funding can be targeted at building the capacity of local and district forestry offices to recognise community claims or support the transition of power to community organisations.

Engagement with agricultural industry groups through FGMC

In countries where REDD+ partnerships are focused on green agricultural growth, FGMC may be an appropriate channel through which to engage with the agricultural industry (alongside partner governments) and design incentive programmes to reform land use practices and reduce forest degradation or deforestation.

Safeguards

Definition of safeguards (adapted from Moss, Nussbaum and Muchemi 2010)

Safeguards refer to the need to protect against social and/or environmental damage or harm[90]. They act as a risk management tool and refer to measures and procedures to prevent undesirable outcomes or actions in a programme.[91] For REDD+, safeguards offer guidelines to meet minimum standards and to mitigate against negative impacts, ensuring that environmental and social issues are considered in the final decision making. Safeguards can not only be used to mitigate the risk of a REDD+ programme but also to enhance and incentivise positive outcomes, by providing guidelines for best practice in REDD+ implementation.

Safeguards are necessary to strengthen the potential contribution of forests to climate change mitigation. As provided by the Cancun agreement, national REDD+ strategies or action plans will need to address safeguards, as well as causes of deforestation and forest degradation, land tenure issues, governance issues and gender considerations.

The preparation of a set of safeguards that are valid in a country is a process that allows strengthening of forest governance since it promotes transparent management and use of information as well as public participation in decision making. It facilitates coordination among stakeholders and respect and recognition of traditional populations and Indigenous Peoples.

The Cancun Agreement also requests developing countries involved in REDD+ activity and the donors that are supporting this to develop a system for providing information on how the safeguards are being addressed and respected.

Complementary processes and implementing frameworks

A number of complementary processes are aiming to provide advice to help countries to develop, interpret, apply and report on safeguards within their national context. These include:

- The Secretariat of the Convention on Biological Diversity (CBD) has initiated a process on biodiversity aspects of REDD+ in response to CBD and UNFCCC decisions. The CBD is assessing the application of relevant safeguards for biodiversity in the context of REDD+ and is seeking to identify possible biodiversity indicators to assess the contribution of REDD+ to achieving the objectives of the CBD.

[90] Source: Moss, N., Nussbaum , R. and Muchemi , J. 2010. *REDD+ Safeguards - Background Paper prepared for the REDD+ Partnership Workshop on Enhancing Coordinated Delivery of REDD+: Emerging Lessons, Best Practices and Challenges*.

[91] Ibid

- As part of the UN-REDD Programme, United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) is working with developing countries on tools and analyses that help decision makers to safeguard and enhance the multiple benefits of REDD+.

There are also a number of emerging processes for the integration of safeguards within national REDD+ programmes, including:

- The UN-REDD Social and Environmental Principles Framework
- The FCPF Social and Environmental Strategic Assessment
- The REDD+ Social and Environmental Standards (REDD+ SES)

These processes are described in detail in a paper prepared for the REDD+ partnership[92]. They each have the same aim of ensuring that environmental and social considerations are taken into account when developing and implementing national programmes but each are different in content and approach. These processes are all still under development and/or pilot testing so it is too soon to assess how effective they will be at a country level. While it is too soon for lessons to be learned from the implementation of these safeguards approaches, the process of developing them, and of developing other relevant initiatives, such as forest governance reform processes, suggests some key points[93]:

- **International principles:** Safeguards should be based on international principles and instruments that reflect a broad consensus, including the safeguards as provided within the Cancun decision.
- **Capacity building:** Striving to meet sometimes overlapping global standards will require the building of capacities in countries to develop, implement and monitor safeguards. For example, countries receiving funds via more than one multilateral initiative will need to fulfil different frameworks for safeguards.
- **Harmonisation:** The harmonisation of approaches is needed at a national and international level to avoid duplication of effort and overburdening of REDD+ countries by different but overlapping initiatives. This will also be of critical importance in building international consensus on safeguard approaches for application in more long term funding such as through the Green Fund.
- **REDD+ country ownership**: Country ownership and anchoring of safeguards within existing national processes is required to take account of each country's context, while responding effectively to common international principles.
- **Evolve with the phases:** Safeguards should be seen as evolving along with the phases of REDD+. For example, the most relevant safeguards in Phase 1 may not necessarily be the most relevant for Phase 3 and this will need to be reflected in MRV systems.
- **Adequate monitoring:** Adequate mechanisms for providing information on the application of safeguards, including the system called for by the Cancun Agreement, will be critical.
- **Need for flexibility:** There are significant challenges flowing from adhering to international standards on the one hand and the need for flexibility and piloting on the other. Testing and assessment of the safeguards will be as important as defining them.

UN-REDD, FCPF and REDD+ SES initiative coordinators have already indicated their willingness to collaborate on field testing stage of safeguards mechanisms to share experience, reinforce synergies and clearly identify differences. The FCPF mid-term evaluation (2009-2010) concluded that there is a challenge of meeting the World Bank safeguard procedures as well as other emerging international safeguards (e.g. FPIC), while ensuring a coherent national approach.

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[92] These are described in detail in REDD+ SAFEGUARDS, Background Paper prepared for the REDD+ Partnership Workshop on Enhancing Coordinated Delivery of REDD+: Emerging Lessons, Best Practices and Challenges, Cancun, Mexico 26 November 2010, Nicholas Moss and Ruth Nussbaum, Proforest and Julius Muchemi, Independent Safeguard Policies Expert.

[93] Adapted from REDD+ SAFEGUARDS, Background Paper prepared for the REDD+ Partnership Workshop on Enhancing Coordinated Delivery of REDD+: Emerging Lessons, Best Practices and Challenges, Cancun, Mexico 26 November 2010, Nicholas Moss and Ruth Nussbaum, Proforest and Julius Muchemi, Independent Safeguard Policies Expert.

Implications for UK funding plans

The UK Government should ensure that the safeguards outlined in the Cancun Agreement are being effectively addressed in all of their investments on REDD+. As part of this the Government will need to ensure that 'payment for performance' funding programmes fully integrate environmental and social safeguards and include broader forest governance objectives beyond carbon, biodiversity and poverty alleviation targets. Payments for performance programmes focused on a narrow set of success criteria such as carbon abatement or biodiversity conservation without sufficient attention to their wider social and environmental impacts could exacerbate land conflict and poverty.

Countries receiving UK investment through the multilateral channels (FCPC, UN-REDD, FIP) will also need to integrate the relevant frameworks for standards.

Areas the UK Government could consider to advance the role of safeguards within REDD+ include:

- Building of links and harmonisation within countries between the process to develop, implement and provide information on safeguards and other relevant national processes such as FLEGT.
- Development of capacity within governmental and non-governmental and community organisations on the various approaches and their potential roles in them.
- Supporting global initiatives like the REDD+SES in their efforts to build national capacities and identify international lessons learned for using social and environmental standards for REDD+ according to national circumstances.
- Support for multi-stakeholder dialogue, particularly engagement of vulnerable or marginalised groups potentially affected by REDD+.
- Support for the development of appropriate legal frameworks to support the safeguards at the national level.
- Promoting regional stakeholder consultations on safeguards.
- Continuing active engagement in, and support for the CBD process on biodiversity safeguards.

5. Catalysing private sector activity

Summary of conclusions and recommendations

It will be critically important to encourage greater private sector engagement in REDD+ and to accelerate business action and investment. As one of the largest donors on REDD+ and forest governance, the UK Government has an opportunity to provide leadership in this area, building on the UK's position as the global centre for emissions trading and the strong support of many leading British businesses for early action and investment in climate change and sustainability.

The Government should work with partner nations to explore the potential for early involvement of the private sector as key partners in bilateral programmes, not just as a potential source of finance. The Government should also encourage multilateral funds and programmes to engage more actively with business.

In addition, the Government could develop a separate, flexible finance facility to provide direct support for innovative private sector projects which are aligned with the UK's strategic priorities, both geographically and thematically. Whilst the scale of the potential private sector response is inevitably uncertain, interviews conducted for this review suggest that there is strong interest from a number of credible early movers.

The Government should also encourage a more effective public private dialogue and knowledge sharing on REDD+, for example through business forums in the UK and in partner forest nations. It should be possible to use the Government's new Capital Markets Climate Initiative to promote and support private sector programmes and facilities. Private sector support will need to be underpinned by robust safeguards, to address the concerns of governments and civil society.

Introduction

This chapter looks at options for catalysing private sector activity and investment in REDD+. It explains the importance of the private sector to REDD+ success, explores barriers to private sector engagement and outlines how public funds could be used to help address these. It proposes principles for the use of Government finance to support the private sector and provides a framework for assessing private sector projects and programmes.

The importance of private sector engagement in REDD+

Active engagement of the private sector is critically important to the success of REDD+. The private sector is as much part of the problem, through business activities which drive deforestation, as it is a key to scaling up the solution.

The scale of total finance needed for REDD+ puts the need for private sector finance beyond doubt. But it is not just finance that is needed from the private sector. Innovations in technology, for example those needed for MRV, and in forestry and agricultural practices, are needed too. REDD+ will also need to draw on the strengths of the private sector in the provision of goods and services, in training workers, communicating with consumers, insuring business activities and in many other areas.

The success of REDD+ depends on reorienting private sector investment and activity towards more sustainable land use practices. REDD+ and the associated policy and regulatory frameworks need to provide appropriate incentives to the private sector to change existing business strategies and practices that encourage or accelerate deforestation and forest degradation, as well as to invest in new strategies and practices, supporting 'green growth' and generating 'green jobs' through sustainable forest management and REDD+ project development.

This sea change in private sector activity will need to embrace companies and businesses of all sizes, in a wide range of sectors, not just in forested nations. For example, forestry companies and agricultural producers drive much of the deforestation in forest nations; but it is retailers and fast-moving consumer goods companies elsewhere in the world that create much of the demand for forest products and agricultural commodities, and financial investors and banks that provide the finance for these activities.

There are different sectoral priorities in different forest nations. In Indonesia, for example, pulp and paper, timber and palm oil production have historically been major drivers of deforestation of natural forests. In Brazil, cattle ranching and soy production are the most important sectors. In Africa, the picture is more complex, with coffee, cocoa and rubber plantations, mining, subsistence agriculture and use of wood for fuel all contributing to deforestation and forest degradation.

Early interest and activity

There is encouraging evidence of increasing interest and activity on REDD+ in the carbon markets. Many private sector institutions and organisations are actively engaged in the development of policies and standards for REDD+ and some are starting to invest cautiously in demonstration projects.

Case Study 3: Kasigau Corridor REDD+ project in Kenya

BNP Paribas has entered into a framework financing facility involving up to $50 million to support Wildlife Works Carbon in developing a portfolio of large scale REDD+ carbon projects in Africa. As part of this agreement the bank has also purchased an option to buy a senior tranche of up to 1.25 million credits from the Kasigau Corridor project over the next 5 years.

This project successfully combines revenues from REDD+ voluntary credits with sustainable business to provide communities with real economic alternatives to slash and burn. Launched in 2009, it was Kenya's first REDD+ project to achieve Community, Conservation and Biodiversity (CCB) validation, protecting over 200,000hectares of great ecological importance that is situated between Tsavo East and Tsavo West National Parks and providing conservation related income to over 3,000 Kenyan stakeholders who rely on the area for their core livelihoods. The project involves locally hired rangers, a sustainable soap industry, fruit nurseries, sustainable charcoal, and ecotourism.

The exercise of the options is likely to be dependent on developments in post-2012 climate policy leading to a compliance market for forest carbon or other financing mechanisms for REDD+ that create an environment conducive to private sector involvement.

Source: Proposals from the Private Sector for Engagement at Scale in REDD+: Working Draft prepared for the World Economic Forum Financing Sustainable Land Use Project, December 2010

Beyond the carbon markets, leading companies in the agricultural sectors, retail and consumer goods, energy and mining are increasingly concerned about carbon emissions from deforestation and forest degradation, driven variously by pressure from consumers, investors, regulators and civil society.

International business organisations are also starting to engage in the sustainable land use agenda. For example, in 2010, the World Economic Forum convened a range of leading businesses from across the value chain of land use, together with representatives from government, civil society and the scientific community, to identify concrete actions to accelerate private sector engagement in sustainable land use and REDD+ and to address the financing gap.

As well as encouraging green growth through investment in REDD+ projects, this early activity by the private sector is contributing to capacity building in forest nations, building skills, knowledge and networks. However private sector engagement and investment on REDD+ has lagged behind activity by governments and civil society, held back by risks and uncertainties of many of the early opportunities.

Meanwhile, the focus of governments and the multilateral agencies has been on REDD+ capacity buildings and reform of policies and institutions. However several individual donors, including the US, Germany, Japan and France, have indicated that they intend to include support for the private sector in their future REDD+ strategies.

Case Study 4: Unilever's commitments on sustainable palm oil

The Unilever Group is one of the world's largest purchasers of palm, using around 3% of the global production in the manufacture of products such as margarine, ice cream and hair shampoo. In 2008, the group announced plans to purchase all of its palm oil from sustainable sources by 2015.

Unilever is also working with the Roundtable on Sustainable Palm Oil to increase sustainable supplies. The Roundtable is a not-for-profit association that brings together oil palm producers, palm oil processors and traders, consumer goods manufacturers, retailers, banks and investors and environmental and other NGOs to develop and implement global standards for sustainable palm oil.

Unilever has subsequently announced broader sustainability targets, to halve the environmental footprint of its products, to help more than 1 billion people take action to improve their health and well-being, and to source 100% of its agricultural raw materials sustainably by 2020.

Source: derived from Unilever website (www.unilever.com) accessed 11.04.11

What is holding the private sector back?

The fundamental reason for the lack of private sector action and investment in REDD+ is that forests are still worth more cut down than standing up in the majority of business models and economies. In large part this is because businesses and consumers currently do not have to pay the full cost of forest based products and services, because the externalities that arise during forest based activity are borne by society, not the consumer.

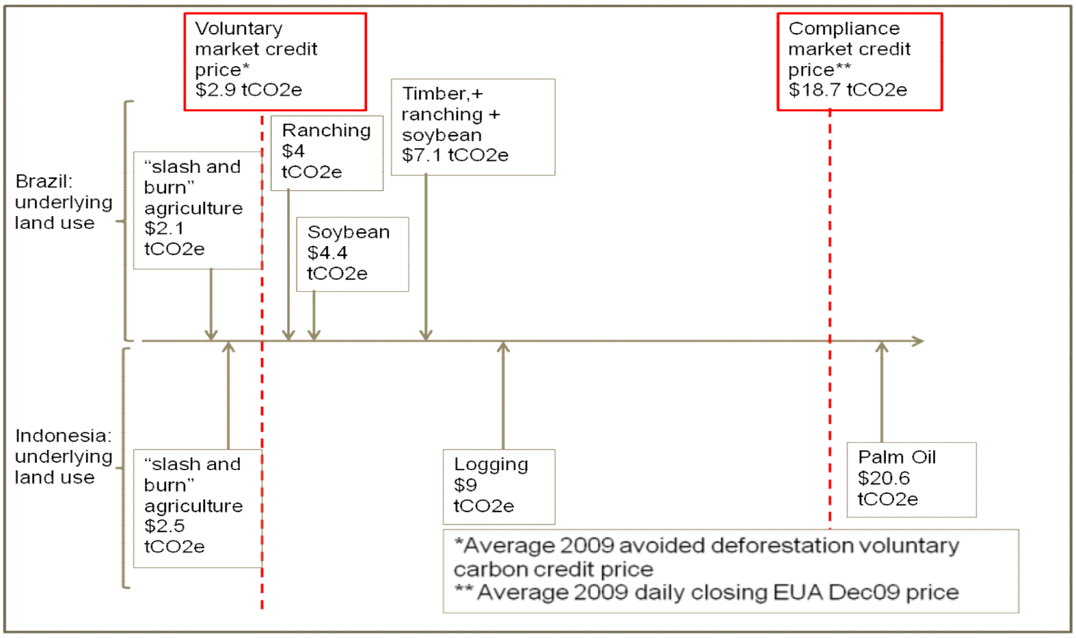
These problems are exacerbated by often inadequate legislation, regulation, certification and enforcement, both in forest nations and in end-user economies. For example, the illegal timber trade is worth more than $15 billion per year and more than half of all logging activities in particularly vulnerable regions such as the Amazon Basin, Central Africa, South-East Asia, the Russian Federation and some of the Eastern European countries are illegal[94].

The opportunity to generate carbon credits from REDD+ projects will help to redress this balance. However demand for REDD+ credits is at a low level relative to the required scale of REDD+ activity and price levels are generally low compared to the typical opportunity cost of deforestation (as demonstrated in Figure 2). Transaction costs are also high, particularly for small scale projects.

In the longer term, compliance demand for forest carbon credits from cap and trade schemes has the potential to provide predictable demand and high prices for bona fide REDD+ credits. However the EU has signalled that it is unlikely to allow widespread use of REDD+ credits for compliance purposes in the EU Emission Trading Scheme (EU ETS) until at least 2020. Meanwhile the adoption of plans for a federal cap and trade scheme in the US now seems unlikely. Meanwhile, with the voluntary market currently a fraction (1% as of 2010) of the size of the compliance markets and prices for credits typically lower than in the EU ETS, investors and developers will need to look to growth in the voluntary carbon market to create the necessary demand for REDD+ credits.

[94] Source: United Nations Conference on Trade and Development website: www.unctad.org (accessed 11.04.11)

Figure 2: REDD+ implementation costs & average credit prices in the voluntary & compliance markets.



Source: Proposals from the Private Sector for Engagement at Scale in REDD+: Working Draft prepared for the World Economic Forum Financing Sustainable Land Use Project, December 2010

Early or innovative investment activity in forest nations in support of REDD+ and sustainable land use more generally also often involves higher risks, which in turn demand higher rewards. Risk factors prevalent in much of the early REDD+ activity include:

- **Political risk**: Many of the countries where emissions from deforestation and degradation are increasing have weak political and legislative frameworks and inadequate law enforcement, and are prone to corruption.
- **Regulatory risk**: Early investment in REDD+ has been held back by regulatory uncertainty at a global level (because of delays in securing agreement at the UNFCCC), regionally (for example in relation to the treatment of REDD+ in the EU Emission Trading Scheme) and nationally, (pending the development of REDD+ regulations in forest nations).
- **Carbon and commodity price risk:** Carbon markets are at a relatively early stage in their development and long term price trends are difficult to predict, in part because they are significantly impacted by political decisions on emission reduction targets. Returns from REDD+ activity can also be impacted by a range of other commodity price risks.

Some support is available for private sector activity, for example through the multilateral agencies; however, this has yet to be widely taken up.

Catalysing private sector action and investment

It will take time for the markets for sustainable forest products and for forest carbon to develop, for the supporting regulation and standards to be developed and implemented, and for change to be effected across the value chain. Forest nations and donor governments have key roles to play in delivering these long term objectives, but they cannot do it by themselves. I will be critically important to sustain and encourage private engagement in order to accelerate business action and investment.

As one of the largest donors on REDD+ and forest governance, the Government has an opportunity to provide leadership in this area, building on the UK's position as the global centre for emissions trading and the strong support of many leading British businesses for early action on climate change and sustainable land use.

The review identified five main ways it could help to accelerate private sector action and investment in REDD+:

- Encouraging the **multilateral funds and programmes** which it supports to engage more actively with the private sector, where possible leveraging public funds with private money and catalysing action by the private sector. The FCPF Carbon Fund's plans to seek private sector funding will test the appetite of international investors, but funds and programmes could also seek action and engagement from the domestic private sector in countries in which they are operating;
- Working with partner nations to explore the potential for early involvement of the private sector as key partners in **national programmes**, not just as a potential source of finance. Private sector partnerships and programmes can be focussed on priority sectors and activities, working with leading domestic businesses and financial institutions and local NGOs, as well as international companies and the carbon markets.
- Creating a separate, **flexible finance facility** to provide direct support for innovative private sector projects which are aligned with the UK's strategic priorities, both geographically and thematically. A centrally-managed facility could help leverage incremental early private sector investment, through carbon and financial markets in the UK.
- Supporting private sector engagement in the **development of the REDD+ framework**. Despite the growing interest and engagement from the private sector, business interests have not been a priority in much of the early thinking on REDD+, with the focus being on government and public sector strategies, donor funding and the role of NGOs and civil society. If the private sector is to drive the required level of investment and changes in business practice, bona fide business concerns will need to be addressed, through policies and strategies, regulations and standards and innovative use of public funds to leverage private sector investment.
- Facilitating private sector engagement and knowledge sharing on REDD+, by supporting **sectoral or cross-sectoral forums** at a national or international level, to bring the private sector together with the public sector to discuss policy and regulatory frameworks, REDD+ project and programme activity, and financing options. Experience with the 'Critical Mass' climate finance project run by the World Economic Forum and others last year (and to be carried on by the Government's new Capital Markets Climate Initiative) suggests that these forums can help to develop proposals and secure finance, as well as to shape the overall policy framework in emerging markets.

It should be possible to use the Government's new Capital Markets Climate Initiative to promote and support private sector programmes and facilities.

Partnering with the private sector in national programmes

The design of specific national programmes which might involve or support the private sector is outside the scope of this review.

However programme design will depend on the local political context and policy priorities (for example, some governments are more open to market based mechanisms for REDD+ than others), the economic situation (the structure and maturity of the economy, key sectors and drivers of competitiveness and trade flows), the capacity of the private sector to respond to new opportunities (domestically and through FDI), the state of local financial markets and institutions, the legal and regulatory environment, etc.

UK funding could be used in a number of ways to address inadequate economic incentives, market failures and risks that are holding back private sector REDD+ activity and investment. These include grants (for example, to offset up-front costs or to support higher risk projects), concessional finance (for lower risk projects) and various mechanisms to effect 'payment for results' (for example, direct payments to producers such as feed in tariffs, purchasing of REDD+ credits and Advance Market Commitments, or [AMCs]).

It may be possible to partner with national development banks or other local financial institutions to help identify, select and oversee private sector opportunities and to support fund management and disbursement (e.g. BNDES in Brazil manages the Amazon Fund, Equity Bank in Kenya is an active lender to the agriculture sector). These institutions typically have a good understanding of the local economy and key sectors, as well as strong relationships with the host country government and businesses, though they often need technical assistance with REDD+ and sustainable land use and may need to be capitalised to support such business activities.

Support can also be provided to the private sector through capacity building and training programmes, knowledge transfer and sharing of best practice, possibly through the Climate and Development Knowledge Network funded by DFID. Through its engagement with partner nations, the Government could also encourage domestic institutional and regulatory reform to encourage private sector investment in relevant sectors.

Principles for catalysing private sector action and engagement

- **Maximise leverage:** The use of public funds for REDD+ should seek to leverage the maximum investment of private sector finance. Leverage ratios will vary from one activity to another, for example the use of public funds for certification costs will leverage a different amount of private investment than the use of funds to guarantee the price of REDD+ credits. As a benchmark public sector costs for undertaking the same activity and / or delivering the same outcomes should be used. Any leverage above these costs is effectively a saving to the tax payer.
- **Focus on the drivers of deforestation:** Funding needs to address the private sector drivers of deforestation. In many countries, businesses are the primary agent of forest loss and/or degradation. Sector-wide incentives (e.g. grants and concessional finance) and enabling policies for REDD+ can help to engage new businesses and change the behaviour of businesses currently responsible for deforestation and degradation.
- **Link payments to results:** Public funds should be targeted at incentivising private sector activity in a competitive manner in order to produce measurable results, namely reductions in emissions, protection of biodiversity and / or poverty reduction.
- **Encourage demand-led approaches:** Support for private sector action and investment in REDD+ should be demand led, using a bottom-up approach to identify opportunities in discussion with private actors. Rather than focussing on a particular technology or financial mechanisms, the UK Government could use thematic windows to target private sector activity in different countries and sectors (e.g. subsistence agriculture, mining, and forestry), building on existing private sector skills, knowledge and networks.
- **Avoid crowding out:** It is important that donor funding does not crowd out private sector activity. It needs to be targeted to address market failures and risks. To go beyond this would be inefficient and would stretch the capacity of public finance causing deadweight loss.

