Mapping Forest Finance

A Landscape of Available Sources of Finance for REDD+ and Climate Action in Forests

Environmental Defense Fund

Forest Trends

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The complete report is available online at: edf.org/mappingforestfinance

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Key terms and abbreviations

AE	Accredited Entities
BNDES	Brazilian Development Bank
CBD	Convention on Biological Diversity
CLUA	Climate and Land Use Alliance
COP	Conference of the Parties
CSOs	Civil society organizations
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
DGM	Dedicated Grant Mechanism
EoI	Expression of Interest
ERPA	Emission Reductions Payment Agreement
ERPD	Emission Reductions Program Document
ER-PIN	Emission Reductions Program Idea Note
FAO	Food and Agriculture Organization of the United Nations
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Program
FLR	Forest and landscape restoration
FREL	Forest Reference Emission Level
FRL	Forest Reference Level
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	Greenhouse gas
GIZ	German Corporation for International Cooperation GmbH
GNU	Germany, Norway, and the United Kingdom
GRIF	Guyana REDD+ Investment Fund
ICAO	International Civil Aviation Organization
IDB	Inter-American Development Bank
IFC	International Finance Corporation
ISFL	BioCarbon Fund Initiative for Sustainable Forest Landscapes
ITMOs	Internationally Transferred Mitigation Outcomes
KfW	KfW German Development Bank
LoI	Letter of intent
LULUCF	Land use, land-use change, and forestry
MBM	Market-based measure
MDB	Multilateral development bank
MoU	Memorandum of understanding
MRV	Measuring, reporting, and verifying
NDA	National Designated Authority
NDC	Nationally Determined Contribution
NGO	Non-governmental organization

NICFI	Norway's International Climate and Forest Initiative
NP	National Program
NYDF	New York Declaration on Forests
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development
OFP	Operational Focal Point
PPP	Public-private partnership
RBF	Results-based Finance
RBP	Results-based payment
REDD+	Reducing Emissions from Deforestation and forest Degradation
REM	REDD Early Movers Program
RMSC	Resource Management Support Centre
R-Package	Readiness Package
R-PIN	Readiness Plan Idea Note
R-PP	Readiness Preparation Proposal
SFM	Sustainable Forest Management
SIS	Safeguard Information System
SNA-GP	Support to National Action-Global Programs
STAR	System for Transparent Allocation of Resources
TBP	Transfer-based payment
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNFCCC	United Nations Framework Convention on Climate Change
UN-REDD	UN-REDD Program
US	United States
USAID	United States Agency for International Development
WFR	Warsaw Framework for REDD+

Executive summary

Conversations surrounding how best to reduce emissions from deforestation and receive compensation for these reductions have evolved substantially since discussions under the United Nations Framework Convention on Climate Change (UNFCCC) started in 2005. Earlier discussions about the policy instrument known as REDD+, or Reducing Emissions from Deforestation and forest Degradation, focused on policy structure, technical and scientific questions, and the development of safeguards. In 2010, countries decided on a phased approach to REDD+ implementation that would be organized in three major phases: Phase 1—Readiness, Phase 2—Implementation, and Phase 3—Results-based Finance (RBF).[1] Almost all countries were expected to start with Phase 1 activities. This Readiness Phase would build the foundation for successful REDD+ programs, and would include the development of national strategies or action plans, supporting policies and measures, and capacity building for REDD+ countries to implement their policies and plans to reduce deforestation and forest degradation.

Recent conversations, however, have shifted to addressing one of the earliest points of initial agreement among donor and recipient countries: the need to provide funding to help developing countries design and implement policies and measures to reduce deforestation. Although the Warsaw Framework for REDD+ (WFR), which was established at the nineteenth yearly session of the Conference of the Parties (COP), defines the methodological, institutional, and funding aspects of REDD+, there is still no formal consensus on what constitutes REDD+ finance.[2] Despite this ambiguity, there are various financial sources currently providing funding for activities that fall within the three phases of REDD+, including bilateral and multilateral sources, as well as public and private sources.

