

From Readiness to Full Implementation: Financial Support Considerations from a Multilateral Perspective
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I am not a finance expert, so do not hope that I will give you answers on finance. However, when I am thinking finance, these are the sorts of thoughts I have and I want to share those with you.

Form readiness to full implementation, financial support considerations from a multilateral perspective

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FAO

Questions?

- **Complex and uncertain Climate Change finance. Is REDD+ different?**
- **REDD+ carbon credits supply likely to be bigger than demand?**
- **Where we stand?**
- **How to match demand of finance to achieve sustainable results?**
- **Is there a single solution? Only one sequence?**
- **What we learnt while supporting REDD+? Did we learnt something?**

The sorts of questions I usually get to myself are that complex and uncertain climate change finance is there. We all know. Is REDD different? REDD carbon credits supply is likely to be bigger than the demand. That was already an issue in Marrakesh. That was why avoiding deforestation was not included in CDM.

Where do we stand today? Do we have a clear understanding of where we stand today? How we can match the demand of finance to achieve sustainable results? We can try to finance today in the short term, but is this going to be sustainable? Is this action going to happen and then increase in developing countries? Is there is a single solution for everyone? What have we learned? Did we learn something? Those are the sorts of questions I ask myself every time that I think about how to finance and what developing countries are doing in financing mitigation in developing countries in the forest sector.

1. Complex and Uncertain Climate Change Finance: Is REDD+ Different?

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Climate Change Global Finance

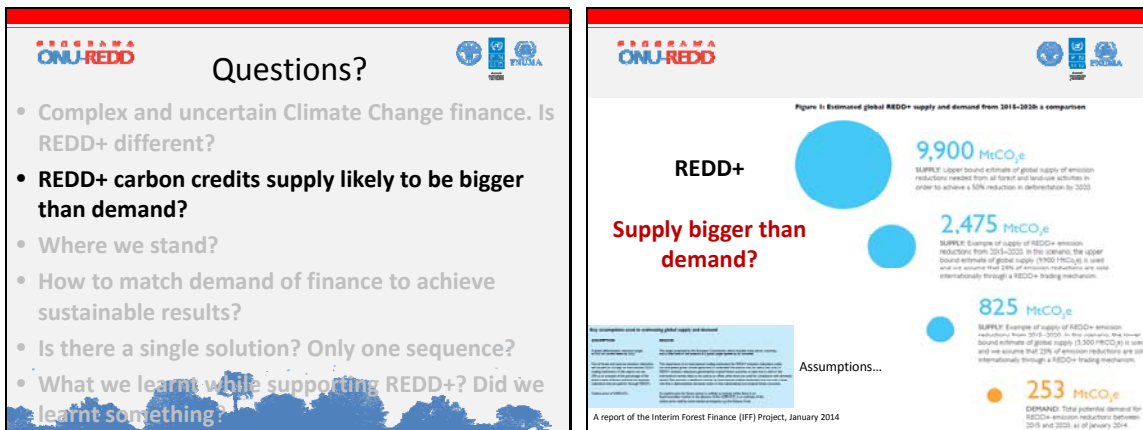
Complex... Uncertain?

REDD+ short term versus long term

If we go to the first question, we see this picture. This is the biennial assessment and overview of

climate finance flows. You see that more or less certain financial flows are tiny while you have some bigger hopes. What you can see is REDD on the short term versus long term on my view. If we want to make REDD possible, we have finance today. It was a short-term finance but how we are going to scale up the finance to reach the sustainability. In a way, much as with this picture of reducing uncertainty on climate change finance as a whole and the idea that REDD is not a sector in isolation.

2. Is the REDD+ Carbon Credits Supply Likely to be Bigger than Demand?



The second question is that REDD carbon credits supply is likely to be bigger than demand. I am not an expert on that, but some experts are saying things like that. Of course, this is related to assumptions. This is the report by the FI¹ group in the UNEP². You see that the demand compared to the potential supply of 9.9 billion is quite small. Of course, this is only we think in terms of markets.