The potential of a flexible finance facility

It is difficult to assess the potential demand from the carbon and capital markets for a flexible finance facility of the sort proposed or the potential leverage that could be achieved through this. However, discussions with members of the London-based Carbon Markets and Investors Association and with other carbon market participants as part of this review suggest that there is strong interest from credible early movers.

Public sector support for private sector REDD+ funds and projects should be able to leverage a multiple of private sector investment, depending on their geographic and sectoral focus, and any broader environmental or social conditionality for public support (e.g. in relation to biodiversity protection or poverty alleviation).

In preparing this report, discussion with potential sponsors of new innovative mechanisms revealed that the commitment of relatively short-term public funding (i.e. within the funding period covered by this review) should be able to catalyse substantial longer-term private sector commitments.

This support could be provided through some form of flexible finance facility or challenge fund, run as an in-house facility or outsourced to a multilateral agency or the private sector. It could be focused on geographies, sectors and projects that are aligned with Government priorities and are scalable, in line with host country national REDD+ strategies and international standards.

A competitive process would help ensure innovation and value for money, as well as catalysing private sector interest. Funding could be provided on a payments for results basis (to the extent possible), but reduced by carbon or other market revenues (for example through option mechanism, contracts for difference or other innovative financial devises) to minimise upfront commitments and to avoid excessive profits for the private sector participants. Support for individual projects should also be time limited and capped in money terms.

The particular attraction of this approach is that the private sector bears the project risk. If the project fails to deliver then the Government would not have to pay. Equally, if the project is successful and market conditions are favourable then Government funds will still not be required and can be used again to support additional investments. However, if market conditions are not favourable, then some or all of the committed funding would be transferred to investors to compensate for lost returns (provided that the project has delivered benefits).

Public funding for this purpose would need to be of a scale that was sufficient to attract serious private sector interest, thereby increasing the potential to leverage a multiple of this sum in private investment. An initial facility in the region of £50m may be sufficient, but this would need to be scoped further. Further work to assess the market failures that currently discourage private sector investment in sustainable forestry, the potential results that could be generated by this approach, and the appropriate form and level of public subsidy to incentivise private investment along these lines would also be required.

Safeguards

Private sector support will need to be underpinned by robust safeguards. Private sector projects are likely to be subject to particular scrutiny from partner governments and from civil society. It will be vital that any private sector funding programmes adequately address their bona fide concerns.

Safeguards in relation to private sector support should be consistent with the safeguards applied in the Government's other bilateral funding programmes, to ensure that social and environmental risks are subject to adequate assessment and appropriate mitigation.

Assessing options for engaging the private sector

Opportunities to work with the private sector, whether through a central facility of fund or through bilateral partnerships, should ideally be assessed in a consistent manner using a framework that identifies the market failure and risks that are being addressed, the priorities for the UK Government and its partner nations in relation to carbon, biodiversity and poverty, and other metrics that shed light on the viability of the opportunity. Criteria for assessing options for supporting the private sector in REDD+ are set out in Table 8 below.

Table 8: Criteria for assessing private sector projects and programmes

Criteria	Explanation
Market failure & risks	Public funding should address the market failures and risks identified above, namely political, regulatory and carbon and commodity price risk
Leverage ration	There is a balance to be struck between setting a minimum leverage ratio (which should help ensure higher value proposals) and the risk of creating a barrier to innovative ideas coming forward. Leverage ratios will vary and it is advisable to take a comparative approach when receiving applications, having made clear that leverage is a key criteria.
Reward	Proposals should be assessed for the extent to which they help the UK Government and partner nations achieve goals for emissions reductions, biodiversity protection and poverty alleviation

Criteria	Explanation
Risk	Consideration will need to be given to the potential risks of supporting a proposal, for example the reputation of the business and its financial position. This can be achieved with due diligence of the proposing business.
UK Government input and influence	Proposal should specify any non financial input that may be required from the UK or partner governments. The UK Government will want to consider the extent to which it may be able to influence the success of the activity.
Scale and scalability	Proposals should identify the scale of the projected benefits and the potential to scale these up in future.
Speed	Proposals should include an assessment of time period over which benefits are expected to accrue.
Policy alignment, legitimacy and safeguards	Proposals should be aligned with the priorities of the partner nation or other host country, for example the green growth or development plan, NAMA or NAPA. They should also demonstrate how environmental, social and governance (ESG) considerations are addressed. Evidence should be provided of endorsement by the host government or justification provided as to why endorsement is not appropriate.
MRV	Proposals should include a costed plan for independent measuring, reporting and verification of funded activities.

6. Implementing the funding strategy

Summary of conclusions and options

A successful REDD+ portfolio is likely to include both support for multilateral programmes and bilateral partnerships, as well as activities to catalyse private sector engagement and investment, underpinned by continued support for forest governance reform.

Funding is likely to have most impact if it is concentrated on a limited number of countries that have strong potential to support the Government's strategic objectives for REDD+. Resource constraints within the Government's REDD+ team are also likely to limit its ability to engage with more than four or five forest nations on potential partnering opportunities.

Deciding where to focus initial funding will involve practical and strategic considerations, balancing ambition, timescales and risk with appropriate geographic spread to support wider political objectives. Geographic priorities should ideally include countries in each of the three phases of REDD+ activity, to support the UK's broader strategic objectives, to maximise learning and to mitigate delivery risks:

- Payment by results at scale is likely to deliver the greatest results, most quickly, but will typically require strong national capacity and accounting frameworks. The best potential for early scaling is in Indonesia, Brazil and Mexico.
- There is scope to support step-change in REDD+ readiness and implementation in many more countries and the costs of these will typically be lower. We have identified opportunities in Cameroon, Colombia, Ethiopia, India, Mozambique, Peru, Tanzania and Zambia, as well as in Indonesia and Brazil.
- Finally, there are opportunities to provide focussed readiness and governance support across a number of countries, most notably in Africa. In the Democratic Republic of Congo (DRC), the future potential is substantial but the environment is very challenging.

The potential REDD+ investment opportunities identified in these countries all offer carbon, poverty and biodiversity benefits, all have the potential to involve the private sector and most have clear links to wider green growth plans.

The next stage in this process will be a detailed dialogue at a national or local level with potential partner governments, local stakeholders, multilateral agencies and other donors, to explore these opportunities in more depth, to assess feasibility and the risk reward potential, to look at possible funding channels and mechanisms and to agree priorities and plans. A key consideration will be the extent of political commitment at the highest level to support the proposals.

Potential partner governments are likely to want to leverage support from multiple channels. The Government will therefore need to plan, phase and coordinate its interventions with those of other donors and programmes and other potential partner organisations (such as NGOs and local financial institutions), to maximise synergies and operational efficiencies and to encourage private sector participation.

Different REDD+ activities, channels and mechanisms may be able to operate at different scales and speed. For example forest governance activities are likely to cover more countries than results-based partnerships, which will tend to require a greater commitment of funding and resources. Private sector support could also be offered across more countries, to encourage take-up and innovation. Multilateral activities will tend to have a broader reach.

Building a mutually reinforcing portfolio

The UK Government's REDD+ funding has been provided primarily through multilateral funds and programmes with a focus on helping forest nations get ready for REDD+. Continued support for this important work on REDD+ readiness through multilateral and bilateral channels will be an important part of a successful portfolio.

In subsequent phases of REDD+ a successful portfolio is likely to include both support for multilateral programmes and bilateral partnerships, as well as activities to catalyse private sector engagement and investment. This should be underpinned by continued support for forest governance reform, as this will be important in mitigating the risks of delivering finance and ensuring the integrity of REDD+.

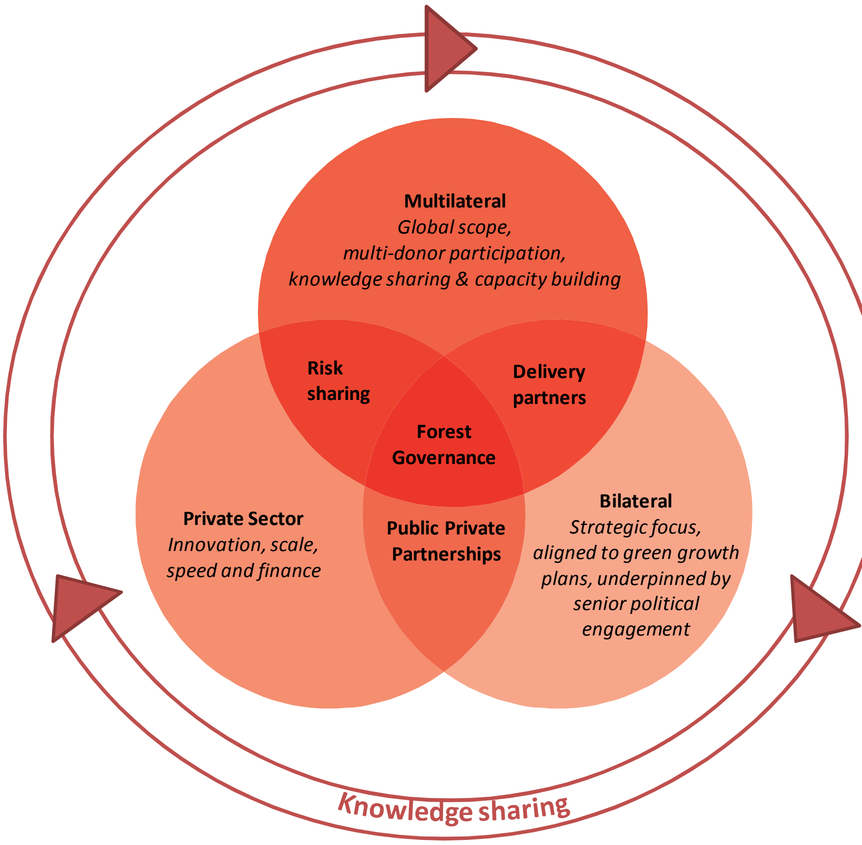
Each of these elements will play a critical and complementary role in the successful delivery of REDD+ at scale, both globally and at a country level:

- Multilateral funds and programmes are an important channel for donor funding, both for REDD+ readiness and for subsequent phase of REDD+ activity. They also help to build consensus on the global architecture of REDD+ and to develop coherent policies nationally, as well as providing platforms for knowledge exchange and for identifying funding gaps and priorities. However, because they have multiple stakeholders and because their focus and resources tend to be spread across many countries, they are less likely to be able to respond directly to the strategic priorities of the UK Government or to deliver transformational change at a country level. Disbursement rates to date have been generally slow, reflecting the difficulties of progressing REDD+ in many forest nations, but also administrative problems in some funds.
- Bilateral partnerships offer the opportunity for forest nations and donors to work together on shared priorities, focusing funding, resources and expertise on programmes and projects backed by strong political commitment. Of course they face many of the same difficulties as the multilaterals, but the partnership focus and commitment is likely to encourage progress. Successful partnerships are likely to be based on a long-term funding commitment, albeit linked clearly to key milestones and payment for results. However they also offer greater potential for flexibility and innovation, particularly in the way they engage with the private sector, than typical multilateral programmes. However bilateral partnerships can also complement and support multilateral activity in the country or region, as well as leveraging their local experience and resources.
- The private sector is a key actor in REDD+ and the transition to low carbon development. Business needs to become drivers of transformational change, rather than barriers to it, It is able to deploy skills, resources and finance at scale, but is only now starting to explore REDD+, help back by concerns and uncertainties about risks and rewards. Focussed support for the private sector, balanced by appropriate safeguards, can help to catalyse business engagement, innovation and investment, accelerating REDD+ activity and change.
- Forest governance reform will be critical to the success of the portfolio. Good forest governance underpins the efforts of the other three pillars, creating an institutional and legislative environment which protects and supports the environment and the needs and rights of the people who rely on the forest.

A mutually reinforcing portfolio of support for REDD+ readiness and payment for results has the potential to address strategic funding gaps and to provide global leadership on REDD+, facilitating and complementing action from other donors and from the private sector. This should be underpinned by continued support for forest governance reform, as this will be important in mitigating the risks of delivering finance and ensuring the integrity of REDD+.

Inevitably performance variances will arise across the Government's REDD+ portfolio, accelerating some expenditures and delaying others. Political, market and other factors may also warrant rebalancing of the portfolio. The allocation of funding should, therefore, be kept under review throughout the commitment period.

Figure 3: A mutually reinforcing portfolio



Coordination and knowledge sharing

There is also an important and urgent need for more effective coordination between donors and multilateral agencies, to maximise synergies, operational efficiencies and knowledge sharing between programmes and channels. The UK would be well placed to support coordination through future bilateral partnerships, as well as in other countries where it has a strong local presence.

The UK could also provide broader support to the REDD+ community, through DFID's Climate and Development Knowledge Network and DECC's recently announced Capital Markets Climate Initiative.

Deciding geographic priorities

Funding is likely to have most impact if it is concentrated on a limited number of countries that have strong potential to support the Government's strategic objectives for REDD+. Within countries and across regions, the Government should seek to build on synergies between programmes and channels, maximising strategic impact, operational efficiencies and learning.

Different funding channels may be able to operate at different scales and speed. For example forest governance activities are likely to cover more countries than results-based partnerships, which will tend to require a greater commitment of funding and resources (e.g. Norway has to date pledged up to £1 billion to support REDD+ in Indonesia). Private sector support could also be offered across more countries, to encourage take-up and innovation. Multilateral activities will tend to have a broader reach. The Government will need to phase, focus and coordinate its interventions.

Getting the best out of the UK Government's REDD+ portfolio: Ten core principles

Based on research and interviews, the review has identified a series of core principles for the UK Government's REDD+ portfolio. They underpin analysis of bilateral/multilateral programmes, forest governance and private sector involvement discussed in detail in Chapters 2-5. Here they are in summary:

- **Build a mutually reinforcing portfolio:** A mutually reinforcing portfolio will help to maximise the impact of UK funding, manage risk, support knowledge sharing and broaden political influence.
- **Commit to the long-term:** Be prepared to commit to the long-term, offering sustained and sufficient incentives to drive actions in partner nations, but link continued support to demonstrable progress.
- **Retain flexibility and allow for learning:** Retain flexibility to respond to political and market developments (e.g. in the context of the UNFCCC). Be prepared to adapt programmes to make them more effective or to move on if milestones are not met.
- **Secure political support at the highest level**: Whether funding is being provided directly or through multilaterals, political support at the highest level in partner countries is critical.
- **Target sectoral and economy wide transformational impacts:** Targeted and strategic actions can create systematic impacts on sectors and even economy-wide level. Link programmes to wider climate-resilient economic growth plans.
- **Partner to build broad-based support and drive delivery:** Work with other donors as well as multilateral agencies, leading where the UK has strong networks and resources, but also playing supporting roles. Explore the potential for partnerships with local government, NGOs, indigenous peoples and other stakeholders as appropriate, to secure buy-in, access additional resource, and accelerate action and reduce costs.
- **Engage the private sector:** Private sector investment will be critical to the longer-term funding and success of REDD+. Public funds can catalyse action and leverage finance from the private sector. The government's new Capital Markets Climate Initiative could help private sector engagement.
- **Build on strong governance**: Build on the design and progress made in REDD+ readiness and forest governance (e.g. FLEGT), but recognise gaps and constraints.
- **Share knowledge and best practice:** The UK is well placed to support knowledge sharing on REDD+, for example through its Climate and Development Knowledge Network.
- **Safeguards:** Safeguards are needed to mitigate the social and environmental risks of a REDD+ activities. Well designed safeguards can also enhance and incentivise positive outcomes.

Determining which forest nations to approach for bilateral partnerships will involve practical and strategic considerations, balancing ambition, timescales and risk with appropriate geographic spread to support wider political objectives. For example, partnership programmes could provide opportunities for joint learning that would inform further UNFCCC negotiations on REDD+.

UK priorities should also have regard to the plans of other donors and the multilaterals, and the potential for the UK to influence and coordinate with these. A number of other donors are interested in collaboration at a national level, particularly where the UK Government already has a presence and network.

Further development of the portfolio will also need to consider the limited resources of the UK Government's REDD+ team and its resources in country. Resource constraints are likely to limit the Government's ability to engage with more than four of five forest nations on potential partnering opportunities.

To inform the Government's decisions on priorities, we conducted a two-stage, desk-based review of forest nations:

- Stage 1: Preliminary country assessment to support shortlisting of countries.
- Stage 2: Review of shortlisted countries.

Stage 1: Preliminary country assessment

Methodology

The preliminary country assessment used a long-list of 54 FCPF, UN-REDD, FIP member countries plus other countries identified as having significant potential to deliver carbon abatement or where the UK government country office is large (see Appendix 1). The review assessed the raw biophysical and economic 'potential' of each country to generate carbon abatement, poverty alleviation and biodiversity conservation benefits, along with its 'prospect' of delivering the potential.

The assessment of REDD+ prospects considered the level of engagement with international forest governance initiatives, REDD+ institutional planning, the development of third party reviewed national REDD+ plans and the level of UK government presence in the country.

Interpreting REDD+ potential and prospects

The review based the scores for both potential and prospects on objective criteria. However, it is important to recognise that these criteria may not represent the full picture of REDD+ prospects and potential. For example, readiness criteria may overstate the capability of a partner government if the country has been heavily reliant on external consultancy support without concomitant capacity building. Alternatively, it may understate the extent of high-level political commitment, which is fundamental to readiness.

As a result, scores and rankings must be viewed as indicative and should not relied be upon as a precise evaluation of REDD+ prospects and potential. In addition, when making decisions on geographic priorities, it is important to consider both prospects and potential. A country with a lower potential ranking but higher prospects maybe more attractive than a country with high potential ranking but lower prospects, given the UK government's emphasis on early and demonstrable success.

Given this need for flexibility, the assessment aims to provide a tool to facilitate the UK government's consideration of funding options, rather than rank a country or regions past performance or future potential.

Results

Using the evidence provided by the preliminary country assessment to frame the discussion (see Appendix 2), a shortlist of twelve countries was selected by the UK Government for further analysis. All hold relatively high potential to deliver strong carbon abatement, poverty alleviation and biodiversity conservation benefits:

- Brazil
- Cameroon
- Colombia
- DRC
- Ethiopia
- India
- Indonesia
- Mexico
- Mozambique
- Peru
- Tanzania
- Zambia

The shortlist was selected on the basis of a range of practical, strategic and other factors, including:

- The UK Government's desire to consider a number of countries covering a range of regions and geographies with the potential to deliver poverty alleviation and biodiversity conservation benefits, as well as forest carbon abatement;
- Trade-offs between a country's REDD+ 'prospects' and REDD+ 'potential'; and
- Other factors such as institutional capacity, robust governance, forest ownership and existing forest legislation.

Stage 2: Analysis of selected countries

To help the UK Government consider the opportunities for REDD+ support within the shortlisted countries, the review identified current REDD+ activities, new opportunities and potential challenges for each of the selected countries. Results of the review can be found in Appendix 4 and 5.

Potential partner nations offer a range of opportunities. A balanced portfolio is likely to include countries and projects at each of the three phases of REDD+ activity. The selection of countries is likely to be informed by the available funding channels and partners, and the opportunities to support ongoing programmes.

The UK Government will also need to ensure that it manages, insofar as possible, the risks of leakage within partner nations. Relevant multilateral funds and programmes and national forest governance systems are likely to have a role in helping to manage this.

Phase 1 – 'Readiness'

There are opportunities to provide focussed readiness and governance support in a number of countries. These are likely to measure performance more in terms of institutional and policy progress than measurable carbon abatement, poverty alleviation and biodiversity conservation results. Support to improving forest governance is likely to underpin readiness activities in almost any of the potential partner nations.

To date there has been less REDD+ donor funding for Africa than in other regions (with the possible exception of Tanzania) and most countries are likely to benefit from technical assistance projects and assistance to deepen stakeholder participation in REDD+ strategy development and implementation. REDD+ in Africa faces a number of challenges, including poorly resourced state forestry sectors with limited absorptive capacity and low levels of forest governance[95]. There is, however, support from other donors for the UK to lead where its country-level knowledge, networks and relationships are strong.

In the Democratic Republic of Congo (DRC) the future potential is substantial, but in a particularly challenging environment. Ethiopia has a readiness plan and offers afforestation and reforestation potential, and Cameroon, Mozambique, Tanzania and Zambia also offer opportunities to support REDD+ readiness, all with strong poverty alleviation benefits. Outside of Africa there are opportunities to support partner nations with readiness,

[95] Abbot, P, 2010, Scoping a high-deforesting multi-country programme for DFIDs Africa Regional Department, DEW Point.

although they are likely to have more focussed specific needs (e.g. the design of national MRV systems in Colombia and India).

Phase 2 – 'Implementation'

There is scope to support step-changes in REDD+ readiness and implementation in many more countries and the costs of these will typically be lower than for payment by results. There is the potential to support larger REDD+ programmes through technical assistance e.g. supporting pilot provinces in Indonesia, Colombia with its 'Plan Pacifico' or the implementation of India's 'Green India Mission'.

In addition, almost all partner nations offer the potential to support nationally appropriate climate-resilient economic growth and directly tackle the drivers of deforestation. These include support for the adoption of sustainable agricultural practices (e.g. in Brazil, Indonesia and Cameroon), reformation of the charcoal sector (e.g. in Tanzania, Zambia and Mozambique), and the formalisation of the informal mining sector (e.g. in Peru). Strong engagement with the private sector will be required in all of these partnerships.

Phase 3 – 'Payment by results'

Payment by results at scale offers the most promising means of delivering results, as experience suggests that this type of mechanism can be readily aligned to partner government priorities and programmes, with appropriate payment milestones set to reflect country circumstances. However, this model will typically require strong national capacity and accounting frameworks. They are also, therefore, likely to be complemented by grants for building enabling capabilities[96].

Mexico, with its relatively advanced national MRV system and high-level political support for REDD+, offers strong potential for payment by results. Indonesia, with an emerging national REDD+ institution, also holds good opportunities for payments for performance, potentially supporting Norway, the current largest donor on REDD+ and also the efforts of other donors such as Germany and Australia.

Finally Brazil holds high potential for carbon abatement and biodiversity conservation and offers significant opportunity for the prospect of measurable carbon emissions reductions within the short to medium term. It is soon to release its REDD+ strategy, and any partnership would need to reflect this.

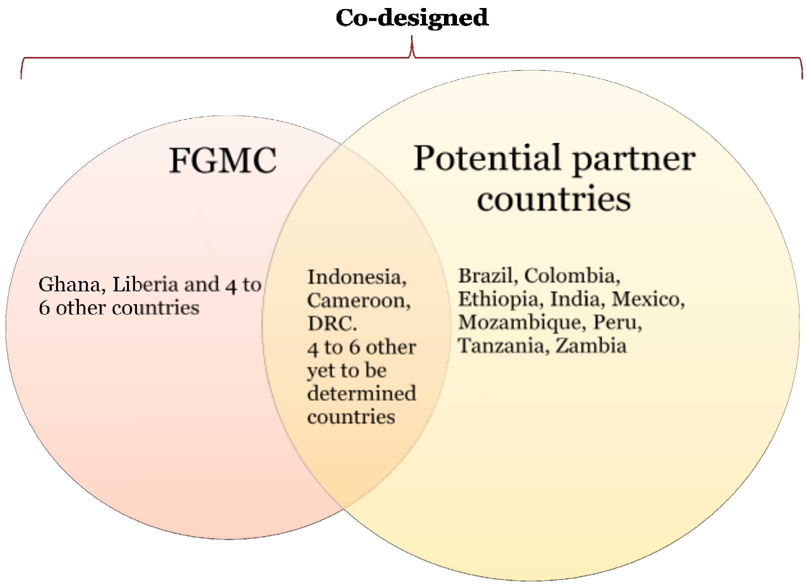
By tying payments to relevant outcomes, these partnerships all offer opportunities to deliver climate-resilient economic development, provide biodiversity conservation benefits and contribute to towards poverty alleviation. Direct incentives also offer strong potential to engage the private sector.