These financial resources were intended to support activities ranging from aiding countries in the preparation of national and subnational REDD+ strategies to developing and transferring technology. It is important to note that to date, most REDD+ finance flowing to countries under the Readiness Phase has not focused exclusively on the development of national REDD+ strategies, but rather on the development of a range of supportive architectures, including national forest monitoring systems, Forest Reference Emission Levels (FRELs)/Forest Reference Levels (FRLs), tools and procedures for measuring, reporting, and verifying (MRV), and stakeholder engagement related to social safeguards. In the coming years, as more countries build up the frameworks necessary to implement their REDD+ programs, results-based finance under Phase 3 will be essential for enabling REDD+ to achieve its mitigation potential.

In this report, Environmental Defense Fund and Forest Trends map the landscape of the available sources of funding for climate action in forests, with a focus on REDD+, through 2017. To provide a comprehensive overview of the different sources of REDD+ finance, the report first defines the three phases of REDD+, and then provides a summary of the various finance sources, types, and mechanisms. The report then describes the sources of finance available for each phase of REDD+, including the funding type, the amount initially provided and the amount remaining, the funding mechanism used for resource distribution, eligibility criteria, scale, access parameters, scope of each funding source, and notable challenges with accessing funds from each source. Next, the report highlights salient challenges with and opportunities for accessing and coordinating finance for REDD+ specifically, and climate action in forests more broadly. Lastly, to provide a visual representation of the landscape of funding sources for REDD+ and climate action in forests, the report includes an infographic in Annex 1 that shows the sources of finance and funding mechanisms that correspond to each REDD+ phase.

This overview of available sources of funding for climate action in forests and REDD+ can serve as a resource for REDD+ practitioners and policy makers, non-governmental organizations (NGOs) in developed and developing countries, and anyone else navigating the implementation of REDD+ and other climate actions that aim to address the forces driving emissions in the forest sector, such as achieving Nationally Determined Contributions (NDCs). This report is not, however, intended to provide comprehensive numerical figures on every available source of funding for the different phases of REDD+, but rather to provide an overview of the main tranches of funding and the potential financing sources that REDD+ countries can access. Additionally, the information provided is both historical and forward looking to provide context and also inform future decisions. Lastly, while the WFR codified the overall guidance for designing and implementing a REDD+ policy, it is but one of the elements used to frame the report. Despite having based their national REDD+ strategies on the WFR, many countries are interpreting and implementing activities beyond this scope, which the report acknowledges.

Part 1: Introduction

With the foundations for REDD+ now in place, attention is shifting to the actions necessary to design and implement REDD+ activities, and moreover, to provide results-based finance through a variety of sources.

REDD+ has emerged as a key approach for reducing emissions from deforestation and forest degradation in developing countries by providing a policy framework for increasing the value of standing forests. Through providing incentives and support to reduce emissions from deforestation and forest degradation, and to promote the conservation and enhancement of forest carbon stocks and the sustainable management of forests, REDD+ aims to combat the destruction of forest cover and loss of forest carbon.[3] Participating REDD+ countries need to provide the following four elements: a national REDD+ strategy, a national FREL/FRL, a robust and transparent national forest monitoring system, and a system for providing information on how safeguards are addressed and respected.[4]

REDD+ was first proposed during COP11 when a formal process was initiated to consider how developing countries could contribute to and participate in reducing emissions from deforestation.[5] After a series of work programs and negotiations under the UNFCCC, Parties at COP16 in 2010 adopted the Cancun Agreements, which define the five activities encompassed in REDD+, and also adopted social and environmental safeguards to guide the implementation of REDD+.[6] At COP19, parties adopted the WFR to finalize the pending rules and methodologies for REDD+.[7] To further demonstrate the importance of forests and the land sector for global climate change mitigation efforts, parties at COP21 in 2015 explicitly recognized forests and land in the Paris Agreement, including a reference to all of the past decisions—the rules, objectives, and guidelines—for operationalizing REDD+.[8]

With the foundations for REDD+ now in place, attention is shifting to the actions necessary to design and implement REDD+ activities, and moreover, to provide results-based finance through a variety of sources. This report provides a comprehensive landscape of the financial sources available to fund the three phases of REDD+. Although there are currently various reports dedicated to explaining the different sources of REDD+ finance, the information has not yet been compiled and categorized according to phase, type, amount, funding mechanism, eligibility criteria, scale, access, and scope, which is the aim of this report.