... assumptions

Key assumptions used in estimating global supply and demand

ASSUMPTION	REASON
A global deforestation reduction target of 50% on current levels by 2020.	The target proposed by the European Commission, which includes many donor countries, and is used here in the absence of a global target agreed by all countries.
Not all forest and land-use emission reductions will be paid for through an international REDD+ trading mechanism. In this report, we use 25% as an example of the percentage of the global supply of forest and land-use emission reductions that are paid for through REDD+.	The importance of an international trading mechanism for REDD+ emission reductions under the anticipated global climate agreement is underlined. We assume that for every four units of REDD+ emission reductions generated by tropical forest countries, at least one is sold on the international market, likely to be used as an offset, while three are used for compliance with domestic targets. This assumes a significant role for an international trading mechanism, but not such a large role that it discourages domestic action in the industrialized, non-tropical forest countries.
Carbon price of US\$5/tCO ₂ e	An implicit price for forest carbon is unlikely to emerge whilst there is no liquid secondary market. In the absence of the US\$5/tCO ₂ e, an estimate of the carbon price used by some market participants, e.g. the Amazon Fund.

Stimulating Interim Demand for REDD+ Emission Reductions: The Need for a Strategic Intervention from 2015 to 2020. A report of the Interim Forest Finance (IFF) Project, January 2014

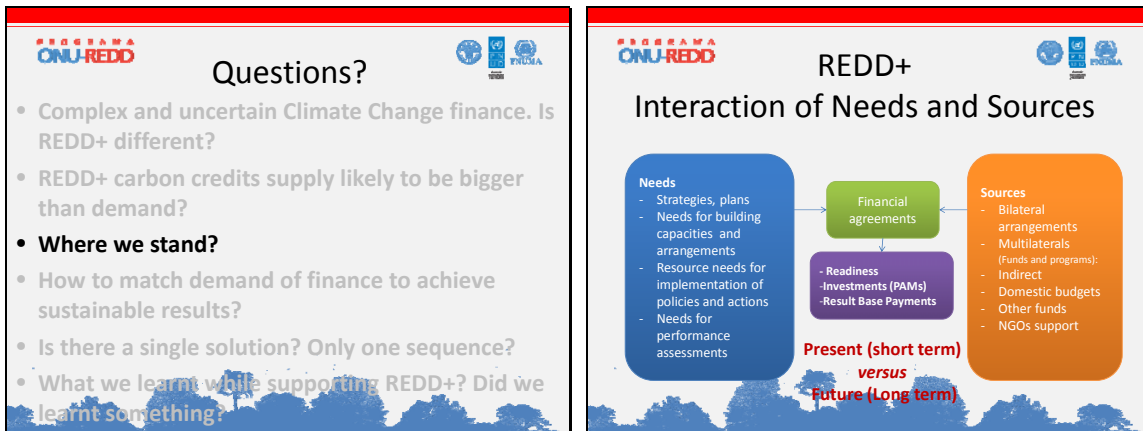
Indeed, if you look at the assumptions they made, it is very clear that they said not all forest and land use emission reductions will be paid through an international REDD+ trading mechanism. They see clearly that trading is not the only financial support needed. They assume that, for every four units of emission reductions generated by a tropical forest, at least one is sold on the international market. All the three are not, so you see. If you go to another assessment they will have another sort of assumptions. climate finance is uncertain, but not only the climate finance but also the analysis that we are doing. We have to live with this

¹ UNEP Finance Initiative: <http://www.unepfi.org/>

² United Nations Environment Programme: <http://www.unep.org/>

uncertainty.

3. Where do we Stand?



Where do we stand today? If we try to look into the interactions between needs and sources in developing countries, usually what you see is that the needs are related how they have to sort of develop the so-called REDD strategies, which may be a so-called REDD strategy, or maybe something else. It could be a plan. Every country has a different approach. They have to build capacities and arrangements to be able to produce the desired results.

The UNFCCC convention is giving them some guidance on what elements they have to be in place. They have the need to put in place those elements sort of like national forest monitoring systems, reference levels, the national strategies or action plans themselves, safeguards, information systems, and all sorts of other things. They need support on that.