Geographic overlap with FGMC

There is also the potential to support certain readiness activities through the Government's proposed FGMC programme. Figure 4 shows the current overlap between the 12 shortlisted potential REDD+ partnership nations and the proposed FGMC countries.

[96] Report of the informal working group in interim finance for REDD+, 2009

Figure 4: Overlap between FGMC and shortlisted potential REDD+ partner countries



The FGMC programme is expected to include between four and six additional countries, which is likely to create further overlap. FGMC also plans to work with countries and regions where there are markets that create the demand for deforestation, therefore taking significant steps in tackling leakage and displacement.

FGMC and REDD+ programmes should be designed in parallel to ensure that synergies and efficiencies are captured and lessons learned are adopted more widely. In countries covered by both FGMC and bilateral REDD+ partnerships, programmes should be co-designed to ensure synergies are maximised, and forest governance reform should be made a condition of country government support. Although FGMC cannot deliver major REDD+ funding, it can be used to help create the conditions for REDD+ and strengthen institutions and capacity.

Even where FGMC is not active, there will be opportunities to apply lessons learned and implementation models in national partnerships. Equally, experience from REDD+ partnerships and programmes elsewhere will help to inform FGMC.

Regional approaches to REDD+ funding

Adopting a regional approach to REDD+ activities, developing programmes and plans across borders where countries face similar opportunities and challenges is likely to result in additional economies of scale and knowledge sharing, potentially improving the long-term efficiency and effectiveness of the UK Government's REDD+ funds.

It is likely to be much more difficult, however, to develop a successful partnership-based agreement from scratch with multiple forest nation governments. A more practicable approach may be to focus on country-level agreements at this stage. Once a partnership has demonstrated a track record of successful delivery, it may be easier to expand from there to neighbouring countries in the region.

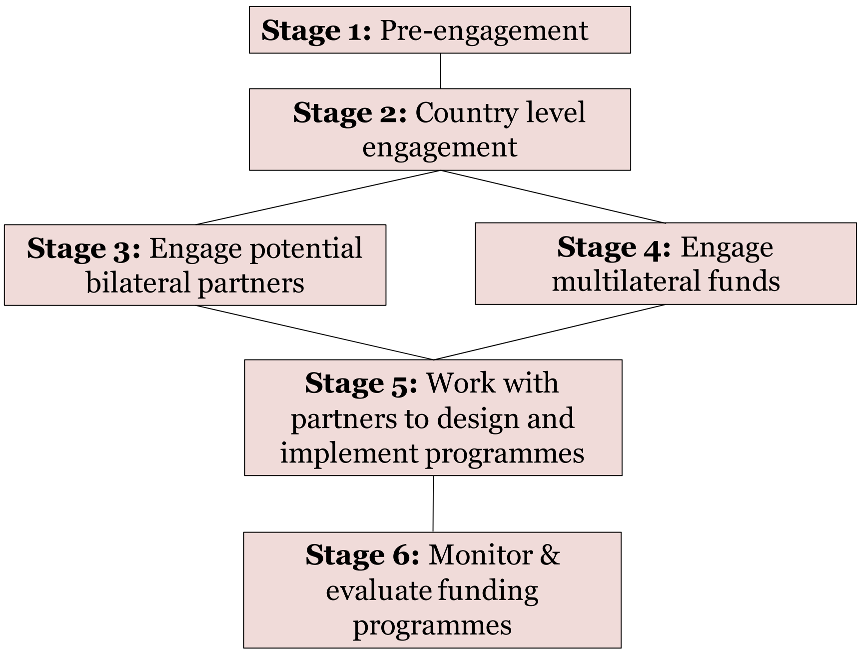
Feedback from stakeholders indicated that the potential for regional approaches would appear particularly strong in eastern and southern Africa. In addition, DFID has an existing forestry network in Nepal through the Livelihoods and Forestry Programme, which may allow for regional collaboration with any support for India or other neighbouring nations.

Working with forest nations - a possible engagement strategy

As a next step, we suggest a detailed dialogue at a national or local level with potential partner governments, local stakeholders, multilateral agencies and other donors, to explore these opportunities in more depth, to assess feasibility and the risk reward potential, to look at possible funding channels and mechanisms and to agree priorities and plans. A key consideration will be the extent of political commitment at the highest level to support the partnerships and proposals.

The process of engagement with potential partner nations is likely to be a multistage process, taking into account national circumstances, as well political and other factors, and will require liaison with a wide range of stakeholders. An outline of a possible engagement strategy is set out in Figure 5 below, along with an estimation of the time each stage could take to undertake for a limited number of bilateral partnerships:

Figure 5: Overview of proposed engagement strategy for the UK Government



Stage 1: Pre-engagement (3 – 6+ months)

Reaffirm a clear set of REDD+ priorities and objectives for UK Government engagement: The UK Government should base its strategy on a concise and explicit description of its strategic REDD+ objectives and outcomes. While flexibility is necessary, reassessing and affirming these objectives will help coordinate action among UK Government agencies and target limited resources to achieve the desired transformational change.

Validate engagement options: Multi-stakeholder consultations in-country with policymakers, civil society and the private sector together, to validate and develop engagement options indentified by the review.

Stage 2: Country level engagement (6 – 9+ months)

Engage with senior country policy makers: Political engagement should be carried out in the context of the country's existing climate, low carbon growth and economic strategies, previous UK Government relationships, other donor activity. If support is not forthcoming, be prepared to adjust the strategy.

Ensure broader consultation with members of NGOs and civil society in the partner country: Most of the shortlisted countries have already established national REDD+ committees or platforms with participation from different actors within civil society and the NGO community. The final agreement between the UK Government and the partner nation should be presented to this body for them to guide the process of broader engagement of local and national players. In countries where such bodies do not yet exist, engagement with key groups should take place, possibly through national workshops. This recommendation is presented as result of the strong message received via interviews with members of 'civil society' groups.

Stage 3: Engage potential bilateral partners (3 – 9+ months)

Ensure the resources are in place to engage with both partner and other donor nations: The location and extent of the UK Government's own resources is likely to be an important consideration in selecting the priority partnership countries.

Finalise bilateral partnerships: The selection of countries for partnership will involve political considerations, as well as practical and strategic factors.

Assess potential for donor coordination to support objectives: The Government should discuss potential bilateral and multilateral funding partnerships with other donors and appropriate multilateral agencies (e.g. UN-REDD Tier 2 funding) at a senior policy level to highlight potential synergies.

Stage 4: Engage multilateral funds (3 – 6+ months)

Discuss proposed new funding commitments and roles for the UK with multilateral organisations: Engage with the multilateral funds and programmes to discuss proposed new funding commitments and where relevant, potential changes to the UK's role and representation within the fund or programme.

Stage 5: Work with partners to design and implement REDD+ programmes (6 – 12+ months)

Engage with country partners to design REDD+ programmes: The detailed design of funding programmes should be led by country partners, to ensure that where possible REDD+ funding aims are linked with existing national strategies for climate-resilient economic growth and to ensure buy-in. It will likely also be important to bring in NGOs and civil society (including indigenous peoples) and the private sector at the design phase, to ensure that the design of these programmes benefits from their experience to date and take into account their bone fide concerns. The government should ensure that transparent and accountable mechanisms are put in place in each country for the implementation of activities under bilateral partnerships or through the interventions of the private sector.

Engage with other key stakeholders to inform design and implementation: Open dialogues with relevant NGOs, civil society and representatives from the private sector to collect views and feedback on proposed partnership programmes as they are designed and implemented. Collate views and feed into discussions with bilateral and multilateral partners. There are also a broad range of private philanthropic organisations active in REDD+ in the shortlisted countries (see Appendix 9). The UK Government should engage with these organisations where there is a thematic or geographic crossover in REDD+ funding. There may also be a role for relevant regional development bank to support REDD+ activities in partner nations and discussions should start with these organisations.

Implementing safeguards: An important part of any REDD+ partnership will be the development and implementation of appropriate safeguards. Safeguards should be developed in consultation with NGOs, civil society, and the private sector, linked to the ongoing work of the UK Government and aligned to any requirements that arise from climate negotiations[97].

Stage 6: Monitor and evaluate programmes (ongoing)

Monitoring and evaluation frameworks are relatively undeveloped in this space. There is therefore an opportunity for the UK Government to develop a set of best practice frameworks. While most donors have very

[97] The latest climate change negotiating text provides "Guidance and safeguards for policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries". http://unfccc.int/files/meetings/cop_16/application/pdf/cop16_lca.pdf

specific project-level monitoring, few have comprehensive and timely systems to track progress at a portfolio level.

The notable exception is the Norwegian government, which has established clear criteria to support systems for monitoring forest cover and biomass volumes, leakage prevention and permanence, and has a real-time evaluation team assessing these. We understand that Norway does not, however, monitor broader metrics of strategic important to the UK Government (poverty alleviation, improvements in forest governance, impact on national low-carbon plans/growth).

Any bilateral agreements and partnerships which the UK funds would require the development (with host country stakeholders) of nationally appropriate indicators for tracking progress and impacts against baseline scenarios.

Resourcing the Government's REDD+ strategy

The UK Government plans to increase funding for REDD+ substantially in the next four years and has set ambitious objectives for its expenditure. Whether this funding is channelled through multilateral funds or programmes or a limited number of bilateral channels, the UK Government should consider increasing its staff resource to manage this and ensure the best value for money is achieved.

Resources will continue to be required in UK, to develop and coordinate the portfolio, to drive the UK's engagement with multilateral funds and programmes, to support the political dialogues needed to build national partnerships, to help develop national and local programmes, to develop and manage private sector programmes and to facilitate knowledge sharing.

Innovative ways to overcome the challenge

Resources required locally to support national partnerships and programmes will depend on the scale and scope of the opportunity, the approach to partnering, the state of REDD+ readiness and the extent of local operational challenges. For example, if the government chooses to increase funding through multilateral organisations, then maintaining a strong proactive role with these organisations requires a different level of human resource to a more passive stance.

Recognising current resource constraints in government, funding departments should explore ways to limit the additional resource requirement, by innovative use of existing resources and by partnering. Programme staff and existing in-country networks (e.g. supporting forest governance) could be used to support the delivery of REDD+ funding, as Australia has done. There may also be a role for the ICF in coordinating the delivery of bilateral programmes across its areas of focus (mitigation, adaptation and REDD+).

Additionally, partnerships could be established with other donors, national institutions, local organisations, multilateral organisations and the private sector to support programme delivery in partner nations (e.g. nationwide forest conservation programmes are currently being managed by the National Forestry Commission in Mexico). Also, technical support could be outsourced. Early next steps for the Government will be to assess existing capabilities and deployment, to review resource requirements as plans and programmes are developed, and to identify any gaps and weaknesses.

Appendices

1. Long list of 54 countries
2. Summary of preliminary country assessment
3. Multilateral funds & programmes assessments
4. REDD+ donors
5. FLEGT & FGMC assessments
6. REDD+ relevant philanthropic foundation assessments
7. Regional development bank assessments
8. Terms of Reference

Appendix 1: Long list of 54 countries for preliminary country assessment

Argentina
Bangladesh
Bolivia
Brazil
Burkina Faso
Burundi
Cambodia
Cameroon
Central Africa Republic
Chad
Chile
Colombia
Costa Rica
Dem. Rep. of Congo
Ecuador
El Salvador
Equatorial Guinea
Ethiopia
Gabon
Ghana
Guatemala
Guyana
Honduras
India
Indonesia
Kenya
Lao PDR
Liberia
Madagascar
Malawi
Malaysia
Mexico
Mozambique
Nepal
Nicaragua
Nigeria
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Rep. of Congo
Rwanda
Sao-Tomé & Principe
Solomon Islands
Sri Lanka
Sudan
Suriname
Tanzania
Thailand
Uganda
Vanuatu
Vietnam
Zambia

Appendix 2: Summary of preliminary country assessment

Table 9: Summary of preliminary country assessment for all countries in the top 15 for carbon abatement, poverty alleviation or biodiversity conservation potential

	Potential			**Prospects**			
	Top 15 carbon abatement (Top 10 dark blue, next 5 light blue)	**Top 15 poverty alleviation** (Top 10 dark red, next 5 light red)	**Top 15 bio-diversity** (Top 10 dark orange, next 5 light orange)	**Overall 'Prospects score'**	**World Bank Governance Indicators: Average ranking** (Lower score indicates lower governance)[98]	**Private sector potential** (World Economic Forum Competitiveness report 08/09)[99]	**Other REDD+ donors active in country** (note this includes a range of funding from $0.1 million to $1 billion)
Argentina				**3.5**	38	3.87	
Bolivia				**3.5**	25	3.42	Finland, Germany. Sweden
Bangladesh				**2**	21	3.51	USA
Brazil				**4.5**	56	4.13	Germany, Japan, Norway, USA
Burkina Faso				**2.3**	41	3.36	Japan, Sweden
Cameroon				**3.5**	22	3.48	Canada (via COMIFAC), Germany, Norway, UK
Colombia				**2.5**	42	4.05	USA
Dem. Rep. of Congo				**4.3**	4	Not available	Canada (via COMIFAC), Germany, Norway, Sweden, UK, USA
Ethiopia				**3.3**	21	3.41	Germany, Japan

98 World Bank Indicators. Available online: http://data.worldbank.org/indicator

99 WEF Competitiveness scores are determined by 12 pillars: i) Institutions ii) Infrastructure iii) Macroeconomic stability iv) Health and primary education v) Higher education and training vi) Goods market efficiency vii) Labour market efficiency viii) Final market sophistication ix) Technological readiness x) Market size xi) Business sophistication xii) Innovation

Ecuador				**2.8**	19	3.58	Germany, USA
India				**3.5**	46	4.23	Germany, Japan, USA
Indonesia				**4.5**	37	4.25	Australia, Finland, Germany, Japan, Norway, UK, USA
Madagascar				**2.3**	33	3.38	Switzerland
Malawi				**2.3**	40	3.42	Japan, USA
Malaysia				**2.3**	57	5.04	
Mexico				**4**	47	4.23	Canada, Germany, USA, Norway
Mozambique				**3**	45	3.15	Finland, Norway, USA
Nepal				**4.5**	20	3.37	Finland, Japan, Switzerland, USA
Nigeria				**2.3**	15	3.81	
Panama				**3.5**	57	4.24	Finland, USA
Papua New Guinea				**2.8**	26	Not available	Australia, Germany
Peru				**3**	42	3.95	Germany, Switzerland, USA
Rep. of Congo				**3.5**	14	Not available	Canada (via COMIFAC), Germany, Norway, UK
Tanzania				**3.8**	41	3.49	Finland, Germany, Norway, USA
Thailand				**2.3**	45	4.6	Japan
Uganda				**3**	32	3.35	USA
Vietnam				**3.5**	36	4.1	Finland, Japan, USA
Zambia				**3.5**	41	3.49	Germany, USA

Appendix 3: Multilateral funds & programmes assessments

Assessment summaries for:

- Congo Basin Forest Fund (CBFF)
- Forest Carbon Partnership Facility (FCPF) – Readiness and Carbon Fund
- Forest Investment Programme (FIP)
- Global Environment Facility (GEF)
- UN-REDD Programme
- Amazon Fund

Assessment summary of the Congo Basin Forest Fund (CBFF)

<table>
<tr><td>Fund/programme background</td><td colspan="2">The CBFF was created in June 2008 with the aim to take early action in the protection of the Congo Basin forest by supporting local people, communities and institutions of the area in their efforts to sustainably manage forests and to find livelihoods that are consistent with the conservation of forests as well as to reduce deforestation. The fund aims to encourage governments, civil society organizations and the private sector to work together.</td></tr>
<tr><td>Target countries</td><td colspan="2">DRC, Congo, Cameroon, CAR, Chad, Equatorial Guinea, Gabon, Rwanda, Burundi, Sao-Tome</td></tr>
<tr><td>Donor countries</td><td colspan="2">UK, Norway</td></tr>
<tr><td>Funds committed</td><td colspan="2">Overall GBP 100 million have been provided by the United Kingdom and Norway (GBP 50 million by each)</td></tr>
<tr><td>Funds disbursed</td><td colspan="2">• First call for proposals (2008): 15 projects approved for a total cost of about GBP 10.5 million of this GBP 7.1 million have been disbursed.
• Second call for proposals (2009): projects still to be approved for financing but needs estimated from concept notes to be at around GBP 47.5 million for civil society projects and GBP 45.8 million for government projects.</td></tr>
<tr><td>Key objectives of the fund/programme</td><td colspan="2">The goal of the CBFF is to alleviate poverty and address climate change by building capacity at the national, institutional and community level of the forest countries of the Congo Basin to develop sustainable forest management practices, find livelihoods that are consistent with the protection of forests and reduce the rate of deforestation in the area. The programme provides grants for activities that:
• Slow and eventually reverse the rate of deforestation in the Congo Basin.
• Provide support mechanisms which conserve the forests.
• Maintain benefits to local communities and
• Mobilise additional financial resources to support required actions.</td></tr>
<tr><td>Overall best practice</td><td colspan="2">• Separate governing council and secretariat hosted in the AfDB.
• Clearly defined environmental and social goals.
• Focus on collaboration between countries, institutions, civil society organizations and other stakeholders in the area.
• Capacity building on the local and institutional level.</td></tr>
<tr><td rowspan="2">Potential for expansion</td><td>Funding expansion</td><td>• Thus far only two donor countries, Norway and the UK, have contributed to the fund.</td></tr>
<tr><td>Geographic expansion</td><td>• At the moment the fund supports 10 Congo Basin forest countries and with this covers the area of the Congo Basin rainforest.</td></tr>
<tr><td colspan="3">Information sources:
• Congo Basin Forest Fund official website, See: http://www.cbf-fund.org/cn/why/index.php
• African Development Bank, Framework Document for the Establishment of the Congo Basin Forest Fund (CBF), June 2008, Available at: http://www.cbf-fund.org/site_assets/downloads/pdf/framework2008.pdf
• Climate funds Update, CBFF, See: http://www.climatefundsupdate.org/listing/congo-basin-forest-fund</td></tr>
</table>

Assessment summary of the Forest Carbon Partnership Facility (FCPF)

Fund/programme background	The FCPF consists of two funds, the Readiness Fund is to support countries' REDD readiness (as of today the FCPF has focused mainly on these activities) and the Carbon Fund is to provide payments for verified emission reductions from REDD+ programs (the Carbon Fund will only support countries that have already achieved REDD readiness). The FCPF became operational in June 2008 and consists of a Readiness Mechanism and a Carbon Finance Mechanism. Efforts to date have focused on building 'Readiness' through the Readiness Mechanism to build capacity to participate in REDD+ systems. Countries seeking to access FCPF funds are required to develop a Readiness Plan Idea Note (R-PIN), outlining the process of adopting a REDD+ strategy. If this is accepted by the Participants Committee they are invited to develop a 'Readiness Preparation Proposal' (R-PP) financed by a $200,000 grant.
Target countries	Participant countries: 37 REDD+ countries: Argentina, Bolivia, Cambodia, Cameroon, Central African Republic, Chile, Colombia, Congo DRC, Republic of Congo, Costa Rica, El Salvador, Equatorial Guinea, Ethiopia, Gabon, Ghana, Guatemala, Guyana, Honduras, Indonesia, Kenya, Laos PDR, Liberia, Madagascar, Mexico, Mozambique, Nepal, Nicaragua, Panama, Papua New Guinea, Paraguay, Peru, Suriname, Tanzania, Thailand, Uganda, Vanuatu, Vietnam.
Donor countries	AFD, Australia, Denmark, Finland, Germany, Japan, Netherlands, Norway, Spain, Switzerland, United Kingdom, United States.
Funds committed to the Readiness Fund	• AFD: pledged: $5.2 million, contributed: $5.2 million • Australia: pledged: $18 million , contributed: $17.6 million • Denmark: pledged: $5.8 million , contributed: $5.8 million • Finland: pledged: $9 million , contributed: $9 million • Germany: pledged: $24.5 million , contributed: $0 million • Japan: pledged: $14 million , contributed: $10 million • Netherlands: pledged: $20.3 million , contributed: $20.3 million • Norway: pledged: $30.2 million , contributed: $30.2 million • Spain: pledged: $7 million , contributed: $7 million • Switzerland: pledged: $8.5 millions, contributed: $8.2 million • UK: pledged: $5.2 million , contributed: $5.2 million • US: pledged: $5 million , contributed: $5 million • Total amount pledged: $152.67 million , and contributed: $123.5 million
Funds committed to the Carbon Fund	• EC: pledged: $6.7 million , contributed: $6.3 million • German : pledged: $24.9 million , contributed: $12.7 million • Norway: pledged: $10 million , contributed: $10 million • The Nature conservancy: pledged: $5 million , contributed: $5 million • UK: pledged: $17 million , contributed: $17 million • US: pledged: $5 million , contributed: $0 million • Total amount pledged: $68.6 million , and contributed: $51 million
Funds disbursed	As of today, overall $10.34 million has been disbursed by the FCPF: • FCPF Secretariat: $2.3 million • Country Implementation Support: $2.07 million • Country Advisory Services: $1.59 million • Methodology Support (including Indigenous Peoples capacity building): $2.09 million for REDD+ • Readiness Fund Administration: $0.86 million • Formulation Grants to countries which have signed grant agreements: $1.42 million ($1.2 million is still to be disbursed) • In addition readiness agreements of $3.4 million have been signed with the DRC and Nepal
Key objectives of the fund/ programme	The main objectives of the FCPF are: • Support tropical forest countries in developing policies and systems for REDD+ and to provide them with performance based payments for emission reductions. • Inform the UNFCCC negotiations on how REDD+ can be applied at the country levels and provide lessons learned from FCPF experiences that would contribute to a successful post-2012 REDD+ mechanism.

Overall best practice	• Inclusiveness and broad participation. The FCPF provides a very successful and effective learning platform for REDD+ countries. • Strong focus on readiness (with a separate fund) to help countries' transition to the next phase of performance based payments. Strong involvement of national government and related capacity building.	
Potential for expansion	**Funding expansion**	• As of today there are 37 participating countries in the FCPF, more than initially planned. 10 of the participant countries do not have forest programs with the World Bank, which makes engagement difficult.
	Geographic expansion	• Geographic expansion not confirmed.