Part 1 of the report provides a general overview of the different phases of REDD+ and summarizes the various finance types and mechanisms. Part 2 explores the different sources of finance available for each REDD+ phase and provides a case study for each phase. Part 3 consists of a discussion of the challenges with and opportunities for accessing and coordinating REDD+ finance. Information for this report was gathered from desktop research, COP23 discussions and side events, and conversations with country and donor representatives.

1.1. The Three Phases of REDD+

In the Cancun Agreements of COP16, Parties agreed to a phase-based approach to REDD+, and gave countries the flexibility to select the starting phase. Prior to COP16, most discussions centered on how to compensate countries for reducing their emissions from deforestation, the ultimate goal of what was then known as RED.[i] Less attention was devoted to how national

[i] At COP11 in Montreal, the concept of a compensation mechanism labeled reducing emissions from deforestation (RED) was first proposed.

programs could be built over time, and once fully implemented, could receive results-based payments (RBPs) and contribute to global reductions in deforestation. Over time, it became clear that REDD+ countries would not be able to simply stop deforestation, but rather would need to implement a whole range of activities that would lead to a reduction in deforestation and forest degradation, sustainable forest management (SFM), and the enhancement of forest carbon stocks. It also became evident that this would need to be achieved in a gradual, phased approach, with funding provided by donor countries.

The three phases of REDD+ are:

Phase 1: Readiness—Countries develop a national REDD+ strategy or action plans; design policies and measures through inclusive stakeholder consultations; begin building capacity in MRV; and potentially begin demonstration activities.[9]

Phase 2: Implementation—Countries implement national policies and measures to reduce emissions (as stipulated in their national REDD+ strategy), which could involve capacity building, technology development and transfer, and results-based demonstration activities.[10] [11]

Phase 3: Results-based Finance (RBF)—Countries are compensated only for reducing emissions and enhancing carbon stocks relative to agreed reference levels; results-based actions should be fully measured, reported, and verified.[12]

The REDD+ phases are intended to serve as a guide, rather than a set of requirements, for participating countries.[13] Therefore, activities under each phase should be defined by countries. Additionally, these phases are not sequential and can overlap or operate in parallel, meaning that countries can begin the REDD+ process in different phases depending on their respective national and subnational circumstances and varying capacities. For example, a country can begin the implementation of results-based activities without having fully developed a REDD+ national strategy. Similarly, capacity-building activities can be incorporated into both Phases 1 and 2.

1.2. Overview of Finance Types

Since COP13, the importance and necessity of adequate and predictable financial support for REDD+ implementation has been consistently recognized.[14] Currently, funding for REDD+ comes from various types—including public and private, bilateral and multilateral, national and international—various sources—such as the Green Climate Fund (GCF) and the REDD Early Movers Program (REM)—and is channeled through different funding mechanisms—such as loans and grants. While REDD+ funding under the WFR stresses RBPs for mitigation outcomes achieved from REDD+ implementation, financial resources providing support for REDD+ can support activities ranging from providing technical assistance and facilitating the transfer of technology, to building capacity and implementing REDD+ activities on the ground. Just as REDD+ phases can often overlap, financing can also be obtained for activities spanning different phases, and operating at different times or in parallel.

Funding for REDD+, regardless of the source, can usually be classified as: pledges, commitments, and disbursements. **Pledges** are non-binding promises made by a donor for the transfer of finance, with the amount to be transferred often contingent on performance or results, and thus uncertain.[15] When the donor and recipient sign a legally binding agreement specifying the amount, conditions, and intended use of the funds—thus making a binding commitment to deliver a specific amount of finance—a pledge becomes a **commitment**.[16] **Disbursements** result when committed funds are transferred from the donor to the recipient or an intermediary, such as an NGO or a REDD+ country government.[17] Financing for Phases 1 and 2 of REDD+ can be provided via loans, grants, subsidies, and equity. Funding for results-based activities under Phase 3 can be sourced from transfer-based payments (TBPs) via the transfer of an asset, and RBPs via grant allocations. Regardless of what financial instruments are used to disburse funding, generally REDD+ finance can be categorized according to the types below.