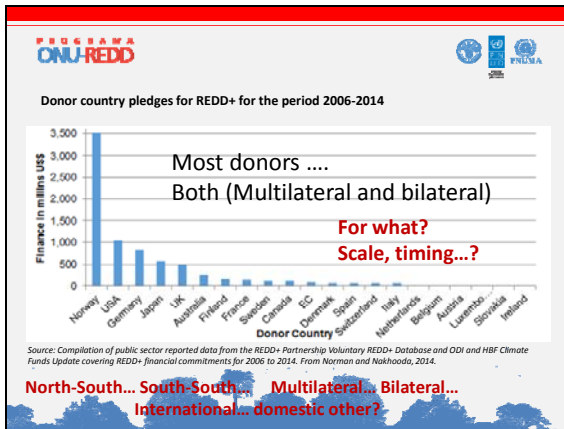
Then they need resources for implementation of those policies and actions that they decided are the most appropriate to achieve the results they want to achieve. Finally, they need also to assess the performance of systems to be able to assess the performance. Usually they ask for resources for all these sorts of things.

Then, they just start to bridge through many types of financial arrangements. Sources that are there are bilateral, for example; or many bilaterals; multilaterals funds and programs; indirect finance; domestic budgets, which is the most difficult to grasp; other funds; NGOs³ support in many cases at local and provincial level or even jurisdictional level is also there. Again, if you try to frame these needs and these sources, basically what you are doing is supporting readiness, supporting investments, and supporting through result-based payments.

These are the three main elements that are in the landscape of finance for REDD in those days. I think we have to put this in the dimension of short-term versus long-term to maintain the sustainability. I do not have an answer to that. I am just giving you this sort of reflection. Maybe you can give me answers. I have to admit that I came here to learn more than to teach anyone.

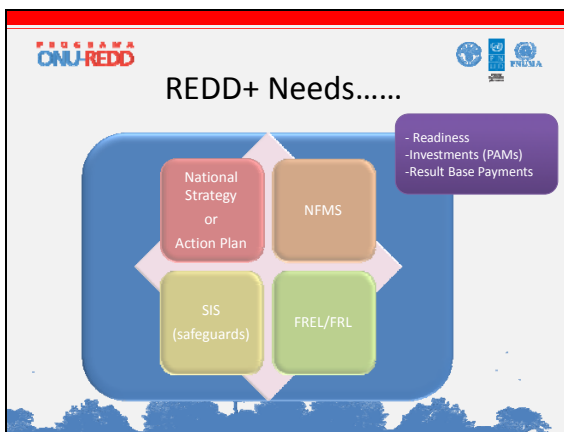
³ Non-governmental Organization

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If you look at landscape of donors we have, of course, all these resources are coming from donors in one way or another through multilaterals, through bilaterals, through NGOs, but in the end it is mostly coming from donors. This is the landscape of donors that we have. They are investing both in multilaterals and bilaterals. The question is, for what, and what is the scale and timing? I want you to keep this question in your mind. I would like in the question and answers for you to interact and tell me for what the finance is there from donors, and what you think about the scale and time.

Then, of course, all this is happening north-south. That is mostly this diagram but also south-south and multilaterally, bilaterally, international, domestic. We have this sort of complexity there. If you get it right, you will probably get some sort of financial framework that will allow you to get sustainability on what you want to achieve.



Those are the sorts of guidance or mandate that you get from the convention. At least you have to have these things in place. There is some guidance on how to do it. In some cases, more or less like for national strategies or action plans, there is not much guidance. For national forest monitoring system, there is a bit. For reference levels, it is more guidance and for systems, for safeguards, there is some, and maybe will be more.

Again, this has to be seen in this sort of three main areas of readiness, investments, and results based payments. I want you to pay attention that I did not put a number on those because I do not think they are linear. I do not think they are necessarily independent in many cases. As we will see later, they overlap.

REDD+.....Sources

Sources

- Readiness
- Investments (PAMs)
- Result Base Payments

- Bilateral arrangements (mostly RBPs)
- Multilaterals (Funds and programs), examples:

Readiness	Investments (PAMs)	RBPs
FCPF Readiness Fund	FIP	FCPF Carbon Fund
UNREDD Programme	GEF	
GCF?	GCF?	GCF?

- NGOs projects (mostly readiness)
- Domestic budgets (mostly investments)
- Voluntary Markets (RBPs)
- Others (Amazon Fund, CBFF, etc.)