Information sources:

- WRI, Working Paper, Ready or Not? A Review of the World Bank Forest Carbon Partnership R-Plans and the UN REDD Joint Programme Documents*, July 2009 Available at: http://pdf.wri.org/working_papers/ready_world_bank_redd.pdf
- Climate Funds Update, FCPF, See: http://www.climatefundsupdate.org/listing/forest-carbon-partnership-facility
- Peskett L, ODI, Review and synthesis of the latest evidence and planned work on REDD+
- Carbon Fund Issues Note: http://www.forestcarbonpartnership.org/fcp/sites/forestcarbonpartnership.org/files/Documents/PDF/Dec2010/FCPF_Carbon_Fund_Issues_Note_12-22-10.pdf
  2010 Annual Report: http://www.forestcarbonpartnership..org/fcp/sites/forestcarbonpartnership.org/files/Documents/PDF/Nov2010/2010FCPF-annual%2007.pdf

Assessment summary for the Forest Investment Programme (FIP)

Fund/programme background	The Forest Investment Programme (FIP) is a targeted programme of the Strategic Climate Fund (SCF), which is one of two funds within the framework of the Climate Investment Funds (CIF). The Strategic Climate Fund (SCF) was established to provide financing to pilot new development approaches or to scale-up activities aimed at a specific climate change challenge or sectoral response through targeted programs. An important objective of the SCF is to maximize co-benefits of sustainable development, particularly in relation to the conservation of biodiversity, natural resources, ecosystem services and ecological processes. FIP was established to catalyze policies and measures and mobilize significantly increased funds to facilitate REDD and promote improved sustainable management of forests, leading to emissions reductions and the protection of forest carbon stocks. The FIP would not in itself provide the incentives presently necessary to significantly reduce forest related GHG emissions, but would enable pilot countries to leverage such incentives if established under a UNFCCC forest mechanism Activities financed by the FIP should be integrated into country-owned development strategies, consistent with the Paris Declaration and bearing in mind the Monterrey Consensus of the International Conference on Financing for Development. Current FIP pilot countries are: Brazil, Burkina Faso, Democratic Republic of Congo, Ghana, Indonesia, Laos, Mexico and Peru Programming is being undertaken in two steps: (1) preparation of an investment plan (strategy), (ii) planning of concrete investment project Investment plans are currently on their way in seven out of the 8 pilot countries (except Brazil) and are advanced in Burkina Faso, DRC and Mexico.
Funds received	• Pledged contributions: $559.10 million. No clear information on how much the FIP currently holds. • SCF fund estimates vary between $1 and 1.9 billion

Funds disbursed	• Climate Funds Update (Accessed 28th April 2011) states that the FIP has disbursed $3 million to date.
	• FIP, as part of their disbursement policy has decided to create a Reserve of $150 million aside from the current level of pledges
	• The same disbursement framework mentions that four levels of funding ranges should be established:
	  – Brazil and Indonesia: $50 – 70 million
	  – DRC and Mexico: $40 – 60 million
	  – Ghana and Peru: $30- 50 million
	  – Burkina Faso and Lao: $20 – 30 million
	• FIP has a dedicated grant mechanism (Par. 38 FIP Design Document) targeted at local communities and Indigenous Peoples: in phase of regional consultations
	• The allocation of the reserve is to be decided by the FIP Sub-Committee after all investment strategies have been endorsed and agreement reached on the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities

Key objectives of the fund/ programme	The FIP supports developing countries' REDD-efforts, providing up-front bridge financing for readiness reforms and public and private investments identified through national REDD readiness strategy building efforts, while taking into account opportunities to help them adapt to the impacts of climate change on forests and to contribute to multiple benefits such as biodiversity conservation, protection of the rights of indigenous peoples and local communities, poverty reduction and rural livelihoods enhancements. The FIP is designed to achieve four specific objectives: • To initiate and facilitate steps towards transformational change in developing countries forest related policies and practices • To pilot replicable models to generate understanding and learning about the implementation of forest-related investments, policies and MRV of REDD+ • To attract other financial resources for REDD+ • To provide valuable experience and feedback in the context of the UNFCCC deliberations on REDD. The FIP will finance efforts to address the underlying causes of deforestation and forest degradation and to overcome barriers that have hindered past efforts to do so. In principle, FIP doesn't finance REDD+ readiness, but in fact there is overlapping on what is considered readiness and what implementation. For example, FIP finances capacity

	building and MRV. The regional "consultations" to indigenous peoples had identified more than 20 objective including: • Grant mechanism should enhance the capacity of indigenous peoples and local communities to sustainably manage forest resources in a manner that both improves livelihoods and takes account of climate change • recognize lands and territories, their knowledge and their institutional and organizational structure
Overall best practice	• The development of the investment strategy is a participatory and iterative process based on government priorities, climate change policies, and taking into account the needs of national and local stakeholders. This strategy is under construction at the moment. • The investment strategy is done jointly between the MDBs (WB, IFC and the relevant regional bank), the country government and the approved by the FIP Subcommittee. • The programme development is then delegated to one of the MDB depending on their skills and presence in the country. • The Climate Investment Fund (CIF) statutes, operational guidelines and financial management define the information that is shared and made available with donors and observers. • Most information is available on the CIF website and there is an annual report to donors.

Information sources:

- Stakeholder interview
- Climate Funds Update (http://www.climatefundsupdate.org/listing/forest-investment-program)
- Climate Investment Funds, 2009, Design Document For The Forest Investment Programme, A Targeted Programme Under The Scf Trust Fund (http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP_Final_Design_Document_July_7_1.pdf)
- Summary of the Co-Chairs, Forest Investment Programme Sub-Committee Meeting, November 9, 2010 (http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Summary%20of%20Co-Chairs%20FIP%20SC%20November%202010%20FINAL.pdf)
- Conferencia Regional Latinoamericana Sobre Pueblos Indigenas Y Comunidades Locales, Declaracion De Pachacamak Sobre Politicas Y Estrategias De Los Pueblos Indigenas Y Comunidades Locales De Latino America Ante El Fondo De Inversion Forestal, Peru 2011
- Forest Investment Programme, Asia Regional Meeting Of Indigenous Peoples And Local Communities Design Recommendations For The Dedicated Grant Mechanism. Laos 2011.
- Accra Declaration from the African Regional Conference on the Forest Investment Programme Dedicated Grant Mechanism for Indigenous Peoples and Local Communities, Accra 2011.
- FIP, power point presentation made at the Latin American Conference of Indigenous Peoples and Local Communities, Peru 2011.

Assessment summary for the Global Environment Facility (GEF)

Fund/programme background	The Global Environment Facility (GEF) is an independent and international financial mechanism that promotes cooperation and fosters actions to protect the global environment. Established in 1991, it unites 180 member governments and partners with international institutions, nongovernmental organizations, and the private sector to assist developing countries with environmental projects related to six areas: • Biodiversity • Climate change • International waters • The ozone layer • Land degradation and • Persistent organic pollutants GEF receives funding from multiple donor countries and provides grants and concessional loans to cover the additional or "incremental" costs associated with transforming a project with national benefits into one with global environmental benefits. In this way, GEF funding is structured to "supplement" base project funding and provide for the environmental components in national development agendas. In 2007, the GEF launched the Tropical Forest Account, a pilot incentive scheme promoting country investments in multiple focal area projects that yield benefits in REDD+. The $40 million initiative focused on the three regions of large and mainly intact tropical forests (Amazonia, the Congo Basin, and Papua New Guinea/Borneo) and gave rise to other projects and programs, such as the GEF Strategic Programme for Sustainable Forest Management in the Congo Basin ($50 million GEF funding, leveraging $160 million from other sources). The following are examples of REDD+ projects funded by GEF. In 2008, the GEF has approved a $13 million regional project aiming to enhance institutional capacities on REDD+ issues in the Congo Basin. This initiative has leveraged $13 million and will be implemented by the World Bank in close cooperation with the Central African Forest Commission (COMIFAC). A $9 million GEF/FAO project, which leveraged $43 million, will help the Brazilian Forest Service to further strengthen its national policy and knowledge framework in support of SFM and REDD+. More recently, the GEF has approved a $3 million project aiming to establish a market mechanism for promoting and facilitating voluntary GHG emissions mitigation and offsetting in Colombia. This GEF/IADB initiative contains, as a central element, national capacity building for REDD+ and the generation of Verified Emission Reductions (VERs) from REDD+ pilot projects.
Funds committed	During its fifth replenishment cycle (2010 – 2014), for the first time a separate funding envelope of $250 million for SFM/REDD+ has become available for countries willing to invest portions of their allocations from biodiversity, climate change and land degradation toward SFM or REDD+ projects. This envelope operates as an incentive mechanism for developing countries to invest parts of their allocations from biodiversity, climate change and land degradation for SFM or REDD+ projects and programs. Altogether, the GEF will make up to $1 billion for SFM/REDD+ funding available throughout the course of GEF-5. This investment is expected to leverage substantial additional funding from external sources.
Funds disbursed	Information on disbursed funds for REDD+ is not yet available
Key objectives of the fund/programme	The GEF focuses its activities particularly on the implementation phase of REDD+ by supporting the following activities: • Developing national systems to measure and monitor carbon stocks and fluxes from forests and peatlands. • Strengthening forest-related policies and institutions. • Developing policy frameworks to slow the drivers of carbon emissions from deforestation and forest degradation. • Establishing innovative financing mechanisms and piloting projects to reduce emissions from deforestation and forest degradation. • In addition, the GEF is strongly supporting work with local communities to develop alternative livelihood methods to reduce emissions and sequester carbon. Under special circumstances, the GEF may also finance REDD+ Readiness activities.

Overall best practice	• GEF provides a ready-made financing platform by incorporating components and financial contributions from multiple focal areas, in particular land degradation, biodiversity, and climate change. • By pooling investments from different focal areas, the GEF is able to create multiple environmental and social benefits from REDD+. • The catalytic use of GEF resources creates additional financing for REDD+. Historically, every dollar of GEF investment has leveraged three dollars from other funding sources. • In the current funding cycle (GEF-5), the GEF will provide incentives for countries to combine portions of their country allocations from different focal areas to generate multiple environmental and social benefits deriving from SFM/REDD+ and LULUCF projects. • The GEF is governed by a council consisting of representatives from developed and developing countries and operates an open door policy to allow civil society and NGO's to participate. • All multilateral organizations involved in the implementation of projects under the UN-REDD Programme (FAO, UNDP, UNEP), the FCPF (World Bank) and the Forest Investment Programme (World Bank, AfDB, AsDB, EBRD, IADB) are also GEF Agencies. This allows for a strong linkage of GEF REDD+ funding with the international REDD+ agenda.	
Potential for expansion	**Funding expansion**	• GEF have indicated that there is a great deal of scope for fund expansion and would welcome more funds. There are no publically announced plans for REDD+ funding expansion beyond the fifth replenishment cycle.
	Geographic expansion	• GEF projects operate in all REDD+ relevant partner nations

Information sources:

- GEF Sustainable Forest Management & REDD+ Investment Programme, GEF, 2009
- www.gef.org
- Global Environment Facility (GEF): An Overview, Richard K. Lattanzio, Analyst in Environmental Policy, May 17, 2010
- Stakeholder interview

Assessment summary for the Amazon Fund

Fund/programme background	In December 2008, Brazilian President Luiz Inácio Lula da Silva announced Brazil's commitment to reduce Amazon deforestation 80% below its historic baseline over the next ten years. To support this goal, Brazil created the Amazon Fund, supported by an initial pledge of US$1 billion from the government of Norway. The Amazon Fund sought to invest these funds not only in law enforcement and the protection of forest reserves but in the low carbon development of the Amazon region, and to use them to demonstrate effectiveness and attract additional funding (Zadek S, Forstater M and Polacow F, 2010). The Amazon Fund is managed by the BNDES, the Brazilian Development Bank. The Amazon Fund has a Guidance Committee – COFA, assigned with the responsibility of posting guidelines and monitoring the results obtained; and a Technical Committee – CTFA, appointed by the Ministry of Environment. One of the tasks of the Technical Committee will be to verify the calculations made by the Ministry of Environment concerning the effective reductions of carbon emissions from deforestation, appraising the methodologies for calculating the deforested areas and the amount of carbon per hectare used in the respective calculation of emissions. The Technical Committee consists of six technical and scientific experts appointed by the Ministry of Environment, for a term of three years, extendable once for an equal period (Amazon Fund, website).
Target countries	Brazil, and up to 20% of funds to control and monitoring projects in other Brazilian biomes and in other countries with tropical forests.
Donor countries	Norway, Germany
Funds committed	$1 billion by the Norwegian government through the period of 2009-2015 $17 million from German government for reduction in emissions from deforestation 2008/09 $12.8 million from German government for reduction in emissions from deforestation 2009/10
Funds approved	$50.93 million deposited and $7.10 million disbursed to the project level as of April 2011.
Key objectives of the fund/ programme	The Amazon Fund will support activities in the following areas: • Management of public forests and protected areas • Environmental control, monitoring and inspection • Sustainable forest management • Economic activities created with sustainable use of forests • Ecological and economic zoning, territorial arrangement and agricultural regulation • Preservation and sustainable use of biodiversity • Recovery of deforested areas. Besides this, the Amazon Fund may support the development of systems to monitor and control deforestation in other Brazilian biomes and in biomes of other tropical countries.
Overall best practice	• The Amazon Fund uses the national development bank (BNDES) to disburse funds. The Fundhas a multi-stakeholder committee involving federal and state officials and civil society representatives. Whilst Norway is the predominant funder, there are relatively 'few-strings attached' to their donations and there has been trust placed in the management of the fund by BNDES. • Amazonian states only receive voting rights in the Guidance Committee – COFA once they have developed their own plans on deforestation. • Performance based funding: International funds secured on the basis of emission reductions demonstrably achieved. • Competency-based investing: Project investing is undertaken through a mandate to the Economic and Social National Development Bank (BNDES), enabling diverse stakeholders to co-design the criteria whilst avoiding their interference in investment decisions. • Cost-effective value chain: Low-cost, rapid decision making is supported by short chains of command and a simple reporting arrangement. • Restricted multi-stakeholder governance: A multi-stakeholder committee guides the Fund, with the government having sufficient rights to intervene to give it the confidence to confer considerable autonomy in practice on the Amazon Fund. • Autonomous, policy coherent investing: Project investment decisions are made autonomously from the international community, following credible guidelines, coherent with government policy and agreed by a multi-stakeholder advisory group

	and with high levels of transparency as to decisions made and finances allocated. • By keeping the fund outside of the government's budget, decisions on how to use the money could be made quicker.	
Potential for expansion	**Funding expansion**	• From 2009 fund has grown with $446 million approved for transfer and $1 billion pledged. Fund expects to meet Norway's $1 billion target by 2015.
	Geographic expansion	• The Amazon Fund has scope for expansion into non-Brazilian Amazon states~~.~~ BNDES intends to expand to other countries in up to two years time
Information sources: Amazon Fund Website (www.amazon.gov.br); Climate Funds Update (http://www.climatefundsupdate.org/listing/amazon-fund); The Amazon Fund: Radical Simplicity and Bold Ambition (Zadek S, Forstater M and Polacow F, 2010) Avina Foundation; Radical Simplicity in Designing National Climate Institutions: Lessons from the Amazon Fund. AccountAbility (2009); Ramos, A, 'Recomendações ao Fundo Amazônia' from deolhonofundoamazonia.org (2010)		

Assessment summary for UN-REDD

Fund/programme background	The UN-REDD Programme was launched in September 2008 to assist developing countries prepare and implement national REDD+ strategies, and builds on the convening power and expertise of the Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP). **Support to Countries** The Programme currently has 29 partner countries spanning Africa, Asia-Pacific and Latin America, of which 13 are receiving support to National Programme activities. These 13 countries are: Bolivia, Cambodia, Democratic Republic of the Congo (DRC), Ecuador, Indonesia, Panama, Papua New Guinea, Paraguay, the Philippines, Solomon Islands, Tanzania, Vietnam and Zambia. To-date, the UN-REDD Programme's Policy Board has approved a total of US$51.4 million for its nine initial pilot countries and three new countries (Cambodia, the Philippines and Solomon Islands). In March 2011 Ecuador was accepted as a pilot country. These funds help to support the development and implementation of national REDD+ strategies. National Programmes in seven UN-REDD Programme countries are now in their implementation phase (Bolivia, DRC, Indonesia, Panama, Tanzania, Vietnam and Zambia). UN-REDD Programme countries not receiving direct support to national programmes engage with the Programme in a number of ways, including as observers to the Programme's Policy Board, and through participation in regional workshops and knowledge sharing, facilitated by the Programme's interactive online workspace. These countries are: Argentina, Bangladesh, Bhutan, Central African Republic, Colombia, Costa Rica, Gabon, Guatemala, Guyana, Kenya, Mexico, Nepal, Nigeria, Republic of Congo, Sri Lanka and Sudan. A number of additional requests from countries to join the Programme are pending.	
Funds received	• Approximately $97 million received. This includes funding from Norway ($84 million), Denmark ($8 million) and Spain ($1.5 million). • A total of $172 million pledged up until 2012 including recent pledges from the EU and Norway	
Funds disbursed	• $59 million transferred to UN organisations of which $19.9 million has been recorded as expenditure.	
Key objectives of the fund/ programme	• Assisting developing countries prepare and implement national REDD+ strategies and mechanisms. • Supporting the development of standardized approaches based on sound science for a REDD+ instrument linked with the UNFCCC. The programme is intended to help empower countries to manage their REDD+ processes and facilitate access to financial and technical assistance tailored to the specific needs of member countries.	
Overall best practice	• Potential to act as a fund administrator for bilateral REDD+ funding where donors have limited operational capacity in targeted partner country. • Focuses on developing sufficient readiness capacity for host countries to engage with bilateral funding opportunities. • UN-REDD board awards full membership to representatives of indigenous groups and civil society organisations. • UN-REDD stakeholders consider the Programme to achieve relatively quick disbursement of funds in comparison with other multilateral agencies such as the FCPF. To improve funding flexibility, a tier 2 funding type allows donors to transfer funds directly to UN agencies without having to go through the Multi Donor Trust Fund (e.g. Norway contribution of $15 million to UNDP and FAO for Mexican MRV capacity building programme). • UN-REDD have worked on broader connections with governance and livelihoods, institutional strengthening and stakeholder engagement • They have also worked on the operationalisation of Free, Prior and Informed Consent • Close coordination with FCPF, having agreed to a common approach for initial readiness and developed joint guidance for stakeholder development. Board meetings are held back-to-back with FCPF Participants Committee. Some countries, such as DRC, have integrated their UN-REDD and FCPF support.	
Potential for expansion	**Funding expansion**	• Programme plans to expand to $350-400 million between 2010-2015 • Country programmes can expect to receive approximately $4-6 million per country by 2015

		• Discussions have commenced to provide larger scale Phase 2 funding to certain countries (i.e. Vietnam) • Remainder of funds will be allocated for support to national action • Tier 2 funding windows provide enhanced flexibility for donor country contributions.
	Geographic expansion	• According to the 2010-1015 UN-REDD strategy document, the programme plans to expand to support 40 countries, with the level and type of support dependent upon demand, national circumstances and the level of support available from other sources.

Information sources:

UN-REDD, 2010, *Beyond carbon: ecosystem based benefits of REDD+;* UN-REDD, 2010, *UN-REDD programme strategy 2010-2015* ; Multi-Donor Trust Fund Factsheet - http://mdtf.undp.org/ (accessed 31/01/11) ; UN-REDD website http://www.un-redd.org/Home/tabid/565/Default.aspx (accessed between 31/01/11 - 10/02/11); World Resources Institute, *Getting Ready for REDD*, (2010).

Interim progress report on activities implemented under the UN-REDD programme fund: report of the administrative agent of the UN-REDD programme fund for the period through 31 December 2010 - UN-REDD Programme 6th Policy Board meeting - 21 - 23 March 2011.

This has been supplemented with the figures below: the reference for this is Announcement: Japan and the European Commission join Norway in collectively pledging US$57 million in new funding for the UN-REDD Programme. 23 March, 2011, DA LAT, Vietnam.

Stakeholder Interviews.

Appendix 4: REDD+ donors

Assessment summaries for:

- Australia
- Canada
- Denmark
- Finland
- France
- Germany
- Japan
- Norway
  - Guyana Partnership
  - Indonesia Partnership
  - Mexico Partnership
  - Tanzania Partnership
- Spain
- Sweden
- Switzerland
- United States of America

Assessment summary for Australia

Donor country	Australia
Fund/programme background	Australia's International Forest Carbon Initiative (IFCI)—(jointly implemented by AusAID and Department of Climate Change and Energy Efficiency (DCCEE)) aims to demonstrate that REDD+ in developing countries can be part of an effective international response to climate change. Through the Initiative, the Australian government is working to help build capacity and provide momentum to support inclusion of REDD+ in a post-2012 global climate change agreement. A central element of the Initiative is taking practical action on REDD+ through collaborative Forest Carbon Partnerships with Indonesia and Papua New Guinea. These Partnerships demonstrate how the technical and policy hurdles to REDD+ might be addressed and provide lessons to support international efforts under the UNFCCC to design a REDD+ financial mechanism. • Through the International Forest Carbon Initiative, Australia is undertaking practical demonstration activities to show how REDD+ can be included in a post-2012 global climate change agreement. This includes: • Trialing a range of approaches, particularly in Indonesia, to demonstrate how investment in REDD+ can achieve emission reductions, while promoting livelihood options for forest-dependent indigenous and local communities; and • Assisting these countries to develop the underpinnings for regulatory, governance and law enforcement frameworks for REDD and to conserve and manage their forests sustainably. Australia is working to increase international forest carbon monitoring and accounting capacity under the Initiative. By demonstrating that forests can be monitored effectively through satellite data and on-ground forest measurements, Australia will help to demonstrate that there can be robustness in measuring emission reductions from REDD+. This includes: • Directly assisting developing country partners, particularly Indonesia and Papua New Guinea to develop their own national forest carbon measurement systems; and • Partnering with the Clinton Climate Initiative to assist developing countries, particularly east African countries and Cambodia to develop effective and efficient forest carbon measurement systems. • Working multilaterally through the intergovernmental Group on Earth Observations (GEO) to improve access to remote sensing data in support of global forest monitoring. Through GEO, Australia has approached the UK to discuss collaboration on forest monitoring. Engagement to date has been directed through Jim Penman, Department of Energy and Climate Change, and has also included discussions with officials from DFID and the UK Space Agency. Australia is also supporting international efforts to develop market-based approaches to REDD+. Australia is playing a key role in international climate change forums and in working with other countries to promote the development of market-based approaches to REDD+ This includes: • Taking a lead role in the negotiations under the UNFCCC on how incentives for REDD+ can be included in a post-2012 legally-binding climate change agreement; • Working in the REDD+ Partnership to progress key REDD+ issues; and • Supporting the World Bank in the further development and implementation of its Forest Carbon Partnership Facility and Forest Investment Programme.
Target countries	Australia's primary focus is Indonesia and Papua New Guinea
Funds committed	Total funding allocated for the initiative over 6 years (2007-08 to 2012-13) is \$AUD 273 million—including \$AUD56 million in new funding in the 2010–11 International Development Assistance Budget. The Initiative is jointly administered by AusAID and the Department of Climate Change and Energy Efficiency (DCCEE) in consultation with agencies including Department of Foreign Affairs and Trade (DFAT) and the Department of Agriculture,

	Fisheries and Forestry (DAFF). Commitments have been made to the following programmes: **1) Indonesia-Australia Forest Carbon Partnership:** The $AUD100 million partnership incorporates the Kalimantan Forests and Climate Partnership, the Sumatra Forest Carbon Partnership and a bilateral package of support for Indonesia on forests and climate. The Partnership is operating in three key areas: strategic policy dialogue on climate change; supporting the development of Indonesia's National Carbon Accounting System; and implementing incentive-based REDD+ demonstration activities. Key components include: **a) Kalimantan Forests and Climate Partnership:** Australia has committed over $AUD 47 million to the Kalimantan Forests and Climate Partnership, which is being implemented in a 120,000 hectare area of degraded and forested peatland in Central Kalimantan, Indonesia. Through the Partnership, Indonesia and Australia are supporting and informing international UNFCCC negotiations on REDD+ by demonstrating how REDD+ can work in practice. Early lessons learned from the KFCP are included in the joint Indonesia – Australia submission on REDD to the UNFCCC negotiations in Poznan in December 2008. **b) Sumatra Forest Carbon Partnership:** The $AUD30.86 million Sumatra Forest Carbon Partnership was jointly announced by Indonesia and Australia in March 2010 and is the second large scale REDD+ demonstration activity under the Indonesia-Australia Forest Carbon Partnership. The activity on the island of Sumatra. The precise nature of the Partnership, planned for Jambi Province, will be determined by the Indonesian government with the support of Australia **c) Support for Indonesia's National Carbon Accounting System and forests and climate policy:** Australia is providing $8.28 million to support the establishment of Indonesia's National Carbon Accounting System which has the objective of making Indonesia self-sufficient in forest carbon accounting and monitoring, reporting and verification by 2013. Australia is also providing AUD13 million for policy support including the multi-donor Indonesia Forest Climate Alliance, consultations on Indonesia's REDD+ regulations, a peatland assessment and a satellite-based fire monitoring system. Indonesia and Australia submitted a joint submission to the UNFCCC on MRV for REDD+ in August 2009. **2) Papua New Guinea-Australia Forest Carbon Partnership:** The Prime Ministers of Australia and Papua New Guinea established the Papua New Guinea- Australia Forest Carbon Partnership on 6 March 2008. Australia has committed up to $2.78 million in initial funding which includes technical, scientific and analytical support for whole of government policy development on REDD+. **3) Roadmap for Access to International Carbon Markets:** In June 2008, the Prime Minister of Australia and the President of Indonesia agreed to develop the Roadmap for Access to International Carbon Markets. The Roadmap is a multi-phased strategy that is assisting Indonesia develop the technical, and financial pre-requisites for participation in future international carbon markets for REDD+. The amount committed for this initiative is unknown. **4) Partnership with the Clinton Climate Initiative on carbon monitoring:** Australia's strategic partnership with the Clinton Climate Initiative is providing targeted support to countries including Guyana, Tanzania, Kenya and Cambodia in developing their national REDD+ systems. **5) World Bank's Forest Carbon Partnership Facility:** Australia has committed $17.6 million to the World Bank's Forest Carbon Partnership Facility Readiness Fund. The Readiness Fund provides support for the development of national REDD+ strategies, stakeholder consultation and the design of forest measurement, reporting and verification systems in 37 developing countries. This includes support for countries in Africa, Asia, the Pacific and Latin America. **6) World Bank's Forest Investment Programme:** Australia has also contributed $8.28 million to the World Bank's Forest Investment Programme (FIP). **7) REDD+ Partnership:** In May 2010, countries, including Australia, endorsed the Interim REDD+