a. Multilateral Finance

Multilateral sources fund one-third of internationally supported REDD+ activities.[18] Multilateral trust funds like the Forest Carbon Partnership Facility (FCPF) and UN-REDD Program (UN-REDD) administer both international and regional funds for REDD+ design and implementation.[19] Multilaterals require the development of comprehensive country programs, and coordinate multiple projects to achieve a single goal. Multilateral funds generally require extensive coordination among multiple donors and stakeholders, and entail significant management and reporting procedures. Additional arrangements are then needed to address diverse national circumstances and capacities of partner countries. As a result, acquiring funds from these sources can be a complex process. While the often slow-moving nature of multilateral funding sources can slow down the readiness and implementation phases, these funds can also create lasting partnerships that can lead to long-term change at a broader scale.[20]

b. Bilateral Finance

A significant portion of the money pledged for REDD+ related programs and activities comes from bilateral donors. Between 2006 and 2014, twenty-one countries collectively pledged almost US$5 billion through bilateral agreements.[21][22] The government of Norway, for example, has established bilateral REDD+ partnerships with Brazil, Indonesia, Guyana, Tanzania, Democratic Republic of the Congo, and Mexico through Norway's International Climate and Forest Initiative (NICFI).[23] Donors and forest country governments, however, may encounter complicated and time-consuming transactions due to the complexity of public sector bureaucracy and relatively large amount of money involved in these transactions. Despite these obstacles, bilateral funding partnerships have provided significant funding for Phase 1, and are likely to provide more finance for the demonstration and implementation of REDD+ results-based activities, with increased emphasis on financing Phase 3.[24]

Multilateral sources fund one-third of internationally supported REDD+ activities.

c. Private Sector

The private sector is becoming an increasingly important potential source of REDD+ finance. According to an analysis of REDD+ finance commitments across 13 countries conducted by Forest Trends' REDDX Initiative and Ecosystem Marketplace, between 2009 and 2014 private sector corporations contributed US$36 million in REDD+ finance to support the development of national REDD+ strategies, and US$381 million in project-scale payments for carbon offsets through the voluntary carbon market.[25] Overall, the private sector provided about 10% of the US$4 billion committed to REDD+ tracked across the 13 countries during that time period.[26] Private sector engagement with REDD+ can include financing and investing in actions or projects that lead to REDD+ outcomes, such as the production of verified emission reductions or elimination of deforestation from forest-risk-commodity supply-chains. Private sector finance can also create demand through the purchase of emission reductions from investors, among other activities.[27][28]

Governments are determining ways to leverage public funds to access larger amounts of private sector finance to advance REDD+ implementation, and are increasingly exploring public-private partnerships (PPPs).[29] For example, the 2017 New York Declaration on Forests (NYDF) report identified that since 2010, close to US$2.7 billion in capital has been raised in forest-relevant subsectors, 35% of which is designated for sustainable agriculture.[30] Other private sector actors are investing in modifying supply chain practices to intensify production on already cleared lands, tracking commodity production to eliminate deforestation, and supporting PPPs. As a necessary complement to public finance sources for REDD+, the private sector has the potential to deliver an additional US$13 billion per annum by 2020.[31]

Additionally, some private sector entities are engaging with voluntary and compliance markets for carbon. Some private actors are voluntarily offsetting their greenhouse gas (GHG) emissions by purchasing carbon credits either to showcase climate leadership or uphold their corporate social responsibility (CSR) efforts. Others are engaging in voluntary markets anticipating their required inclusion in future compliance markets. Although not formalized in the Paris Agreement, collaborative compliance market mechanisms, such as internationally transferred mitigation outcomes (ITMOs) under Article 6, could provide funding for climate change action in the forest sector, including through REDD+ TBPs.[32] Market-based approaches under regulated compliance markets could play a larger future role in providing funding for REDD+, such as through the International Civil Aviation Organization's (ICAO) market-based measure (MBM). These approaches could contribute to closing the finance gap between the funding currently available for REDD+, and the amount needed to meet the objectives of the Paris Agreement.[33]