If we go to the sources what we see it is bilateral arrangements which are in those days mostly for result based payments. You have multilateral funds and programs and here I just tried to put just the main ones you see FCPF Readiness Fund⁴ is for readiness. FIP⁵ was designed for investments. The FCPF Carbon Fund was designed for result-based payments. The UN-REDD Program, which is a joint program of the UN through a multi-donor trust fund, is for readiness. You could use GEF for investments maybe also for readiness. Of course, there is a question mark. Probably in the morning Mr. Tao was giving you some light on that for the Green Climate Fund, which we can discuss. As far as I understood, it could be almost everywhere. The magnitude is not clear.

Then, you have NGO projects or programs, which are mostly for readiness. Some of them are stepping into some demonstration, voluntary markets for result based payments, and others, which are, for example, the Amazon Fund is a bilateral arrangement that became multilateral because you can have more than one country accessing, but it was originally designed for Brazil. The Congo Basin Forest Fund⁶ was originally designed for forests, but it got a lot of focus on REDD+. These are the sorts of sources that we are facing those days.

Multilateral is playing a role....

6 Multilateral funds: UNREDD, FCPF (Readiness/Carbon), Amazon Fund, CBFF, Bio carbon Fund Initiative for sustainable forest Landscapes, FIP

Type of funding/ donor	Scope of Data	Data Tracking Institution/ source	Total financial package/ investment reported in million USD
Bilateral	21 donors countries ⁷	Detailed assessment and completion report: ODI FIP data 2010-2012 Voluntary REDD+ Database (VRD) of the REDD+ Partnership (2006-2013)	4,535
Multilateral	6 multilateral REDD+ forest funders ⁸	ODI FIP data 2010-2012 Detailed assessment and completion report: ODI FIP data 2010-2012 Voluntary REDD+ Database (VRD) of the REDD+ Partnership (2006-2013)	3,142
Multiple countries	21 donors and 6 multilateral REDD+ forest funders ⁸	Detailed assessment and completion report: ODI FIP data 2010-2012 Voluntary REDD+ Database (VRD) of the REDD+ Partnership (2006-2013)	23
Outcomes	21 donors and 6 multilateral REDD+ forest funders ⁸	Detailed assessment and completion report: ODI FIP data 2010-2012 Voluntary REDD+ Database (VRD) of the REDD+ Partnership (2006-2013)	465
Private Foundations	10 REDD+ initiatives ⁹	Forest Trends' REDD+ March 2014	101
Private sector	182 projects	Enterprise landscape 2013	900
Total			8,666

Copyright Unredu and forest partners, 2014. "The State of REDD+ Finance." CGD Working Paper 378. Washington, DC: Centre for Global Development.

I was trying to learn before I came, so I just read some papers on finance. What you see is that yes multilaterals are playing a role. You see 3.3 billion there. There are mainly six multilateral funds. We saw

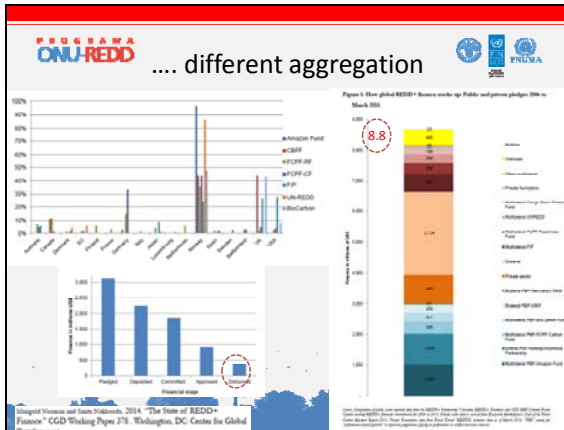
⁴ <https://www.forestcarbonpartnership.org/readiness-fund>

⁵ Forest Investment Program

⁶ <http://www.cbf-fund.org/>

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before the UN-REDD, FCPF both funds, the Amazon Fund, the Congo Basin Forest Fund, the BioCarbon Fund for sustainable forest landscapes, and FIP. Those are the landscapes of big multilaterals that we are playing with. The amount is quite important but, there we go.



First of all if we disaggregate, we see that the preference of donor bodies among those funds depending on their objective, how reliable they think they may be in terms of disbursements, and so on. You see that Norway is a major donor. That is not a surprise. I am not going to go into this. They are more or less equitable in terms of where they are pledging. Overall, the latest estimation in this paper is 8.8 billion, but I think the most important thing I wanted to highlight here is this graph here. There are a lot of pledges. There is a lot being deposited. There are a lot of commitments. There is little bit approved and there is a very low delivery, which put a question in the mind of why? I do not have an answer either, but perhaps we can discuss about the why, about how you perceive this why.