	Partnership (the REDD+ Partnership), which provides a platform to scale up REDD+ actions and finance and to improve their effectiveness, efficiency, transparency and coordination. The first practical step of the Partnership together with France and PNG, was the presentation of the REDD+ financing and activities survey synthesis report in May 2010. The report was based on 33 survey responses from countries and organisations, including responses from all key donor countries and developing countries. Building on this survey process, countries agreed to establish a publically available, voluntary database of REDD+ finance, actions and results under the Partnership. **8) Asia Pacific Forestry Skills and Capacity Building Programme:** This Programme assists countries in the Asia-Pacific region to increase their capacity to manage forests sustainably in support of efforts to reduce emissions from deforestation and forest degradation. The first phase of the Programme provided funding of $2 million to support projects in Asia-Pacific countries, including Indonesia, Papua New Guinea, Vietnam and Fiji, in areas including reduced impact logging, forest certification, restoration of degraded forests and research. **9) Research partnership on REDD:** A research partnership of $2.86 million with the Centre for International Forestry Research (CIFOR) based in Indonesia will enhance global research on policy and technical issues associated with REDD+, and will collect and disseminate lessons learned to inform the design and implementation of REDD+ activities. **10) Development of concept models for demonstration activities:** Approximately $1.43 million has being deposited to support international non-government organisations to develop concept models for REDD+ demonstration activities. International non-government organisations have practical on the ground experience, particularly in providing alternative livelihoods to local communities, which can help build global expertise in implementing demonstration activities. The exchange rates used reflect the year when the pledges/deposits were made.
Funds disbursed	$AUD96.8million* million up to June 2010. Of this amount: • $AUD 37 million to 30 June 2010 has been disbursed to international organisations (e.g. World Bank, CIFOR and NGOs) to support research on policy and technical issues around REDD and to provide technical support for the implementation of REDD mechanisms. • $AUD 29.1 million to 30 June 2010 has been disbursed through bilateral financing to Indonesia and Papua New Guinea for practical REDD+ demonstration activities. * Exchange rate used: 2009 annual average for amount deposited in 2009 and 2010 annual average for amount deposited in 2010 (Oanda Currency Converter).
Key objectives of the fund/programme	The International Forest Carbon Initiative (IFCI) aims to show that REDD can be part of an equitable and effective post-2012 global climate change agreement. The IFCI aims to: **(i) Increase international forest carbon monitoring and accounting capacity.** By demonstrating that forests can be monitored effectively through advanced remote sensing, Australia aims to show that there can be certainty in measuring emission reductions from avoided deforestation activities. **(ii) Undertake practical demonstration activities to show how reducing emissions from deforestation can be included in a future international climate change framework.** This will include trialling a range of approaches, particularly in Indonesia and Papua New Guinea, to demonstrate how investment in avoided deforestation can achieve emission reductions while providing forest-dependent communities with livelihoods and promoting sustainable resource management. Assistance will also be provided with developing the necessary underpinnings for sustainable forest management, governance, law enforcement and regulatory frameworks in these countries. **(iii) Support international efforts to develop market-based approaches to address deforestation.** Australia will play a key role in international climate change forums by working with other countries to promote the development of market-based approaches to reducing emissions from deforestation and forest degradation. This will include taking a lead

	role in the negotiations under the UNFCCC and the Kyoto Protocol on how incentives to reduce emissions from deforestation and forest degradation can be built into a future international climate change agreement. Support will also be provided to the World Bank in the further development and implementation of its Forest Carbon Partnership Facility and related initiatives.
Overall best practice	• The Indonesia Australia Forest Carbon Partnership (IAFCP) emphasises Indonesian government approval for planned activities. This helps to build a sense of Indonesian national ownership over its REDD+ activities. • IAFCP sees its key role for building private sector confidence as supporting Indonesia to build a robust national carbon accounting model and MRV capacity. • IAFCP uses its standard performance management system which is used across all direct ODA projects. This framework has been peer-reviewed and includes measurement of co-benefits from projects. • There is a joint review process in place with the Indonesian government to identify lessons learnt • Lessons learned from the KFCP and work on monitoring, verification and reporting have been shared at the UNFCCC • For demonstration projects, extensive community consultation and involvement in the project is carried out • Australia is working with Indonesia to trial practical approaches to REDD+ on the ground and to assist Indonesia to design their national forest carbon measurement, reporting and verification systems. Working bilaterally, the two countries are able to develop innovative and nationally appropriate solutions to REDD+ implementation challenges in Indonesia, and to demonstrate how REDD+ can work in practice (*REDD+ financing and activities survey: compilation of responses, 2010*) • ICFI combines its valuable experience in assisting developing country partners to reduce poverty and develop sustainably, with the DCCEE expertise in climate change policy and technical measurement, reporting and verification systems. This has helped IFCI specialise in building up forest carbon MRV and accounting capacity in country (*REDD+ financing and activities survey: compilation of responses, 2010*)

Information sources:

- Climate Funds Update website; Australian Government www.ausaid.gov.au/keyaid/mitigation.cfm
- REDD+ financing and activities survey compilation of responses (www.regjeringen.no/upload/MD/sub/oslocfc2010/dokumenter/compilation_responses_part2_REDDpluss_survey_100528.pdf)
- WALHI position paper: Rejection REDD Plus Programme Australia-Indonesia in Jambi; National REDD+ Funding Frameworks and achieving REDD+ readiness - Findings from Consultation. CFA & PwC (2010)
- Stakeholder interviews

Assessment summary for Canada

Donor country	Canada
Fund/programme background	The Canadian REDD+ programme is currently under development. The programme has recently committed $40 million to the WB FCPF and have a number of small bilateral initiatives, regionally and nationally. For the next year the programme will focus on working through the FCPF, but Canada is exploring opportunities for expanding its bi-lateral and regional activities in the future. Canada's particular regional interest is in the America's and Francophone Africa. The intention is to build upon previous regional experience and utilise Canada's expertise in areas such as MRV. The scale and form of Canada's REDD+ programme is subject to the Government's budget allocation, on an annual basis. **Current activities:** • Canada joined the WB FCPF this year • Canada also currently serves as the Facilitator of the Congo Basin Forest Partnership (CBFP), an international coordination platform for the conservation and sustainable management of Congo Basin Forests. • Algeria, Congo Basin, Morocco, Tunisia (African Model Forest Initiative) - Canadian Forest Service, recently launched the African Model Forest Initiative to improve forest conservation and SFM in the Congo Basin and Mediterranean region. • Université Laval/CIDA Sustainable Resource Management Capacity Building Programme- In collaboration with Université Laval, Canada's International Development Agency (CIDA) is working to build institutional and technical capacity in three Central African countries in the fields of tropical eco-forestry and eco-agriculture. • A range of bilateral exercises to improve capacity in forest carbon accounting methodologies and other MRV activities • Canada also supports the work of the Global Observation of Forest Cover and Land Dynamics (GOFC-GOLD)
Target countries	• Canada-Mexico Partnership Environment and Forests Working Group - Through a range of bilateral capacity building exercises, Canada also supports developing country efforts to apply the Canadian forest carbon accounting model (CBM-CFS3) to fulfill UNFCCC reporting requirements and improve analysis of scenarios of reduced deforestation, two key elements of REDD+.
Funds committed	• $40 million to FCPF Readiness Fund • $21.4 million to Algeria, Congo Basin, Morocco, Tunisia (African Model Forest Initiative) • $6.18 million to Université Laval/CIDA Sustainable Resource Management Capacity Building Programme • $7.66 million to Congo Basin Forest Partnership/Central African Forest Commission (COMIFAC) support
Funds disbursed	• $40 million to the FCPF • Others unknown
Key objectives of the fund/programme	Canada's international forest initiatives aim to promote sustainable forest management (SFM) globally and provide leadership and stewardship in forest science through the creation and support of knowledge-based partnerships. Canada supports REDD+ as a complementary means of providing positive incentives to improve forest and other land management.
Overall best practice	• Through the African Model Forest Initiative Canada and partners generate, share, and apply knowledge on prominent forest issues. • As Facilitator to the Congo Basin Forest Partnership Canada is working with a broad range of stakeholders to provide institutional support in order to implement the Central African Forest Commission (COMIFAC) Convergence Plan. • The work with the Université Laval/CIDA Sustainable Resource Management Capacity Building Programme aims to strengthen academic capacity to provide technical programs and establish Centres of Excellence in resource management to ensure the long-term sustainable use of resources in the region. • Through bilateral capacity building exercises Canada aims to build on the success of past training workshops, and develop future efforts aim to improve national forest GHG inventories, build capacity to use forest carbon accounting methodologies, and expand the distribution of CBM-CFS3 model, which is available free of charge, to other countries.

	• Canada also supports the work of the Global Observation of Forest Cover and Land Dynamics (GOFC-GOLD) and its coordination of space-based and ground observations of land cover and forest change. Also through GOFC-GOLD, Canada participates in the forest carbon tracking task of the Group on Earth Observations (GEO). The task supports countries in Asia, Africa and Latin America to demonstrate national REDD readiness. • Under the Canada-Mexico Partnership, a bilateral cooperation mechanism launched in 2004, Canada participates in the Environment and Forests Working Group which addresses various issues-bioenergy, carbon accounting and fire protection, each of which has linkages to climate change and technology/knowledge transfer.

Information sources:

- REDD+ Partnership Database (http://reddplusatabase.org)
- Stakeholder interviews

Preliminary assessment for Denmark (DANIDA)

Donor country	**Denmark**
Fund/programme background	The Development Agency from Denmark (DANIDA) supports REDD activities under its Climate Change Fund established in 2008 although it does not have an independent fund for REDD. They also support REDD activities through bilateral programs investing in the forest sector with poverty reduction and sustainable development as primary objectives. A direct link between REDD and adaptation is not an explicit element of this approach. DANIDA's new strategy approved by parliament in May 2010 places the environment, energy and climate change figure among its main priorities. This includes forestry, and Danish development assistance will seek to consolidate mechanisms and strengthen capacities for REDD+, encourage re-forestation, and support efforts to protect and conserve biological diversity. Local participation in the decisions about revenues and benefits from proposed systems of compensation for avoiding deforestation and degradation is also emphasized with special efforts to safeguard and secure the rights of forest dwellers and users, including indigenous peoples. As far as the forestry sector is concerned, the main partners of bilateral development assistance where natural resource management programmes (including conservation of protected areas) have been carried out include: Bhutan, Bolivia, Burkina Faso, Cambodia, Kenya, Nepal, Nicaragua, Tanzania, Vietnam and Zambia. It is particularly worth mentioning the funding of REDD+ readiness planning in Bolivia (2009-10) and the forestry component of the joint Danida/DfID natural resource management programme in Cambodia (2006-10), as well as support for community forestry in Nepal (1998-2005) and for participatory forest management in Tanzania (since the 1990s). A major programme to support the joint management of protected areas in Thailand was completed in 2009 (with "special environmental assistance"). DANIDA sits on the Participants Committee of the FCPF, UN-REDD Policy Board, FIP Subcommittee.
Funds committed	• Denmark have pledged $16.5 million from 2010 – 2012 • They have previously allocated $27.5 million
Funds disbursed	The funds disbursed are: – Bolivia, REDD+ readiness planning = $1.5 million (2009-10) – Cambodia, forest management component = $2.5 million (2006-10) – Tanzania, participatory forest management = $10 million (five years) – Research, FLD performance contract = $1 million (2010) – IUCN pro-poor project = $5 million (2009-12) – Contribution to FCPF readiness fund = $6 million (grant in 2009) – Contribution to the UN-REDD programme = $7 million (grants in 2009 & 2010) – Contribution to the FIP (CIF) = $10 million (grants in 2009 & 2010) Danish development assistance in the context of REDD+ is generally allocated to multilateral development agencies and organizations involved in tropical forestry. These include: • Global Environment Facility (GEF) • International Fund for Agricultural Development (IFAD) • International Union for the Conservation of Nature (IUCN) • United Nations Environment Programme (UNEP) • UNFCCC • World Bank • Regional development banks (ADB, AfDB and IADB). In 2009 and 2010 grants have also been approved for the World Bank's Forest Carbon Partnership Facility (FCPF), for the United Nations REDD Programme (UN-REDD, with the FAO, UNDP and UNEP) and for the Forest Investment Programme (FIP) of the multilateral development bank's "Climate Investment Funds" (CIF). Danida also provides a grant to the World Agro-forestry Centre (ICRAF) within the framework of assistance to the institutions of the Consultative Group on International Agricultural Research (CGIAR). Current funds for REDD related projects are not conditional to verifiable carbon reduction emissions. They will have future discussions on the extent they will contribute to the REDD+ readiness so that countries are able to receive performance payments. However, there is recognition within DANIDA on the need to invest in the forestry sector as a whole.

Key objectives of the fund/programme	Environment, energy and climate change figure prominently amongst priorities in the new DANIDA strategy. Danish development assistance in the context of forestry and REDD+ will be provided to: • Consolidate mechanisms and strengthen capacities for reducing deforestation and degradation • Increase re-forestation • Support efforts to protect and conserve biological diversity • Ensure forest dwellers and users participate in the decisions about revenues and benefits Arising from proposed systems of compensation for avoiding deforestation and degradation • Safeguard and secure the rights of forest dwellers and users, including indigenous peoples
Overall best practice	• Significant and escalating funding • Strong emphases on measuring and monitoring performance with effort to consolidate MRV systems, as well as simplify indicators • Pragmatic approach to incorporating co-benefits (social, environmental, etc) into forestry projects
Information sources: • Stakeholder interview • Update on forest sector development cooperation – Denmark (Technical Advisory Service, MFA, September 2010)	

Assessment summary for EU

Donor	EU
Fund/programme background	A total of €7 million is committed to reduce greenhouse gas emissions by reducing deforestation and forest degradation in developing countries. Funding will partly be allocated to the support the Forest Carbon Partnership Facility; as well as to the creation of the EU REDD Facility, aimed at building developing country capacities for REDD. **Support to the Forest Carbon Partnership Facility's Readiness Fund** The Forest Carbon Partnership Facility's Readiness Fund currently supports 15 countries in Latin America, 14 countries in Africa and 8 countries in Asia Pacific. The overall development objective of the Facility is to set the stage for a much larger system of positive incentives and financing flows in the future, which is in line with the EU strategy on REDD described above. It is expected that the framework and approaches that will be tested under the FCPF will inform Parties to the UNFCCC as they negotiate a future climate regime which may include REDD. It seeks to create an enabling environment and sponsor a body of knowledge and experience that can facilitate the development and implementation of REDD policies and governance structures. The European Commission is contributing with €4 million. **EU REDD Facility:** Within the overall principle of enhancing forests' contribution to poverty reduction, sustainable economic development, and mitigation of the impacts of climate change by reducing deforestation and forest degradation in developing countries, the general objective of the action is to assist developing countries in preparing for REDD, in particular with regard to forest governance related issues. The specific objective of the action is to provide effective support to the emergence of the REDD mechanisms in developing countries and to help them build their capacity and improve forest governance for REDD by building on work done under the Forest Law Enforcement, Governance and Trade (FLEGT) programme and other on-going initiatives. The Commission has committed a total of €3 million to this initiative that will have pilot countries in Asia, Africa and Latin America. The European Forestry Institute (EFI) will host the EU REDD Facility and use operational guidance and structures developed for the FLEGT Facility. **Other forestry funding:** It is worth noting that for the period 2007-2013 the EU is supporting a portfolio of forestry projects with approximately Euro 300 million of funding. At the point of the programmes establishment REDD+ was not identified as a specific thematic focal area. However since the rise in prominence of REDD+ the EU have retrospectively evaluated their existing portfolio of projects and concluded that approximately 50% are REDD+ relevant in objective. In 2013 the EU will reassess its entire portfolio of international forest funding in light of a "re-branded" thematic focus on REDD+.
Target countries	• FCPF countries • Pilot countries in Asia, Latin America and Africa to partner the EU REDD facility are yet to be selected. Selection criteria will include: – Those countries already targeted under the EU's Global Climate Change Alliance – Those engaged or preparing to engage in a FLEGT VPA process
Funds committed	2009: Euro 5 Million FCPF Carbon Fund 2010: Euro 7 Million this includes: • Euro 4 million FCPF (not yet disbursed) • Euro 3 million EU REDD facility
Funds disbursed	Information not available in public documents reviewed
Key objectives of the fund/ programme	The EU REDD facility will act as a 'sister facility' to the European Forest Initiative (EFI) FLEGT Facility to : • Provide targeted support to developing country partners to build their capacity and improve forest governance in support of both REDD and FLEGT • Support forest or climate change related small-scale initiatives relevant for furthering REDD processes (link with the REDD+ Partnership) • Provide guidance in the development of EU support to REDD processes to better reflect the REDD needs of partner countries • Increase visibility and understanding of EU support to REDD

Overall best practice	• Integration of objectives with FLEGT initiative
Information sources: • European Forest Institute website www.efi.int • Fast Start Finance website www.faststartfinance.org • Stakeholder interviews	

Assessment summary for Finland

<table>
<tr><th>Donor country</th><th>Finland</th></tr>
<tr><td>Fund/programme background</td><td>Finland currently has a limited number of REDD+ funding programmes. Finland is a member of the FCPF and has committed funds to a number of regional and bilateral initiatives. Current ongoing initiatives utilise expertise in building regional and national capacity in developing MRV systems. In principle, Finland would be open to continue cooperating with other donors at national, regional and global levels using existing instruments and platforms.

Current activities:
Multilateral - FCPF, FAO, CIFOR
Regional - Andean regional support (Bolivia, Colombia, Ecuador, Peru), Regional Africa (ICRAF ICRAF/Emission reduction through Agroforestry and small scale plantations
Individual countries: Indonesia (under consideration), Laos, Mozambique, Nepal, Tanzania, Vietnam</td></tr>
<tr><td>Target countries</td><td>Multilateral
FAO-Finland (Sustainable Forest Management in a Changing Climate): pilot countries Tanzania, Zambia, Vietnam, Peru and Ecuador
FCPF (readiness fund)
CIFOR – Forest and Climate Change
Regional
Andean regional support REDD+ support (Columbia, Peru, Bolivia and Ecuador).
Regional Africa ICRAF/Emission reduction through Agroforestry and small scale plantations
Bilateral
Tanzania, National Forest Inventory / MRV, Private forestry and Carbon Trading
Vietnam i) Support to Forest Sector Monitoring System (FORMIS), Reference Scenario, Institutional Cooperation in MRV capacity building
Nepal i) National Forest Inventory / MRV, ii) Institutional Cooperation in MRV capacity building, Laos Piloting of new MRV technologies
Indonesia REDD project under consideration</td></tr>
<tr><td>Funds committed</td><td>$51.2 million to a variety of multilateral, regional and country programmes. This figure is under consideration due to changes in programmes and the addition of other programmes</td></tr>
<tr><td>Funds disbursed</td><td>Insufficient publically available data.</td></tr>
<tr><td>Key objectives of the fund/programme</td><td>Bilateral programme appears to be directed at building MRV capacity in partner countries</td></tr>
<tr><td>Overall best practice</td><td>Finland will coordinate with other European donors dependant on the countries which they are targeting
Finland will aim to build on their past regional and national experience and expertise</td></tr>
<tr><td colspan="2">Information sources:
Stakeholder interviews
REDD+ Partnership database (http://reddpl$atabase.org)</td></tr>
</table>

Assessment summary for France

Donor country	France
Fund/programme background	France has proposed that around 20% of the global Fast Start funding amount be allocated to mitigating deforestation threats, in the spirit of the priorities expressed in the Copenhagen Accord. France contributes to tropical forest protection by means of bilateral and multilateral cooperation, which amounted to approximately $330 million over the last decade, 75% of which is with Africa, and multilateral instruments, including the European Development Fund and the Global Environment Facility. Key areas of thematic focus are forest governance, sustainable management planning and forest monitoring. France will increase its support for forest and climate protection in developing countries to approximately $330 million over the 2010–2012 period. France is actively engaged in promoting Voluntary Partnership Agreements on Forest Law Enforcement Governance and Trade (FLEGT) between partner forest countries and the European Union. France facilitated the Congo Basin Forest Partnership between 2005 and 2007 and has remained fully committed to supporting the Central African Forest Commission (COMIFAC) since then. Finally, France is an active member of the Forest Carbon Partnership set up by the G8 in Heilingendamm in 2007. Bilateral support for REDD+ activities is for the most part provided through: • Agence Francaise de Development (AFD) • Fonds Français pour l'Environnement Mondial (FFEM)
Target countries	• African priority, especially Congo basin region • Actions in other major forest basins (Amazonian, South East Asia) and other forest countries. • Forest-related multilateral funding mainly to the new REDD/SFM program of the GEF, with contributions also to the FCPF
Funds committed	Pledged $330million for 2010 -2012 **Pre 2010:** • FCPF – $5 million • Bilateral – $32 million / year • Other multilateral contributions to ITTO projects, FAO's NFP facility, EC's cooperation, GEF forest-related projects **2010-2012 Fast Start:** Total $(2010-2012) including: • $100 million to the REDD/SFM program of GEF5 • $230 million in bilateral funding •
Funds disbursed	2010 Bilateral REDD+ funding totalled $87 million (grants and loans) including: • Sustainable management of forests, DRC ($6.75 million grant, 2% of REDD+ Fast Start commitment) • Eco-certification of timber licence, Central Africa ($2 million grant 0.6% of REDD+ Fast Start commitment) • Sustainable management of forest and biodiversity Amapa State, Brazil ($2.1 million grant 0.6 % of REDD+ Fast Start commitment) • Forest ecosystem adaptation projects, Western Africa ($2.1 million grant 0.6% of REDD+ Fast Start commitment) • REDD+ capacity developments, Guyana shields ($1.4 million grant 0.4% of REDD+ Fast Start commitment) • Reforestation, Yunnan province China ($47 million loan 14.2% of REDD+ Fast Start commitment) • Community-based rubber plantation, Ghana ($19 million loan 5.8% of REDD+ Fast Start commitment) 2010 multilateral REDD+ funding: • FCPF $5.6 million
Key objectives of the fund/ programme	To help initiate the REDD+ mechanism with support to: • Development of national strategies • Implementation of demonstration activities including protected areas and sustainable forest management planning • Forest carbon monitoring activities including remote sensing

Overall best practice	• Good use of existing and historic networks to improve the efficiency and effectiveness of REDD+ programme • Leverages operators' technical capacity in supporting the development of MRV systems
Information sources: • REDD+ Partnership database (http://reddplusdatabase.org) • Fast Start Funding Website (http://www.faststartfinance.org/contributing_country/France)	

Assessment summary for the International Climate Initiative (ICI) of the German Government

Donor country	Germany
Fund/programme background	The International Climate Initiative (ICI) finances climate protection projects with funding from the sale of tradable emission certificates under the EU-ETS. The overall objective of the fund is to provide financial support to international projects supporting climate change mitigation, adaptation and biodiversity projects with climate relevance. Since ICI was launched in 2008, it has initiated 184 projects across partner countries in Asia, Central and Southeast Europe, Central Asia, Central and South America, the Middle East, and Africa. Projects funds have totalled about EUR360 million and run for up to five years per project. ICI focuses on three areas: • Building a climate-friendly economy • Adaption to climate change • Conserving and making sustainable use of natural carbon reservoirs / REDD+ (reducing emissions from deforestation and forest degradation) Carbon sinks and REDD+ accounts for Almost 30% of ICI's funding, mostly in South America (Amazon region), Africa (Congo Basin) and Asia (Indonesian rainforest).
Target countries	Countries with a high potential in emissions reduction as well as countries with valuable carbon sinks and high biodiversity in the regions defined above.
Donor countries	Germany: The ICI mobilizes private sector resources under the EU-ETS
Funds committed	ICI funding is intended to reach EUR 400 million $620 million) annually with EUR120 million ($185 million) allocated to developing countries and countries in transition. Half of the funds are to be used for sustainable energy projects and the other half for adaptation to climate change impacts and biodiversity projects. The German government auctioned 8.8% of its allowable emission permits to businesses in 2008, of which approximately 30% of the revenue from this sale aims to support climate change-related projects both domestically and internationally.
Funds disbursed	Funding the ICI directed to developing countries is considered official development assistance (ODA). Funds are disbursed mainly in the form of grants, yet some ICI financing may be provided as interest rate subsidized loans, such as that provided to Russia/CIS states for use in CDM/JI projects. The financing is intended to encourage private-sector investment by making projects. The breakdown is as follows: • Sustainable energy projects: 92 projects – EUR 165 million • Climate adaptation projects: 29 projects - EUR 42.08 million • REDD+ projects: 20 projects – EUR 58.68 million • Other multiple focus projects: EUR 18.05 million Total funding disbursed for projects: EUR 283.68 million
Key objectives of the fund/ programme	ICI was set up in 2008 to support projects for emissions reduction, energy efficiency and the expansion of renewable energies both nationally and internationally by financing of cost-effective and innovative models projects. The key objectives are: • Supporting climate change mitigation, adaptation and biodiversity projects with climate relevance. • Ensuring investments trigger private investments of a greater magnitude. • Supporting the post-2012 climate change negotiations through multilateral activities and funds focusing on adaptation and forest management.
Overall best practice	• Germany is extending its bilateral involvement with many key countries and regions in the context of REDD+ (e.g. Brazil, Indonesia and Congo Basin). It is focused on "integration of planning and implementation of REDD+ activities into any relevant local decision making and coordination processes, alignment of REDD+ activities with relevant strategies such as development strategies and national biodiversity and/or REDD+ action plans and strategies, and in general the provision of support in line with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action." • Germany's long-term support to improve forest governance, national forest programmes, land-use planning and integrated efforts for the conservation of forest biodiversity are considered key factors of success. The close coordination of multilateral and bilateral assistance is seen as another key factor of success. • Germany is complementing this with multilateral support for the Forest Carbon Partnership Facility (FCPF) (EUR 40 million).