d. Private Foundations

Private foundations, such as the Moore Foundation and the Packard Foundation, are also providing funding for climate action in forests and REDD+. Most private foundation funding has focused on preparation activities, stakeholder consultations, and supporting NGOs working in REDD+ countries. According to Forest Trends' REDDX Initiative, private foundations across 13 tropical forest countries contributed US$166 million between 2009 and 2014.[34] In many cases, financing from foundations or bilateral sources tends to be disbursed more quickly and efficiently than those channeled through multilateral institutions.[35]

e. Domestic Investments

To fill in the gaps and compensate for deficiencies in funding, many national REDD+ country governments have started channeling their own resources to support REDD+. These domestic investments for climate action in forests and REDD+ can come in the form of budgetary allocations, subsidies, and contributions to regional and/or national endowment funds.

Part 2: Sources of finance for REDD+ phases

As there is no UNFCCC decision regarding what officially constitutes financing for REDD+, it has been left to individual donors and entities providing funding for REDD+ and REDD+ countries to differentiate REDD+ finance from overall climate and development finance. For the purposes of this report, REDD+ funding refers to the financial resources dedicated to supporting activities associated with REDD+, or to supporting activities that could be interpreted as facilitating the achievement of REDD+ objectives. This understanding acknowledges that some REDD+ affiliated initiatives are not labeled as "REDD+" by every donor or recipient country, and recognizes that the contributions of these actions are evaluated on a case by case basis.

2.1. Sources of Finance for Phase 1: Readiness

Public funds are the primary source of finance supporting all three stages of REDD+, from capacity building and readiness, to early implementation and payments for performance. "Readiness" activities under Phase 1 involve efforts to prepare and equip REDD+ country governments, civil society institutions, and forest-dependent communities to develop and implement actions that reduce emissions from forest loss and degradation, preparing the way for future RBPs.

Most of the funding received by REDD+ countries has been allocated to develop the necessary policies and systems under Phase 1. These funds have been primarily used for activities comprising the four main readiness elements, including:

- Strengthening the institutional capacity of REDD+ country governments to more effectively and sustainably manage their forests by developing national REDD+ strategies or action plans and aligning policies and laws to reduce deforestation and forest degradation;
- Developing FRLs/FRELs;
- Developing National Forest Monitoring Systems, which together with FRELs/FRLs, are the basis for the MRV component. These systems aim to track changes in forest cover and associated emissions, and could provide relevant information on social or environmental impacts of REDD+ programs; and
- Developing and implementing safeguards-related processes.

Many countries have also undertaken additional activities as part of the Readiness Phase, including:

- Establishing REDD+ institutional and or management arrangements within the national government;
- Improving the participation of non-governmental stakeholders in the design, implementation, and monitoring of the three phases of REDD+; and
- Improving forest management in protected areas and conservation reserves.

MULTILATERAL FINANCE

UN-REDD, together with two trust funds managed by the World Bank—the Forest Investment Program (FIP) and the Forest Carbon Partnership Facility (FCPF) Readiness Fund—are the three largest multilateral forest and climate funds for Phase 1, collectively channeling US$293 million in REDD+ finance.[36] Although the FIP does provide support for readiness, the fund primarily focuses on Phase 2 while the FCPF Readiness Fund mainly focuses on Phase 1.[37] The World Bank also delivers other forest-related finance. The following subsections describe these and other sources of funding for Phase 1.

Forest Carbon Partnership Facility (FCPF) Readiness Fund

The goal of the FCPF's Readiness Fund is to help countries build up their capacity and create the framework needed to receive large-scale payments for REDD+ performance. The Readiness Fund became operational in 2008, and provides grants and technical assistance to REDD+ countries.[38] The World Bank serves as the trustee and as the Secretariat. The World Bank, the Inter-American Development Bank (IDB) and the United Nations Development Program (UNDP) are formal 'Delivery Partners' under the Readiness Fund, and are responsible for delivering REDD+ readiness support services to 36 countries.[39] There are currently 17 financial contributors to the FCPF. These include: the European Commission, Australia, Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Norway, Spain, Switzerland, the United Kingdom (UK), and the United States (US).[40]