Here on the right you have a disaggregation. You see that there is a lot of multilateral. There are also big bilaterals and so on, but of that the disbursement is still very, very low.



Then it comes to the ground. What we observed on the ground when we go to countries to help is, first of all, we find many people helping. Secondly, we learn that there is not a linear process. It is more a cycle. You can enter into the cycle in different places. Usually, what you will think about is the way you start thinking on what capacity you need and then design or think on your strategies and plans and then try to implement. Then you will have to monitor this implementation and you may get result-based payments, but

still you may need capacity building for something else because you want to improve. You may need to improve your strategies on plans or scale up to different regions or new country and therefore your implementation gets bigger. It is a cycle where you get in, and the cycle only can give you improvements and sustainability of your actions.

4. How Do We Match the Demand of Finance to Achieve Sustainable Results?

Questions?

- Complex and uncertain Climate Change finance. Is REDD+ different?
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- **How to match demand of finance to achieve sustainable results? Is there a single solution? Only one sequence?**
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Example

to match demand of finance to achieve sustainable results...

How to match demand of finance to achieve sustainable results, is there a single solution? It is only one sequence. I could not find many examples because I did not have time, but I took an example from the World Bank, which is not big scale. It is not a national scale, but here you see how they tried to match all these financial resources. They use the readiness phase, they use the FCPF grant. They are using also funds from the UN-REDD program now. Then, of course, they try to implement, and this is for the forests/cocoa landscapes. They decided that this is an area where they can work together. They got the FIP, so they could use the FIP for investments, and then they will get payments through the FCPF Carbon Fund. This is how one country is trying to match those demands. Each country will have to find a way to match all these sources we saw before in a way that gets sustainable.

5. What Have We Learned Supporting REDD+?

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Ideal.... but...

Not a single standard solution, need to adapt to country situations....

to match demand of finance to achieve sustainable results...

What we learned is that you need all these sorts of finance and that this finance will evolve in time. Probably you have seen this graph this morning in the presentation of Elly. This finance has different types across your path. This could be for one country. For another country it may change a little bit proportional

on time. We have to respect that because, if we do not respect that and we try to standardize, we probably will fail. I think this is a lesson learned for myself because what do you want to achieve is sustainable cumulative emission reductions or sustainable cumulative enhancement.

PROGRAMA ONU-REDD

What we learnt?

- REDD+ **not linear**, more a cycle. **Timing and scale of finance matters** to country processes and differences.
- Many countries face barriers for implementing the national REDD+ policies and measures and **significant funding** is required to overcome some of these barriers.
- Long-term, cumulative emission reductions only can be **created and maintained** from a financing mix.
- Need to **leverage existing finance and ensure this will contribute to sustainable land use** (amount often many times larger than climate finance) if long term mitigations is aimed.

PROGRAMA ONU-REDD

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What I learned (this is more general message I want to give you not only related to finance) is that, first, REDD+ is not linear. It is more of a cycle. Timing and scale of finance matter to country processes and differences. Many countries face barriers for implementation of the national policies and measures. Significant funding will be required, and I am not saying that the funding should be only international. I am saying significant funding is required. The question is how we are going to trigger that domestic funding will step in substantially as well. Long-term cumulative emission reductions only can be created and maintained from a financing mix. I think we all agree on that. What we do not agree or where we have different views is on what financial mix we are talking about. Probably these will be different for different countries. Finally, and this is just sort of embarrassing statement, in my view, there will be a need to leverage existing finance and ensure that this will contribute not only to forests and REDD+ but to sustainable land use. We cannot treat forests in isolation.

Often these amounts in the countries of climate finance will be big, but if you want to achieve long-term mitigation you need to aim for disintegrated approaches. I am not saying we have to forget about REDD and try to move to something else. I think we have to consider REDD in the context of a broader aims in a broader sector. We can continue what we have been doing on REDD. It has no precedent and therefore we should not be lost. I hope that these considerations will help you to ask questions to yourselves. Do not ask too many to me because probably I would not be able to answer.