Information sources:

- REDD+ Financing and Activities Survey: Compilation of Responses Part 2: Options for Improving Coordination and Implementing Arrangements for REDD+ Synthesis Report: REDD+ Financing and Activities Survey Prepared by an intergovernmental task force. 27 May 2010
- http://www.bmu-klimaschutzinitiative.de/en/results
- http://www.climatefundsupdate.org/listing/international-climate-initiative
- German Federal Ministry of the Environment, Nature Conservation and Nuclear Safety, page on the Climate Initiative, See: http://www.bmu.de/english/climate_initiative/doc/42001.php
- Climate Funds Update, International climate Initiative (ICI) of the German Government, See: http://www.climatefundsupdate.org/listing/international-climate-initiative

Assessment summary for Japan

<table>
<tr><th>Donor country</th><th>Japan</th></tr>
<tr><td>Fund/programme background</td><td>Japan announced to provide Fast-Start Financing to developing countries in the amount of about 15billion US dollars as the “Hatoyama Initiative” in December 2009. It aims to provide financial and technical assistance to developing countries to enhance their efforts to reduce greenhouse gas emissions and to enable them to adapt adverse effect of climate change, on the basis of policy consultations between Japan and recipient countries.
With regard to REDD+, Japan is assisting developing countries by implementing various types of projects. Especially, our areas of strength in REDD+ assistance would on capacity building and providing technologies and equipment for monitoring of forests, utilizing the advanced satellite data.
The country’s aid policy emphasizes the necessity of formulating projects through discussions within the Government of Japan with JICA (Japan International Cooperation Agency), the Government of recipient countries, local communities, and other stakeholders so that the projects should be placed within the national REDD+ strategy and in coordination with other various projects.</td></tr>
<tr><td>Target countries</td><td>Current activities:
• Multilateral institutions: WB FCPF, UN-REDD, the Global Environment Facility, ITTO
• Country activities: Developing countries making efforts to reduce emissions and Developing countries being particularly vulnerable to climate change
• Other initiatives: REDD+ Research Centre</td></tr>
<tr><td>Funds committed</td><td>Japan has announced to provide financial assistance to developing countries of approximately USD 15 billion including public and private finance.
Of the total USD 15 billion, USD 11 billion is meant to come from public funding, and USD 4 billion from private sources.
As for REDD+, Japan has committed to provide USD 500 million up to 2012 in Copenhagen.</td></tr>
<tr><td>Funds disbursed</td><td>Out of USD 15 billion of the Fast-Start Financing committed, more than USD 7.2 billion has already been implemented as of the end of September 2010.
• Mitigation USD 6.50 billion
• REDD+ USD 223 million
• Adaptation USD 401 million
• Others USD 326 million
Please see the FSF web site (http://www.faststartfinance.org/contributing_country/japan) made by Dutch Initiative</td></tr>
<tr><td>Key objectives of the fund/programme</td><td>The objective of the Fast-Start Financing is the establishment of a fair and effective international framework in which all major economies participate by the assistance to developing countries, especially those making efforts to reduce emissions and those being particularly vulnerable to climate change.
As for REDD+, Japan aims to use their technical expertise and regional experience to contribute to capacity building and to provide technologies and equipment for monitoring (including remote sensing, ground based measurement and mapping). Also, Japan is actively engaged in activities of multilateral institutions, such as the Forest Carbon Partnership Facility (FCPF), the Climate Investment Fund (CIF) and UN-REDD.</td></tr>
<tr><td>Overall best practice</td><td>• Japan has focused on implementing projects which utilize its technical expertise in areas such as MRV and satellite mapping. It has also capitalised on its regional experience in partnering with the UN-REDD Asia Pacific programme.
• Japan has partnered with key industry research groups and has developed a research centre to develop best practice in REDD+. It has regular and close exchange of views with private sectors and civil society.</td></tr>
<tr><td colspan="2">Information sources:
• REDD+(Reducing Emissions from Deforestation and Forest Degradation)– Forest Conservation in Developing Countries – JICA-ITTO – August 2010
• Climate Funds Update – Hatoyama Initiative - www.climatefundsupdate.org/listing/hatoyama-Initiative
• REDD+ Partnership database (www.reddplusdatabase.org)
• Programs and contribution of Japan to REDD+ - Satoshi Akahori - Forestry Agency, Japan - 16 December 2010</td></tr>
</table>

Assessment summary for the Government of Norway's International Climate and Forest Initiative

Fund/programme background	The Government of Norway's International Climate and Forest Initiative was launched during the climate change negotiations in Bali (COP13) in December 2007. The initiative seeks to achieve cost-effective and verifiable reductions in greenhouse gas emissions from deforestation and forest degradation in developing countries (REDD+) and has contributed to a number of multilateral initiatives (UN-REDD+, FCPF, FIP, CBFF, ITTO) as well as engaged in bilateral partnerships with Brazil, Indonesia, Guyana, Tanzania, Democratic Republic of Congo, and Mexico. Funding will primarily be provided through multilateral channels. The Initiative is being managed by a project group appointed in the Ministry of the Environment that works closely with the Ministry of Foreign Affairs and other relevant ministries.
Target countries	Bilateral channels: • Amazon Fund – Brazil, potentially other Amazon countries • Indonesia • Guyana • Tanzania • Mexico Multilateral channels: • UN-REDD+ - 9 countries • Forest Carbon Partnership Facility (FCPF) - 37 countries • CIF's Forest Investment Programme (FIP) - 8 countries • Congo Basin Forest Fund (CBFF) - 10 countries • International Tropical Timber Organization (ITTO) - 33 countries
Donor countries	Norway
Funds committed	• Amazon Fund: Pledged up to $1 billion until 2015 (2010: $238.8 million) • Indonesia: Pledged up to $1 billion over several years (2010: $30.7 million) • Guyana: Pledged up to. $250 million until 2015 -based on performance (2010: $29.4 million, 2011: $40 million pledged) • Tanzania: Pledged up to $92 million over 5 years – $4.16 million of this is dedicated to the work of UN-REDD. Disbursed $8 million in 2009, $7.3 million in 2010 and $17 million in 2011. • Mexico: Up to $15 million for 2011-2013. Approx. $12 million of this will be disbursed within the fast-start period (2011: approx. $7.5 million, 2012: approx. $4.2 million) • UN-REDD+: 2008-2009: approx. $58 million, $33 million for 2010. Pledged at least $40 million. • FCPF Readiness Fund: 2008-2009: $21.6 million, 2010: $ 9.3 million (within the range of the fast start period). • FCPF Carbon Fund: 2009: $ 10 million. 2012-2014: pledged up to $ 50 million (will be formally committed in 2011). • FIP: 2010: $ 48 million, 2010-2012 up to $ 150 million pledged. • CBFF: Pledged NOK 500 million (approx. $ 83 million) pledged over 5 years (2008-2012). Disbursed: 2008-2009: $ 30.8 million, • ITTO: Disbursed $ 4 million in 2009, allocated $ 4 million in 2011 • Civil Society: 2010-2012 $ 80 million through the Forest Funding Scheme (NORAD) The Initiative also conducted several tenders under which NGOs could apply for support for REDD+ projects and programs.
Funds disbursed	Norway consider funds pledged and funds disbursed to be equivalent. Insufficient publically available data.
Key objectives of the fund/ programme	The initiative seeks to achieve cost-effective and verifiable reductions in greenhouse gas emissions from REDD+, and applies to all types of tropical forests. The Initiative has three primary goals: • To work towards the inclusion of emissions from deforestation and forest degradation in a new international climate regime • To take early action to achieve cost-effective and verifiable reductions in greenhouse gas emissions. • To promote the conservation of natural forests to maintain their carbon storage capacity.
Overall best practice	• Flexibility, innovativeness, political impact, catalytic of transformational change on the

	government level, high visibility and reputational gains • Supports forest conservation measures in partner countries along with "systematic dialogue on climate and forest policy" forming part of broad-based climate policy cooperation. • Piloting institutional REDD+ architecture in developing countries supported by multilateral initiatives. • Bilateral channels are generally used in conjunction with multilateral initiatives and/or cooperation to ensure capacity for administering and deploying funds exists (exceptions for advanced REDD+ countries such as Brazil and those with long-term cooperation experience on natural resource management and existing REDD+ programs). • Clear criteria for REDD+ grants to NGOS and research institutions supporting national REDD+ strategies and potential for innovative solutions; strategic partnerships established to systematically disseminate and knowledge on climate and REDD+

Information sources:

- LTS International, Worldwide, Norway's International Climate and Forest Initiative, Real Time Evaluation Services, See: http://www.ltsi.co.uk/content/view/139/38
- Draft report said to be available but not found - http://REDD+pluspartnership.org/239890421e65b9118b4809cc17fe309aee130d.pdf

Assessment summary for Indonesia-Norway Partnership

Objective	The purpose of the Partnership is to contribute to significant reductions in greenhouse gas emissions from deforestation, forest degradation and peatland conversion through: • Conducting a policy dialogue on international climate change policy, in particular international policy on REDD +. • Collaboration in supporting the development and implementation of Indonesia's REDD+ strategy. Norway is providing up to $1 billion US based on Indonesia's performance meeting REDD+ readiness goals and reducing GHG emissions from deforestation and forest degradation and peat lands over the course of the next 7- 8 years.
Targeted countries	Indonesia
Governance	In Indonesia, a special agency is to coordinate the development and implementation of REDD+ sharing many of the same governance principles of *The Aceh and Nias Rehabilitation and Reconstruction Agency (BRR)*. The partnership consists of three phases: • Phase 1: Finalizes Indonesia's climate and forest strategy and puts in place enabling policies and institutional reforms. • Phase 2: Readies Indonesia for payments against verified emissions reductions while at the same time initiate larger scale mitigation actions through a province-wide pilot project. • Phase 3: Implements the results-based payment for emissions reductions mechanism nationally (starting in 2014). The aim is to move through the first two phases in the scope of 3-4 years. Annual independent reviews will need to be considered before moving into the third phase. Norway has signed a Letter of Intent with Indonesia that articulates the following principles: • Ensure full and effective participation in REDD+ for planning and implementation in relevant stakeholders (indigenous, local communities and civil society). • Ensure transparency regarding financing, actions and results. • Encourage the participation of other development partners. • ensure coordination with all other REDD+ initiatives, including the UN-REDD Programme, the Forest Carbon Partnership Facility, the Forest Investment Programme and other bi- and multilateral REDD+ initiatives • Ensure economic, social and environmental sustainability and integrity of REDD+ efforts.
Funding	Norway is to provide up to $1 billion based on Indonesia's performance, over the course of the next 7- 8 years. In 2010 funding will support a national REDD+ strategy for Indonesia. Following this, proportional and progressive scaling up of financing will be tied to verified emissions reduction and Indonesia's performance. The annual budgets verified by Norway are 2010: USD 30.7m and 2011-12: TBD (results based).
Eligible projects	No project-based finance. Norway has selected Central Kalimantan as the pilot province for result-based payments for REDD+ action. The province has been selected through a competitive process. The second phase of the initiative will focus on i) national level capability building; ii) policy development and implementation, iii) legal reform and law enforcement; iv) one or more full scale province level REDD+ pilots (starting from January 2011).
Status	The Initiative is implementing Phase 1 and 2 of the Letter of Intent. The REDD+ Agency is expected to be established in 2011. The Phase II actions include (although are not limited to): • Enforce two year suspension on all new concessions for conversion of peat and natural forest • Establish a degraded lands database • Enforce existing laws against illegal logging and trade in timber and related forest crimes • Take appropriate measures to address land tenure conflicts and compensation As one stakeholder put it the partnership between "Norway and Indonesia has done more to address deforestation than billions of ODA over the last decades, without that a single dollar has been disbursed so far". The establishment of the REDD+ Task Force has challenged the Ministry of Forestry's monopoly of the management (and administrating the loss) of the country's forest.
Financing modalities	Result-based payments
Coordination with other REDD+ efforts	Coordination with DFID, AUSAID, KfW and others.

Information sources:

- Governments of Brazil, Indonesia. Letter of Intent between the Government of the Kingdom of Norway and the Government of the Republic of Indonesia on "Cooperation on reducing greenhouse gas emissions from deforestation and forest degradation"
- Norway, The Official Site in Indonesia, Norway-Indonesia REDD++ Partnership – Frequently Asked Questions, See: http://www.norway.or.id/Norway_in_Indonesia/Environment/-FAQ-Norway-Indonesia-REDD+-Partnership-/

Assessment summary for Guyana's REDD+ Investment Fund

Objective	Norway and Guyana established a joint partnership called the Guyana REDD+ Investment Fund (GRIF) to support "payment for ecosystem services" and the creation of a global regime to assign economic value to standing forests. Payments to Guyana are made on a performance basis to limit greenhouse gas emissions from deforestation and forest degradation by protecting at least 16 million hectare rainforest, and for progress against REDD+ governance-related indicators. The Memorandum of Understanding for Guyana-Norway partnership was signed on November 9, 2009.
Targeted countries	Guyana
Governance	The GRIF mechanism supports ongoing cooperation on climate change between Guyana and Norway. The fund is operated as part of Guyana's Low Carbon Development Strategy (LCD). A Steering Committee serves as the oversight and decision-making body with the Government of Guyana as chair and financial contributors as members. Civil society and private sector entities will be invited observers, along with the trustee (World Bank's International Development Association (IDA)). Operations will be handled by "partner entities" such as IDB, UNDP and the WB. A Secretariat of the GRIF has also been established. The GRIF will (i) receive payments for forest climate services provided by Guyana; and (ii) transfer these payments and any investment income earned on these payments, net of any administrative costs of the Trustee and the Secretariat and any administrative fees to the Partner Entities, for projects and activities that support the implementation of Guyana's LCDS (World Bank 2010)
Funding	Norway's payments to Guyana may amount to approximately $250 million over the period to 2015, depending on Guyana's performance according to a methodology set out by the two countries in November 2009. The annual REDD+ allocations budgeted for Guyana by Norway are: 2010: $29.4 million; 2011: $40 million (pledged).This is intended to be "substantial and sustained" performance-based compensation for the progress Guyana makes in limiting emissions from deforestation and further decreasing forest degradation.faAmerindian communities engaged in REDD+ under LCDs will receive share of forest compensation payments paid directly to communities or an Amerindian Development Fund.
Eligible projects	During the first years of cooperation, a portion of the support will finance specific REDD+ capacity building activities. Money will then be spent on projects identified in Guyana's LCDS. The fund is to support the overall reduction of forest based emissions as specified in Guyana's national "Avoided Deforestation Plan" (launched in 2008) designed to show that Guyana's forest, if not used for agriculture or other economic use, could generate significant economic gains.
Status	Guyana has initiated REDD+ readiness measures (broad framework, consultation, governance, financial mechanism, MRV system, rights of local people); and plans for REDD+ projects to achieve GHG reductions across 22,500 ha potentially generating 8.2 M tCO_2 at $5/$tCO_2$ (REDD+ results conceptual framework). Key metrics for these initiatives are indicators of readiness, reduced deforestation rate; and due process progress. Delivery partners are IDB and UNDP. While the World Bank continues to act as trustee, it does not act as delivery partner. A potential complication is the lack of separation between rights to land, forests and the carbon sequestered in the forest under The Guyana Forest Law raising possibility of competing claims by government, forest concession holders and Guyana's indigenous people. Additional challenges relate to the potential for increased deforestation related to implementation of the LCDS.
Financing modalities	An interim carbon price applied of $5/ ton CO_2 will be applied against an agreed reference level supplemented by indicators for forest governance, biodiversity and forest dwellers safeguards pending a UNFCCC methodology (or other agreed multilateral methodology).
Coordination other REDD+ efforts	Coordination through the delivery partners, IDB and UNDP.

Information sources:

- Review and synthesis of the latest evidence and planned work on REDD+: a set of info sheets prepared for DFID by the Overseas Development Institute Part 1: Summary of thematic issues – Sheets for internal use May 2010 Second Draft
- World Bank 2010, Guyana REDD+ Investments Fund (GRIF) fact sheet
- Ryan. C. Inputs and outcomes of various REDD+ type investments REDD+ monitoring and evaluation frameworks: Part 1. Quantifying inputs, outputs and outcomes of REDD+ related activities.
- Guyana Chronicle Online, Guyana's REDD++ Investment Fund Established, See:

http://www.guyanachronicleonline.com/site/index.php?option=com_content&view=article&id=19754:guyanas-REDD+-investment-fund-grif-established&catid=4:top-story&Itemid=8

- *Biomass Intel, Norway and Indonesia Ink Forest and Climate Protection Partnership, See: http://www.biomassintel.com/norway-inonesia-forest-climate-partnership/*

Assessment summary for Tanzania – Norway Partnership

Objective	Norway has allocated NOK 500 million ($73 million) to the development of a national Reduced Emissions from Deforestation and Degradation (REDD+) programme in Tanzania over a five-year period. In April, 2008, Norway and Tanzania signed a Letter of Intent on a Climate Change Partnership with a focus on supporting REDD+ pilot activities in the field, capacity building, national strategy development and implementation.
Targeted countries	Tanzania
Governance	The fund is administered by the Norwegian Embassy in Tanzania.
Funding	Norway has pledged up to $92 million over 5 years, which includes $4.2 million dedicated to the work of UN-REDD and $850,000 granted to the NGO WWF annually. Norway disbursed $8 million in 2009, $7.3 million in 2010 and $17 million in 2011.
Eligible projects	Activities are intended to build on the Participatory Forest Management (PFM) programme in Tanzania where villagers are encouraged to better manage their forests. Projects are intended to "maintain a strong pro-poor approach through the generation of equitable financial incentives from the global carbon market."
Status	Norway has supported the government in establishing a national REDD+ taskforce, MRV framework and support for university based capacity building. A series of contracts for REDD+ activities are expected to be signed by Norway with NGOs, one of the first of which was finalized with the Tanzania Forest Conservation Group in 2009.
Financing modalities	Grants
Coordination other REDD+ efforts	The fund aims to compliment the work on REDD+ by the Tanzanian government and the UN-REDD+ Programme. In addition to the REDD+ funds, a number of other climate change programmes are funded under the partnership in addition to regular development cooperation.

Information sources:

- Website of the Ministry of Environment of Norway, page on the Government of Norway's Climate and Forest Initiative, See:
- http://www.regjeringen.no/en/dep/md/Selected-topics/climate/the-government-of-norways-international-/what-do-we-finance.html?id=557700
- Government of Norway, Financing Activities Survey, REDD++ Survey: Norway, Available at: http://www.regjeringen.no/upload/MD/sub/oslocfc2010/dokumenter/financing_activities_survey/22_REDD+pluss_survey_Norway.pdf
- http://www.norway.go.tz/News_and_events/News/News-from-the-Embassy/REDD+_signing/
- http://www.norway.go.tz/News_and_events/News/News-from-the-Embassy/mdvisit/
- http://www.norway.go.tz/News_and_events/Climate-Change/Ecc/

Assessment summary for Mexico – Norway Partnership

Objective	Norway will provide up to NOK 90 million over the next 3 years to support Mexico in further developing and documenting its REDD+ policy and activities as well as the development of a national MRV system.
Targeted countries	Mexico
Governance	Programs are to be implemented through specific cooperation activities in which the participant countries' other public or private institutions may be invited to participate. For these activities additional terms of references and agreements will be established. In addition both countries are to designate one person to be responsible for the coordination of activities under the MOU. For Mexico this person is the Head of International Affairs Coordination Unit of the Ministry of Environment and Natural Resources and the Head of the National Forestry Commission and for Norway the Director of the Government of Norway's International Climate and Forest Initiative.
Funding	Norway, in the next three years, will provide up to $15 million for 2011-2013 to support Mexico's REDD+ policy and activities. Approximately $12 million of this will be disbursed within the fast-start period (2011: approx. $7.5 million, 2012: approx. $4.2 million).
Eligible projects	Information not yet available.
Status	A collaborative agreement "Reinforcing REDD+ Readiness in Mexico and enabling South-South cooperation" was signed in December 2010 between Mexico and Norway. It is under a Memorandum of Understanding signed between Mexico and Norway in May 2010. It will "strengthen REDD+ implementation in Mexico and to expand the global knowledge base on related methodologies and approaches" and strengthen Mexico's national MRV system into a multifunctional instrument, serving as a guide for social, economic and environmental policies and providing information about other variables such as biodiversity. UNDP and FAO will also jointly support work on this effort, and Norway is providing complementary funding to UN agencies through the UN-REDD Programme, a collaborative partnership between FAO, UNDP and UNEP.
Financing modalities	Grants.
Coordination other REDD+ efforts	Coordination with AfD, FCPF, and other donors.

Information sources:

- http://www.norway.go.tz/News_and_events/Climate-Change/Ecc/
- Website of the Ministry of Environment of Norway, page on the Cooperation with Mexico, see: http://www.regjeringen.no/en/dep/md/Selected-topics/climate/the-government-of-norways-international-/mexico.html?id=611809
- Norway and UN-REDD Help Mexico Strengthen its MRV System, see:
- http://www.un-redd.org/Newsletter15/Norway_Mexico_Agreement/tabid/7066/Default.aspx

Assessment summary for Spain

Donor country	Spain
Fund/programme background	Spain has invested $7.2 million in the readiness fund of FCPF (2008), and plans to contribute approximately $20 million to the UN-REDD Programme during 2010–2012. In addition to this, Spain is developing a Cooperative Project for Mitigation and Adaptation to Climate Change in the Sustainable Forest Management in Iberian-America. Whilst it is expected that this will support REDD+ activities, funds are yet to be assigned. Spain has been investing in AR CDM, in capacity building and in credits purchase through the Biocarbon Fund of the WB and Iberoamerican Initiative for Carbon (IIC) of the CAF.
Target countries	Spain has also contributed funding to forest conservation in National Parks and Biosphere Reserves in Senegal, Guinea Bissau, DRC and Indonesia.
Funds committed	Spain has pledged EUR 125 million to climate funding in the fast start period. Part of these funds will be dedicated to REDD+, but the amount is decided yearly. **Pre 2010:** Total $17.18 million: • FCPF readiness fund: $7.2 million • UN-REDD Programme: $0.58 million[100] • GEF replenishments 1-4: $9.3 million (of which 10% allocated to forests) • REDD+ workshops in Latin America (Capacity building): $0.1 million **2010:** Total $18.678 million: • FIP Climate Investment Fund: $13.7 million • UN-REDD Programme: $1.37 million • GEF 5th replenishment: $3.5 million[101] • African Sustainable Forestry Fund: $20 million[102] • REDD+ workshops in Latin America (Capacity building): $0.108 million **2011-2012:** Total $4.26 million • GEF 5th replenishment: $4.06 million[103] • REDD+ workshops in Latin America (Capacity building): $0.2 million **Post 2012:** • GEF 5th replenishment: $2.03 million[104]
Funds disbursed	Pre-2010 $17.2 million as detailed above. 2010 $18.7 million as detailed above.
Key objectives of the fund/programme	• Spain's REDD+ funding objectives are aligned with those of the multilateral institutions which they fund.
Overall best practice	Too little publically available information to determine

Information sources:

- REDD+ Partnership database (http://reddplusdatabase.org); Fast Start Finance website (www.faststartfinance.org/)
- Details of funds committed and expenditures provided by Ministerio de Medio Ambiente

[100] UNDP 2008 funds re-distributed to UN-REDD
[101] Estimated allocation to SFM in GEF 5th replenishment, pro-rated for 2011-2012 (assuming equal disbursement every year)
[102] Part of this contribution will be oriented to REDD+ activities, but at this stage it is not possible to know how much could be accounted under REDD+. Therefore, this amount is not added to the total financing allocated
[103] Estimated allocation to SFM in GEF 5th replenishment, pro-rated for 2011-2012 (assuming equal disbursement every year)
[104] Estimated allocation to SFM in GEF 5th replenishment, pro-rated for 2011-2012 (assuming equal disbursement every year)

Assessment summary for Sweden

Donor country	Sweden
Fund/programme background	The Swedish REDD+ support is guided by Sweden's guidelines on governance and support for institutional capacity, at the national as well as local level. Another priority is support for alternative income generation for local communities.
Target countries	Volume of bilateral grant support pledged 2010-2012 by country, and partners in programme delivery: • Mali – $8 million (IUCN) • Burkina Faso – $2.2 million (GoBF) • Rwanda – $7 million (MoE) • Tanzania – $0.25 million • Mozambique – $9.8 million (GoM) • Laos – $2.35 million (National Forestry and Research Institute) • Liberia – $6 million (IUCN) • DRC – $5 million (UNDP, FAO, UNCDF, WB, KfW)
Funds committed	Sweden have committed $73.5 dollars to REDD+ in the 2010 – 2012 fast start period **Pre 2010 funds:** • Bilateral – $13.6 million • Multilateral – $18.7 million **2010 -2012 Fast Start funds:** • Bilateral – $50.6 million • Multilateral – $22.9 million
Funds disbursed	• GEFSFM/REDD+ programme – $8.4 million disbursed 2010
Key objectives of the fund/programme	Sweden's bilateral activities primarily aim at: • Links between poverty reduction and REDD+ activities • Assisting countries in preparation of REDD Readiness • Assisting countries in planning and implementation of REDD+ related activities to make REDD work on the ground (Mali, Burkina Faso, Rwanda, Mozambique, Bolivia, Liberia, DRC) • Support to improving forest governance • Support to national forest programs and land use planning • Integrated efforts for the conservation and sustainable use of biodiversity
Overall best practice	Sweden's on the ground activities in DRC and Mozambique could provide important support to UK bilateral partnership in both of these countries. Additionally, Sweden's focus on forest governance, compliments the UK's ongoing programmes in this area and they may be open to support future efforts in new partner countries where they have on the ground experience.

Information sources:

- REDD+ partnership country data base
- WRI, summary of developed country fast start finance pledges (http://pdf.wri.org/climate_finance_pledges_2010-11-24.pdf) accessed 2011-02-16
- Fast Start Financing website (http://www.faststartfinance.org/contributing_country/sweden) accessed 2011-02-16

Assessment summary for Switzerland

Donor country	**Switzerland**
Fund/programme background	Switzerland has a limited REDD+ programme, which forms part of its wider international and national activities related to implementing sustainable forest management. The Swiss Federal Offices active in international forest policy are: the Federal Office for the Environment (FOEN), the State Secretariat for Economic Affairs (SECO) and the Swiss Agency for Development and Cooperation (SDC). Switzerland financially contributes to the FCPF, as well as capacity building and technical assistance to a number of REDD+ projects worldwide. Switzerland is also a member and active participant in the work programme of the interim REDD+ partnership and supports through expert advice the Forest Investment Progamme and UN-REDD. Switzerland is currently implementing REDD projects in Indonesia, Ghana and in Madagascar, as well as actively participating in the work programme of the interim REDD+ partnership. Activities include: • The Swiss State Secretariat for Economic Affairs (SECO) contributes U$D 13.5 Million to the Forest Carbon Partnership Facility (FCPF) of the World Bank, in the areas of REDD readiness and the forest carbon fund • In addition to the financial participation, Switzerland provides technical expertise to the FCPF for the implementation of its activities aimed at building the capacities of selected developing countries in tropical and subtropical regions • The Swiss Agency for Development and Cooperation (SDC) supports the implementation of the ASEAN Multi-Sectoral Framework on Climate Change: Agriculture and Forestry towards Food Security through the strengthening of the ASEAN Social Forestry Network. The ASFN links Lao P.D.R, Cambodia, Myanmar, Vietnam, Philippines, Indonesia, Brunei, Thailand, Singapore, Malaysia with regard to the topic Climate Change & Forests and aims at strengthening community based approaches within international initiatives like the FCPF. It also supports the emerging working portfolio in forest-based adaptation and mitigation of the African Forestry Forum (AFF).
Target countries	**Multi-laterals:** World Bank Forest Carbon Partnership Facility (FCPF),Global Environment Facility (GEF) **Bilateral:** Madagascar, Nepal, Peru, Philippines, Ghana, Madagascar, Indonesia, **Other:** African Forest Forum (AFF), Association of Southeast Asian Nations (ASEAN) Social Forestry Network, International Tropical Timber Organization (ITTO), Programme on Forests of the World Bank (PROFOR), Rights and Resources Initiative
Funds committed	>50. million committed to REDD+ programme
Funds disbursed	Insufficient publically available data.
Key objectives of the fund/programme	Programme has not yet made objectives publically available, although it understood that Switzerland is looking to focus its funding on forest governance, livelihoods and sustainable landscape management.
Overall best practice	Use of existing Swiss technical expertise in bilateral REDD+ funding programmes e.g. in MRV
Information sources: • REDD+ Partnership Database • Swiss report on 2009-2010 international and national activities in implementing Sustainable Forest Management - http://157.150.195.10/esa/forests/pdf/national_reports/unff9/Switzerland.pdf	

Assessment summary for the United States of America

Donor country	United States
Fund/programme background	As part of the U.S. contribution towards the "fast start financing" reflected in the Copenhagen Accord, the United States announced it would dedicate $1 billion over the 2010-2012 timeframe to help countries that put forward "ambitious REDD+ plans." U.S. REDD+ fast start financing is guided by the US REDD+ Strategy (available at: http://www.usaid.gov/our_work/environment/climate/docs/UnitedStatesREDD+Strategy.pdf). Accordingly, the US assistance portfolio will include the full range of programming including, for example, improving estimation, monitoring, and quantifying emissions and sequestration; assisting countries in applying social and environmental safeguards for REDD+; addressing the drivers of deforestation and degradation; and restoring degraded lands. U.S. support for REDD+ is primarily funded from the sustainable landscapes budget pillar in the Administration's Budget for International Climate Change Financing (primarily funded through the State Department, USAID, and the Treasury Department), and is augmented by funding from other sources such as related biodiversity programs and relevant activities conducted by other U.S. Government agencies. Biodiversity funds may be considered part of this strategy if they have an objective of contributing to current or future reduced emissions or increased sequestration of forest carbon, and monitor appropriate indicators. The $1 billion includes resources committed to various multilateral and bilateral programs. The United States will be strategic in investing and leveraging existing and future resources in order to ensure that our $1 billion contribution will maximize future net emission reductions.
Target countries	Engagement in the following countries and regions: • Asia including Indonesia, Bangladesh, Vietnam, Nepal and Cambodia • Latin America including Guyana, Brazil, Colombia, Mexico, Peru • and Panama • Africa including the Congo Basin, Senegal, Rwanda, Uganda, Kenya and Mozambique The US is focussed not just on projects, but also on building capacity at the national level and supporting national strategies
Funds committed	$1 billion pledged in COP15 for REDD+ fast start activities during 2010-2012. Funds currently committed to the FCPF, GEF and FIP
Funds disbursed	Information available on the REDD+ partnership website and from stakeholders indicates that funds obligated or committed are approximately $207 million
Key objectives of the fund/programme	Key objectives of the US REDD+ fast start financing include: 1. REDD+ architecture: creating and supporting an efficient, effective and coordinated international system to help countries deliver REDD+ outcomes. 2. REDD+ readiness: helping countries become ready to participate in pay-for-performance programs and take complementary domestic actions. Focus will be on countries with: – Near term market potential and significant mitigation potential – High mitigation potential but that require more assistance to become market ready – International leaders in REDD+ commitment and innovation 3. REDD+ demonstration: achieving cost effective and sustainable net emission reductions. This will focus on countries where governments have the political will and are already undertaking such efforts
Overall best practice	• Focus of leveraging complimentary investments from the private sector, donors, and partner countries to achieve synergies. For example bilateral assistance will be provided to ensure countries can meet the eligibility criteria for FCPF readiness fund support, and enabling eligibility for FCPF carbon fund investments. • Leveraging unique expertise of US agencies such as the US Forest Service, NASA, USGS, the Smithsonian and EPA through government-government technical relationships • Commitment to development of public-private partnerships through identification of investment barriers with cross sectoral relevance to REDD

	objectives, and identification of policies that facilitate private sector financing. • Planned focus on capacity building in specific sub-national areas to accelerate progress towards performance based activities

Information sources:

- US Government, 2010, Strategic choices for United States Fast Start Financing for REDD+
- US Government, 2010, US REDD+ programs: Addressing Climate Change by Conserving and Restoring the World's Forests
- USAID, 2010, Biodiversity Conservation and Forestry Programmes: Annual Report FY 2009
- Stakeholder interviews
- Asia Regional REDD Programme Planning Report, USAID (2010)
- US Senate, 2010, Department of State, Foreign Operations and related programmes appropriations bill 2011

Appendix 5: FLEGT & FGMC assessments

Assessment summary for Forest Law Enforcement, Governance and Trade (FLEGT)

Fund/programme background	FLEGT Action Plan is a voluntary trade agreement between the EU and forestry-product exporting countries to ensure that only legally harvested timber is imported into the EU. Regulations adopted in 2005 and 2008 allow control of the entry of timber to the EU from countries entering into bilateral FLEGT Voluntary Partnership Agreements (commercial treaties) with the EU. FLEGT works in policy processes more than the assignment of funds. FLEGT Action Plan does not directly fund REDD+ related projects or activities. However the VPAs (that are result of the FLEGT Action Plan) set a roadmap for EU financing. What has been identified is that through this funding, some REDD related projects or activities have been supported. The EU financial support for FLEGT is categorized as follows (meaning that REDD projects could have been funded by any of these): However the VPA sets a roadmap for EU financing categorized as follows: • Funds for the thematic programme for Environment and Sustainable Management of Natural Resources including Energy (ENRTP) are allocated annually by a decision of the European Parliament. – (1) a global call of proposals (most of them are implemented by NGOs, but also governments and trade federations); – (2) joint managed projects with international organizations (such as FCPF, UN-REDD, FLEGT Facility, FAO FRA, JRC Forest Monitoring programme, FAO National Forest Programs, and CIFOR projects on biofuels, forest governance, etc.); – (3) through tender service contracts. • Country assistance under the Country Strategy Paper, which presents the strategic framework for the co-operation between the European Commission and the partner country every 5 years. • Regional funds: FLEGT Asia, FLEGT in Neighbourhood countries, FAO manages an intra ACP call of proposals.
Funds received	The Environment and Sustainable Management of Natural Resources including Energy (ENRTP) have different budget lines. The one that provides funds for FLEGT and thus indirectly to REDD activities is called: Core costs for "EUWI, EUEI, capacity building and monitoring for the implementation of internationally agreed commitments, support for climate change, including Global Climate Change Policy Alliance, biodiversity, sustainable land management, forests, FLEGT, fisheries and coastal/marine resources, sound chemicals and waste management, sustainable production and consumption" are estimated in €273.8 million for 2007-2010 and €240 million for 2011 – 2013.
Funds disbursed	Through the ENRTP global call of proposals they have provided grants to approximately 10 projects related to REDD+ (less than $20 million) and implemented by NGOs.
Key objectives of the fund/programme	According to the ENRTP strategy, one of the main global initiatives being supported is the one on illegal logging and FLEGT. Some of the aims of supporting this initiative are: • Promote forest governance reforms in countries where trade with Europe is not a driving factor, but the political commitment to governance reform is strong and there is keen interest to implement commitments made in regional FLEGs and to address forest governance challenges following conflict. • Support essential activities which underpin the development of VPAs, such as regional FLEGs processes, dialogue with developing countries, lesson learning between countries and regions, policy analysis as well as NGO and private sector initiatives which build the capacity of non-state actors to implement and monitor the VPAs.

Overall best practice	• Negotiation of a VPA is a strong multi-stakeholder process • In the case of the VPA process, the civil society is involved in the design and monitoring of the Agreements.	
Potential for expansion	**Funding expansion**	• The ENTRP is one of the thousands of budget lines of the European budget. There is an increasing budget allocation in climate but there is not yet clarity on how this may impact the FLEGT programme.
	Geographic expansion	• Beyond the 3 countries with existing VPAs, there are 21 further countries either in negotiations or who have expressed an interest in participating in FLEGT.
Information sources: • Stakeholder interviews • Thematic Strategy For The Environment And Sustainable Management Of Natural Resources, Including Energy (Enrtp) 2007. • http://ec.europa.eu/development/icenter/repository/env_ENRTP_Strategy_final_en.pdf		

Assessment summary for Forest Governance Markets and Climate Programme (FGMC)

Donor country	UK
Fund/programme background	This 10-year programme will support governance and market reforms that reduce the illegal use of forest resources and benefit the poor. It will achieve this by combining demand-side actions in consumer countries and supply side actions in producer countries. These will result in reductions in the consumption and production of illegal timber and other commodities that drive illegal deforestation, such as soy bean, palm oil, beef and leather. DFID, working with DECC and Defra, will implement the programme as part of a coordinated effort with the EU and its Forest Law Enforcement Governance and Trade (FLEGT) Action Plan. It should be noted that this programme is not yet operational and is only in the design phase. Therefore all analysis is based on intended outcomes.
Target countries	It is planned that a further instrument will fund in-country implementation and roll out nationally in up to 10 countries of forest governance-market legality assurance systems This instrument will finance the "forest governance multi-stakeholder programmes" in Indonesia, Ghana, Cameroon, Liberia, and DRC plus up to 4-6 further countries/regions. It finances the in-country forest governance facilitators and advisers, supports implementation of systems nationwide, etc.
Funds committed	Funds have not been committed but it is budgeted at £250 million, part of EU plan for £1 billion, over 10 years
Funds disbursed	None to date as the programme is not operational
Key objectives of the fund/programme	The proposed forest governance markets and climate work will: • Focus on implementing legality • Links supply and demand measures • Use private sector and market leverage • Provide patient support to multi-stakeholder processes and institutions (to ensure sustainability) • Build coalitions of interest Impacts, outcomes and outputs will be achieved by helping up to 10 forest producer countries put in place legality assurance systems that monitor, track audit and verify the legal origin of timber, wood products and commodities, such as palm oil, soy, beef and leather. This will inspire consumers with confidence that the products they purchase are legally sourced from these countries. By the end of the 10-year programme key European and at least 6 other consumer countries that will be operating effective public procurement and/or import due diligence systems for timber and these commodities. The number of businesses and financial investors working in timber and these other commodities. The number of businesses and financial investors working in timber and these other commodity markets that demonstrate compliance with legality as well as sustainability standards will double. At least 11 international and bilateral initiatives designed to deliver Reduced emissions from Deforestation and Degradation (REDD+) will build on the approaches that strengthen forest law enforcement, governance and trade (FLEGT) developed through this programme. Outputs from the programme: • Producer and processing countries with effective multi-stakeholder institutions for overseeing, implementing, enforcing and monitoring legal policy and market reforms and actions that control illegally sourced timber and other agricultural commodities • Compliance with public rules and policies, as well as private business standards in consumer countries, that discourage trade in illegal timber and other commodities sourced from illegal forest practices • Knowledge and momentum for change, based on sound evidence, amongst the public, NGO's, private sector and governments • Coherence between programmes on forests and deforestation at national and international levels The Programme will coordinate efforts under the EU FLEGT Action Plan and is part of

<table>
<tr><td></td><td colspan="2">a broader effort to tackle the problem involving the private sector and civil society.
It is planned that FGMC will broaden to other commodities depending on the nature of the internal and regional trade regimes. FGMC offers a flexible model which can be extended to other commodity types utilising the same LAS and traceability principles from the FLEGT/VPA process.</td></tr>
<tr><td>Overall best practice</td><td colspan="2">Whilst the programme is not yet operational there are many aspects of the programme design which could be taken into consideration by the UK Government for the REDD+ funding portfolio.
• DFID have built a strong reputation in the implementation of forest governance programmes through their work so far in FLEGT and this programme looks to build on that. They have drawn on their in house expertise and worked effectively across government, in the UK, EU and in partner countries.
• The forest governance for markets and climate as designed builds on current work where UK has demonstrated leadership. It creates the foundations for effective use of finance for REDD
• The programme aims to draw in private sector specialist expertise and NGO's to work with government's in a number of areas including , development and roll-out of FLEGT legality assurance systems; timber and agri-business standards and compliance systems ; forest fiscal decentralised benefit sharing; forest land and revenue allocation and distribution; alternative rural and forest livelihoods; local civil society capacity building in the above areas of expertise, including of local and indigenous and forest communities
• The multi stakeholder platforms which the programme aims to promote will aid dialogue on rights, forest resources and emissions reductions
• Addresses and looks to mitigate both the demand and the supply side drivers, potentially creating new non-carbon markets for timber and agricultural products
• The activities of this programme are supported by ongoing activities and budgets from the EU and other countries such as USA and Japan, through funding such programmes and procurement policies
• VPA's bring together locally driven multi-stakeholder processes in producer countries that bring together government, business and civil society actors, enabling them to reach a common understanding on forest governance issues
• The programmes aims to ensure local ownership of the process
• The programme aims to ensure traceability of timber and commodities to ensure transparency and acceptability in the supply chain
• Research elements of the programme will allow it to evolve and adapt to any gaps or problems which may
• The programme will aim to ensure continual stakeholder engagement to ensure programme sustainability and give a forum in which ongoing grievances and conflicts over the legality of practices can be rectified
• The programme will collect important information on institutions, laws, regulations and bio physical data on deforestation which will complement REDD+
• Incentivise and lift barriers to finance for small holder farmer and agriculture business to develop more sustainable practices and meet internationally recognised commodities sustainability and socio-economic standards
• Potential to develop new markets for sustainable commodities in Europe
• Provides social and governance safeguards for business and communities involved in REDD+
• Legality assurance for public and private investment in REDD+ projects and readiness activities
• Contributes information to monitoring REDD+ and the drivers of forest degradation and deforestation
• Links forest and agriculture governance to markets and provides demand side incentives (e.g. VPA and the EU Timber Regulation)</td></tr>
<tr><td rowspan="2">Potential for expansion</td><td>Funding expansion</td><td>• The programme has not yet been initialised and there is scope for funding expansion</td></tr>
<tr><td>Geographic expansion</td><td>• The programme will target 10 countries with the potential to extend to30 as part of a wider EU programme</td></tr>
<tr><td colspan="3">Information sources:
• DFID Internal documents</td></tr>
</table>

Appendix 6: REDD+ relevant philanthropic foundation assessments

Philanthropic Organisation	Summary of REDD+ support and activities
Gordon and Betty Moore Foundation	**Overview** The Gordon and Betty Moore Foundation supports a discrete portfolio of projects connected to REDD: These projects share the following goals: Short-term goals: • Ensuring the availability of nonpartisan research and analysis of proposed REDD mechanisms to inform the UNFCCC negotiations in Copenhagen in December 2009, including information regarding practical REDD rules and guidelines that offer effective financial incentives for tropical nations to reduce deforestation and forest degradation. • Effective participation of stakeholders, including indigenous and other forest-dependent peoples, at the Copenhagen conference in December 2009 in the consideration of an effective and practical REDD mechanism. Long-term goal: • Controlling global tropical deforestation and forest degradation, thereby reducing human-sourced CO_2 emissions worldwide by up to one-fifth, protecting tropical forest biodiversity, and conserving other important services provided by these ecosystems. **Funding support** Between 2008-2010 the Foundation provided approximately $20 million of funding to REDD related projects including: • Woods Hole Research Centre - Pan-Tropical Mapping of Forest Cover and Associated Above-Ground Carbon Stock • Iwokrama International Centre for Rain Forest Conservation and Development - Reduced Deforestation and Forest Degradation in Guyana • Fundación Amigos de la Naturaleza - Reducing emissions from Deforestation and Forest Degradation (REDD) in the Bolivian Amazon • Instituto de Hidrologia, Meteorologia y Estudios Ambientales - Enabling the implementation of REDD projects in Colombia • Carnegie Institution of Washington - Enabling satellite-based forest monitoring in the Andes Amazon region • H. John Heinz III Center for Science Economics and the Environment - Terrestrial Carbon Accounting for REDD • Fundep - Fundação de Desenvolvimento da Pesquisa - Setting the technical and social conditions for carbon programs in the MAP region • National Wildlife Federation - Agriculture, Commodities and Deforestation: Bridging Commodities Roundtables and REDD In addition the Foundation is a large financial donor to Conservation International. **Information Sources:** The Gordon and Betty Moore Foundation website – www.moore.org
MacArthur Foundation	**Overview** The MacArthur Foundation provides funding support for REDD activities through its Conservation and Sustainable Development programme. The programme focuses on support for biodiversity conservation activities in particular geographic focal areas in Africa, Asia/Pacific and Latin America/Caribbean. Funding is also earmarked for research that addresses conservation issues in these geographic focal areas. The 2011 programme grant budget is $17 million. **Thematic and regional focal areas** Conservation of biodiversity is MacArthur's broad global environmental objective. In pursuit of this objective, grant making is focused on specific areas where the Foundation has made long-term commitments for lasting impact.

	Grants focus on eight areas in the tropics that have high levels of: 1. Numbers and diversity of plant and animal species 2. Endemism (the percentage of those species found nowhere else) 3. Threat (the level of endangerment of those species) In addition, the diversity of habitat type, strength of local institutions dealing with conservation, and the Foundation's history and familiarity with the region guide the choice of the focal areas. By region the targeted focal areas are as follows: **Africa** • Albertine Rift – highland forests of western Uganda, Rwanda, Burundi, eastern Democratic Republic of the Congo and western Tanzania • Madagascar – coastal and terrestrial ecosystems of this biologically unique island **Asia & Pacific** • Eastern Himalaya – mountain ecosystems of eastern Nepal, Bhutan, Northeast India, Myanmar and Yunnan Province, China • Lower Mekong – forest and freshwater habitats of Lao PDR, Cambodia and Vietnam • Melanesia – coastal and marine areas of Fiji, Vanuatu, Solomon Islands and the northern coast and off-shore islands of New Guinea, including both Papua New Guinea and the Indonesian province of Papua **Latin America & Caribbean** • Southern Tropical Andes– eastern slopes of the mountains and adjoining Amazon lowlands in Peru and Bolivia • Northern Tropical Andes – eastern slopes of the mountains and inter-Andean valleys in Ecuador and Colombia, and the Chocó from north-western Ecuador to the Darién in Panama • Insular Caribbean– terrestrial and coastal ecosystems in the Greater Antilles (Cuba, Hispaniola, and Jamaica) and in selected islands of the Lesser Antilles Complementing its ongoing support for efforts to decrease the production of greenhouse gases by minimizing deforestation within the focal areas, the Foundation also supports adaptations to biodiversity conservation strategies and practices in response to climate change. Grants are made primarily within MacArthur's existing geographic areas, focusing both on assessments of how climate change is likely to affect biodiversity under different management approaches and also on building scientific understanding in this nascent field. Additionally, grants may be made for new technologies, tools, and interventions to conserve biodiversity in the face of climate change and for efforts to help institutions and individuals working with conservation issues make informed decisions about future biodiversity management. **Information Sources:** the Macarthur Foundation website - www.macfound.org
Ford Foundation	**Overview** The Ford Foundation support REDD+ relevant activities through two of its grant making programmes: 1. Climate Change Responses That Strengthen Rural Communities 2. Expanding Community Rights Over Natural Resources **Climate Change Responses that Strengthen Rural Communities** The objective of this programme is to promote climate change policies that meet the needs of rural poor communities worldwide. Grant support delivered through this programme typically ranges between $50,00 – 500,000 and includes: • Fern Foundation - For work on European engagement on Reduction in Emissions from Deforestation and Degradation (REDD) in relation to forest governance • Friends of the earth - To protect the rights of indigenous peoples and forest-dependent communities in Reduced Emissions from Deforestation and Degradation (REDD) policy development • Amazon Working Group - To establish the Reducing Emissions from Deforestation and Degradation (REDD) Observatory to monitor public policies related to REDD and build traditional peoples' capacity to influence these policies • CIFOR - To support a regional workshop and dissemination activities about rural climate change policies, governance, and community rights in Latin America. • University of Para - For applied research on reducing emissions resulting from deforestation and forest degradation and agro-biofuels, and on land ownership and carbon in the Amazon • Global Witness - To develop enforceable safeguards and standards for governance

	in Reduced Emissions from Deforestation and Degradation (REDD) programs • The Munden Project, LLC - To design and test a model carbon-trading exchange platform focused around the rights, needs and livelihood strategies of forest-dependent communities, including the rural poor **Expanding Community Rights over Natural Resources** The objective of this programme is to improve the livelihood of rural poor through increased access to, and decision making on, natural resources. Grant support delivered through this programme typically ranges between $50,00 – 500,000 and includes: • Socio Environmental Institute - For the Public Policy and Socio-Environmental Law Programme to promote sustainable development and the rights of indigenous and traditional populations of the Amazon • Institute of Man and the Environment in the Amazon - To monitor and assess the land tenure regularization process in the Brazilian Amazon and disseminate the findings • Technical assistance in alternative agriculture - To evaluate the Lula administration's policies to promote agro-ecological development for family farmers in Brazil, with a focus on the Western Amazon • Center for Higher Studies of Social Promotion and the Environment For a participatory mapping initiative to guarantee traditional peoples' land rights **Information Sources**: the Ford Foundation Website – www. fordfoundation.org
Clinton Foundation	**Overview** The Clinton Foundation supports REDD+ relevant activities through the Clinton Climate Initiative (CCI). The CCI has a dedicated forestry team who support REDD+ related activities with the following objectives: 1. Protect and manage forests to mitigate climate change. 2. Make REDD+ viable economically for national governments and local communities. **Geographic Focus** The CCI supports REDD+ work in Guyana, Cambodia, Tanzania, and Kenya. It selected these countries on the basis that: "*Each of these partner countries is small enough to be nimble, yet big enough to be meaningful in the global effort on this issue*". The CCI are also developing a portfolio of projects in Indonesia. The CCI works principally with national governments, but also with NGOs and local communities. **Thematic Focus** **MRV:** CCI is helping partner countries design and implement their own measuring, reporting, and verification systems at both national and project level. The objective of this work is to help create a globally acceptable system for MRV, and in turn to support the development of international agreements on deforestation, and improve countries' access to carbon markets as well as other sources of investment capital. The CCI has formed the Carbon Measurement Collaborative (CMC), a network of leading scientists and technical experts in forest carbon modelling, land use change monitoring and measurement, and satellite imaging. The CMC has developed a prototype, based on a system originally developed in Australia, which currently is being demonstrated. In each partner country, CCI aims to build the local capacity through provision of software, computer hardware, and personnel training – to achieve independent management of MRV. Collaborators of the CMC include: the Australian government, Environmental Systems Research Institute (ESRI), the world's leading geographical information systems organization, NASA, and other space agencies through the intergovernmental Group on Earth Observations, the Woods Hole Research Center, the H. John Heinz III Center, World Resources Institute, and the Green Belt Movement. The CMC is also engaged with Google and other important technology providers as well as with end users, including members of the financial investment community and negotiators of the post-Kyoto climate treaty, to determine what the system will be able to deliver for their purposes Private sector engagement: Helping projects access private sector financing is one of the CCI forestry team's principal activities. The CCI team works with partner governments and investment communities to develop business plans and carbon financed commercial deals.

	Project Development: CCI launched its Forestry and Development programme in 2008 with a grant from the Rockefeller Foundation for Carbon and Poverty Reduction. Project activities include: • Guyana – CCI has worked directly with the Office of the President on creating a low-carbon development strategy to find economic incentives for conservation as an alternative to converting the country's 18 million hectares of forest to other uses • Tanzania- assisting development of REDD demonstration projects • Kenya – assisting development of A/R demonstration projects • Cambodia – assisting development of REDD demonstration projects **Information Source**: Clinton Foundation website – www.clintonfoundation.org
The Bill and Melinda Gates Foundation	**Overview** The Bill and Melinda Gates Foundation does not support REDD activities directly. However agricultural development programmes supporting food production in small agricultural systems have indirect links with the drivers of deforestation in REDD+ relevant countries. The foundation is a member of the Alliance for Green Revolution in Africa. **Information Source**: The Bill and Melinda Gates Foundation website – www.gatesfoundation.org
The Rockefeller Foundation	**Overview** The Rockefeller Foundation does not support REDD activities directly. The Foundations strategic focus on land based climate change issues is centred around: • Developing climate change resilience • Strengthening food security The Foundation is a member of the Alliance for Green Revolution in Africa. **Information Source**: the Rockefeller Foundation website – www. rockefellerfoundation.org

Appendix 10: Regional development bank assessments

Development bank	Summary of REDD+ support
African Development Bank (AfDB)	**Overview of CBFF activity** The AfDB is responsible for the general operation of the Congo Basin Forest Fund (CBFF). The CBFF was launched in 2008 with an initial contribution of GBP 50 million from the UK Government and an equivalent matching contribution from the Norwegian Government (NOK 520 million); the CBFF aims to support innovative and transformative projects that safeguard the Congo Basin rainforest. The CBFF will build up its portfolio of projects through two mechanisms: 1) Regular competitive call for proposals 2) Projects initiated by the CBFF Governing Council and its partners in response to identified gaps and needs not addressed by proposals submitted during call for proposals. The fund is also expected to closely work with other institutions and corporate bodies, including the Central Africa Countries, the COMIFAC Executive Secretariat, and the Congo Basin Forest Partnership, the donor agencies, the civil society, NGOs and the private sector. **Regional Focus of CBFF** Burundi, Cameroon, Central Africa Republic, Chad, Congo, DR Congo, Equatorial Guinea, Gabon, Sao Tome and Principe, and Rwanda. To date the governments of Cameroon, Gabon, RCA, Equatorial Guinea, DRC, Rwanda, Congo, and Burundi have received a grant from the African Development Bank to finance CBFF projects. **Overview of Forest Investment Programme (FIP)** The AfDB will channel approximately $180 million of the World Bank's Strategic Climate Funding. This will include support to the three African Pilot countries being supported through the FIP: Burkina Faso, DRC and Ghana. Joint missions of the MDBs to pilot FIP countries to develop investment strategies are planned throughout 2011. **Opportunities for alignment with UK Government REDD+ strategy** There may be an opportunity for the UK Government to enhance the effectiveness of the CBFF through capacity building support to fund applicants. This would increase the quality of project planning and enhance disbursal rates from the fund. The UK Government could engage with the AfDB during the development of FIP investment strategies for African FIP pilot countries. This would allow for synergies to be identified and supplementary bilateral funding to be planned effectively. Information Source: AfDB website – www.afdb.org
Asian Development Bank (ADB)	**Overview** The ADB has stated that it will: "*support the region's sustainable forest management and conservation , as well as agricultural land use improvements, to promote carbon conservation and sequestration*" **Regional focus** Efforts will be focused on Indonesia, the countries of the Mekong Basin, Papua New Guinea, Solomon Islands, and Vanuatu. Support will be programmed in coordination with other multilateral and bilateral programs—such as the World Bank's Forest Carbon Partnership Facility, the United Nations-REDD Programme, and the Climate Investment Fund's Forest Investment Programme. **Examples of ADB REDD+ related project support to date include:** • Jiangxi Sustainable Forest Ecosystem Development Project, China, $826,000 • Forest Resource Management Sector Project, Sri Lanka, $40 million • Forests for Livelihood Improvement in the Central Highlands, Vietnam, $90.66 million **The ADB will finance REDD+ relevant activities through the following funds:** • Climate Change Fund (CCF) • Climate Investment Funds (CIF) • Poverty and Environment Fund (PEF)

	• Small Grants for Promoting Climate Change Adaptation in Asia and the Pacific • Global Environment Facility (GEF) **Opportunities for alignment with UK Government REDD+ strategy** The UK Government could engage with the ADB during the development of FIP investment strategies for Asian FIP pilot countries (Indonesia, Lao PDR). This would allow for synergies to be identified and supplementary bilateral funding to be planned effectively. **Information Source:** ADB website – www.adb.org
The European Bank for Reconstruction and Development (EBRD)	No REDD+ relevant programme or funding identified
The Inter American Development Bank Group (IDB)	**Overview** To support the region in the Reducing Emissions from Deforestation and forest Degradation (REDD) agenda, the IDB is expanding its role as an implementing agency for climate change-related funds. The IDB is responding quickly to the current financing opportunities to scale up its support to Latin America and the Caribbean. Currently, the IDB is supporting the following REDD related funds: **The Forest Investment Programme (FIP)** The FIP is a targeted programme of the Strategic Climate Fund (SCF), which is one of two funds within the framework of the Climate Investment Funds (CIF). The FIP supports developing countries' efforts to reduce deforestation and forest degradation (REDD) and promotes sustainable forest management that leads to emission reductions and the protection of carbon reservoirs. It achieves this by providing scaled-up financing to developing countries for readiness reforms and public and private investments, identified through national REDD readiness or equivalent strategies. In Latin American and the Caribbean, the FIP as of 2011 had three pilot countries: Brazil, Mexico, and Peru. The IDB is leading the programme in Peru, and co-leading the programme in Brazil. **Forest Carbon Partnership (FCPF)** The FCPF assists developing countries in their efforts to reduce emissions from deforestation and forest degradation and foster conservation, sustainable management of forests, and enhancement of forest carbon stocks (REDD+) by providing value to standing forests. The Forest Carbon Partnership Facility builds the capacity of developing countries in tropical and subtropical regions to reduce emissions from deforestation and forest degradation and to tap into any future system of positive incentives for REDD. In Latin American and the Caribbean, the FCPF is working with 15 countries. The IDB is leading the programme in Peru, Guyana and Suriname. **The Guyana REDD Investment Fund (GRIF)** The GRIF is intended to be a model for REDD payments to countries with low deforestation rate and high forest cover. More specifically, the GRIF will be an instrument to get Guyana "ready" for compliance markets or non-compliance market for emissions reductions from deforestation and forest degradation. It is a transitional instrument as the country envisions a future economy in which forest and environmental services will figure prominently. Through the GRIF, Guyana and Norway, invited the IDB to act as a GRIF Partner to implement specific projects and programs that prevent and control emissions from deforestation and degradation. **Opportunities for alignment with UK Government REDD+ strategy** The UK Government could engage with the IDB during the development of FIP investment strategies for Brazil and Peru where IDB is leading the programmes implementation. This would allow for synergies to be identified and supplementary bilateral funding to be planned effectively. **Information Source:** IADB website – www.iadb.org

Appendix 7: Terms of Reference

Scoping Study: UK's REDD+ Portfolio

1. Background

Tackling deforestation and degradation is a key part of the global effort to tackle climate change. Without REDD+, the goal of limiting the rise in global temperatures to 2°C above preindustrial levels will be much harder, and substantially more expensive, to achieve. Forests are also crucial to the livelihoods of 1.2 billion of the world's poorest people who live on less than $1 a day. Losing these forests would jeopardise the achievement of the MDGs on poverty and environmental sustainability. Maintaining the world's forests is also a crucial adaptation strategy.

But forests are currently worth substantially more dead to key stakeholders than alive. Correcting this market and governance failure is the key to addressing deforestation. It is now widely accepted that financial incentives are needed on a systemic, international scale to create the right economic incentives for actors in developing forest countries to protect their forests. In Copenhagen, 6 developed countries - including the UK - agreed to provide $3.5bn over the period 2010-2012 to catalyse early action on REDD+ (£300m from the UK). Pledges now total around $4 billion globally, and forest nations are willing to act. The UK has also committed to spending £2.9bn on climate finance over the next 4 years (2011-14) of which, though no decisions have yet been taken, REDD+ is likely to be a significant element.

The UK therefore wishes to identify how best to scale up its support to REDD+. The objectives for our overall REDD+ programme portfolio are to:

(i) Support countries to become "REDD+ ready" to participate in payment for results programmes and take complementary domestic action

(ii) Support innovative mechanisms of payment for results, which leverage private sector involvement in REDD+ and lead to immediate results on the ground

(iii) Create and support an efficient, effective, and coordinated international system to support countries to deliver REDD+ outcomes

(iv) Learn what makes for effective REDD+ programming and share these lessons with developing forest nations and the international community

It is intended that this portfolio supports innovative and sustainable forest carbon financing deals which maximise poverty reduction, climate resilience, biodiversity and adaptation pay-offs. The UK already invests in the Forest Carbon Partnership Facility (FCPF), Forest Investment Programme (FIP), Congo Basin Forest Fund (CBFF), and is developing a 5 year REDD+ programme with Indonesia and a 10 year Forest Governance, Markets and Climate programme. The proposed scaled up portfolio could include:

(v) Continued support to multilateral and regional programmes such as Forest Carbon Partnership Facility (FCPF), Forest Investment Programme (FIP), and the Congo Basin Forest Fund (CBFF)

(vi) Scaled up bilateral work in one or several countries. This could be based on the development of large scale results-based partnerships with a limited number of forest nations and would seek to catalyse transformational change away from the unsustainable extractive use of forests and towards a new low carbon economy in coordination with other partners.

2. Purpose of the work

The purpose of the work is to set out and assess options for how the UK can most effectively scale up its engagement in REDD+ to achieve results, impact and value for money over the period 2011-14 and contribute to the development of global knowledge and an effective global architecture. Further work may be commissioned after this scoping exercise to design and appraise a new programme or programmes. If this is the case, the successful service provider(s) will not be precluded from tendering for this follow-on work.

3. Recipients

DFID, DECC, and Defra will be the main recipients. The outputs will be delivered in consultation with other key government departments (e.g. HMT, FCO) and in close collaboration with external stakeholders, particularly forest nations and other donors. The ultimate beneficiaries once final programme design is completed will be stakeholders in developing forest nations, and potentially other donors who may want to support further programmes on REDD+.

4. Methodology

Stage I: Review and analysis of existing REDD+ experiences and approaches

Drawing on (i) the service provider(s)' own knowledge and experience (ii) extensive work already commissioned by DFID, OGDs, and external organisations/stakeholders (key documents will be shared on appointment) (iii) reviews/evaluations of existing programmes (including by the global REDD+ partnership); and (iv) consultations with key stakeholders, the service provider(s) will produce a report which covers:

(i) **An assessment of existing REDD+/forest governance programmes** supporting national level REDD+ efforts. This should include major bilateral programmes and key multilateral, regional, and EU facilities, including FLEGT. The assessment should include a summary of early lessons learnt and "good practice" (including an analysis of short-comings) covering:

a. Incorporating appropriate levels of national consultation, including involvement of indigenous peoples

b. Providing adequate social and environmental safeguards (e.g. for poor communities)

c. Securing economic development and poverty reduction objectives, equitable benefit sharing, and maximising the synergies and addressing potential trade-offs between adaptation, biodiversity, poverty reduction, and carbon reduction objectives

d. Monitoring and evaluation frameworks for REDD+ programmes (e.g. use of proxies, IPCC Tiers) - with a review of possible indicators for tracking progress and impacts

e. Overcoming the challenges of rapidly scaling up financing and potential implementation barriers. This should cover key macroeconomic risks, ensuring domestic accountability, and how to support and enhance the development of national capacity and REDD+ financing mechanisms.

f. Addressing aid effectiveness principles in REDD+ planning and delivery.

g. The appropriate balance between (i) REDD+ readiness, up-front investment, and results-based financing; (ii) use of grants, loans and equity based development finance; (iii) catalysing investments inside and outside the forestry sector to tackle the wider drivers of deforestation

h. Incorporating the lessons from forest governance work.

i. The range of possible approaches to catalysing private sector investment into REDD+ including (i) indirect approaches (e.g. via government to government funding agreements); and (ii) more direct approaches (e.g. directly incorporating into funding agreements 'AMC style' conditional purchase agreements with private sector investors, pre-identified demonstration programmes, or use of REDD+/forest bonds).

(ii) **An assessment on the scope to expand and build on existing bilateral, regional, and multilateral funds**, and in particular:

a. their ability to absorb more funds and disburse quickly

b. their ability to test truly innovative approaches (e.g. with the private sector)

c. their capacity to expand to other countries

(iii) **A long list of priority countries**, which could be prioritised for REDD+ programming, using criteria such as (a) the extent of political will to take action on REDD+ (b) current and/or future potential for emission reductions, poverty reduction, resilience, and biodiversity benefits (c) HMG country office presence and capacity [or presence of other potential delivery partners] (d) the extent of funding from other sources vis-à-vis future investment needs (e) capacity to meet UK fiduciary standards and appropriate environmental and social benchmarks; (f) potential for demonstrable lessons for other countries in the region; and (g) progress in setting up national REDD+ financial/institutional structures.

Stage II: Options development

Using the preliminary results from Stage I and working closely with the forestry team in DFID's Climate and Environment Department, DECC, and Defra, develop a short-list of options for further UK support to REDD + programming.

The service provider(s) should assess the full range of options to deliver UK support including via other donors and the multilateral system, and the potential for (co) financing with DFID country offices, other donors and multilaterals at the country and global levels. The service provider(s) should outline preferred options, and set out the pros, cons, trade-offs, and risks of different types of support and levels of ambition. A preliminary assessment should be made of what the different options could deliver in terms of results, as well as a strategy for overcoming and mitigating some of the inherent risks and challenges in scaling up REDD+ programming.

The service provider(s) should assess whether or not a separate programme or programmes will maximise the prospects for achieving results and impact at least cost, or whether the UK should focus its efforts on strengthening or building on existing programmes. One option that should be considered is that of providing significantly scaled-up results-based finance to reward a limited number of priority countries. For example, the UK could negotiate partnership agreements with a selected number of developing forest nations – in coordination with others (e.g. other donors) - setting out a programme of actions and agreed results to be supported by a combination of up-front and ex-post results based finance.

The service provider(s) should discuss and validate options and recommendations with relevant REDD+ country government officials, DFID's Africa and Asia Divisions, DFID country offices, other donors, UK and other country-based NGOs, DECC, Defra, relevant private sector organisations, and any other relevant stakeholders. This Stage may include and a workshop with relevant officials to present findings and discuss options.

5. Main Deliverables

- 5-8 page inception report providing further detail of proposed approach
- Stage I Findings Report + PPT presentation
- Stage II Findings Report + PPT presentation with key options

6. Reporting

The team will report directly to CED's economic adviser on REDD+ with whom they will be in regular contact. The work will be overseen by a steering committee made up of officials from the Department for International Development (DFID), the Department for Energy and Climate Change (DECC), the Department for Environment, Food and Rural Affairs (DEFRA) and other representatives, selected for their specific expertise, where appropriate.

7. Timing

This work is expected to take place over a 3 month period, delivering in March 2011. The indicative timeline for the work is set out below.

Task or Deliverable Product	Required by:
Deadline for submission of bids	December 7th
Contract issued	December 17th
Inception report	January 21st
Stage I findings report	18th February
Stage II findings report	25th March

8. Skills and personnel

The team will need to demonstrate that they have the experience and skills to enable them to successfully complete the scope of work within the required timescale. The team will need to demonstrate a strong track record and background in REDD+/forestry and wider low carbon development, with an ability to draw on specific knowledge and expertise (e.g. private sector development, climate financing institutions and structured financing, and monitoring and evaluation of REDD+ related interventions).

The team must have strong familiarity with the international and national level agenda on REDD+ (knowledge of FLEGT would be an advantage), have strong interpersonal skills, and proven project management experience. An ability to tap into international networks and leading opinion formers will also be crucial. Some capacity to engage knowledgeable local consultants/local networks in key forest nations would be an advantage.

Bidders should name the key staff they propose to use for the work and provide copies of their CVs (no more than 2 pages).

We encourage consortiums and are happy for potential applicants with different experiences to collaborate. This may be to bring in individuals who will contribute substantial research in their particular area of expertise, or individuals who will contribute through participation in an advisory capacity to the Steering Group.

9. Costs

The service provider (s) should submit a (i) commercial proposal (ii) financial proposal. This should clearly specify the total fixed cost and be broken down into estimated person days, daily rates and expenses for the project. Value for money will be key criteria of assessment.

10. Responding to the invitation to tender

All applications should be submitted electronically to Simon Mercer at the DFID funded DEWPOINT Resource Centre: smercer@dewpoint.org.uk

Bids will be assessed against the following criteria, each with equal weighting:

- The skills and experience of the proposed team (as detailed above)
- Their understanding of the terms of reference of the work
- The approach they intend to adopt
- Their ability to deliver to the timescale required
- The clarity of writing
- Cost and value for money

Bids should be no longer than 10 pages (excluding Annexes).

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