Type:	Public-multilateral
Amount:	The Readiness Fund totals around US$370 million.[41] Countries receive US$3.6 million upon approval of their Readiness Plan—a framework for the country to set a clear plan, budget, and schedule to undertake REDD+ activities—and are eligible for US$5 million of additional support at the mid-term review of their project implementation.[42] Total disbursements as of 2017 are US$187 million, US$61 million of which was disbursed in cash, US$90 million in grants to REDD+ Countries, and US$35.4 million in disbursements to Delivery Partners for readiness preparation support to countries. All pledged funds have been committed.
Funding Mechanism:	Grants
Eligibility:	Tropical forest country national governments are eligible. The Participants Committee has endorsed the Readiness Preparation Proposals (R-PPs) of 47 countries, with the most recent round of R-PPs being endorsed in FY14.
Scale:	National
Access:	Interested countries must submit a Readiness Plan Idea Note (R-PIN) to the FCPF. If approved, selected countries then need to prepare their Readiness Plan. The partnership's governing body reviews and assesses Readiness Plans, and then allocates FCPF grants to selected countries.
Scope:	The resources from this fund support several Phase 1 Readiness activities, including: design and development of national REDD+ strategies, development of FRELs/FRLs, establishing/strengthening National Forest Monitoring Systems, and setting up REDD+ national management arrangements, including environmental and social safeguards related requirements.[43]

Challenges:	Among the primary challenges of the FCPF Readiness Fund are slow disbursement rates, limited transparency of disbursements, and insufficient private sector interest and investment.[44] Countries seeking to access more funding under the Readiness Fund also find it challenging to meet additional criteria.

UN-REDD Program (UN-REDD)

A UN collaborative initiative of the UN Food and Agriculture Organization (FAO), UNDP, and the UN Environmental Program (UNEP) launched in 2008, UN-REDD supports developing countries in the design and implementation of national REDD+ activities agreed upon under the UNFCCC.[45] Recognizing that a number of UN-REDD's 64 partner countries are advanced in REDD+ readiness and are requesting further technical support to move into the Implementation Phase, the program recently started focusing on implementation support (as discussed in Section 2.2).[46] The majority of UN-REDD funding, however, supports Phase 1 activities.

Donor countries include the European Commission and the governments of Denmark, Japan, Luxembourg, Norway, Spain and Switzerland with Norway providing a significant portion of the funds. The UN-REDD Executive Board has general oversight of the program. The Assembly is the primary method by which consultations, dialogues, and knowledge exchanges take place. There are also National Steering Committees that facilitate strong country ownership and shared decision-making for National REDD+ Programs, and include representatives of civil society and indigenous peoples.[47]

The UN-REDD Program offers support to the development of all Phase 1 activities.

Type:	Public-multilateral
Amount:	In 2016 the net funded amount was around US$280 million.[48] Between 2018 and 2020, US$9 million a year in technical assistance is to be provided through FAO, UNDP, and UNEP.[49]
Funding Mechanism:	Grants
Eligibility:	Countries must be a "partner" of the UN-REDD program to access funds.
Scale:	National
Access:	Countries can receive direct support, but the majority of activities are executed through the UN agency offices in the countries. Current UN-REDD country programs are being financed for a set of activities, but no new country programs are anticipated to be financed in the future. However, countries can request targeted funding for one or a small set of activities to support one part or multiple parts of their readiness programs. Support can range from US$50,000–$300,000 for a specific piece of work.
Scope:	The UN-REDD Program offers support to the development of all Phase 1 activities. The different agencies leverage their respective expertise to execute the needed activities.
Challenges:	One challenge that has been cited is that there is a lack of clear guidance regarding country and activity selection under this mechanism. As a result, interested countries may not be aware of all requirements. Improving transparency could help increase the effectiveness of the UN-REDD Program.

BILATERAL FINANCE

Bilateral government arrangements between donor countries and REDD+ countries are also supporting REDD+ readiness. The US, Norway, Germany, and the UK have been very proactive donors for Phase 1, as indicated by the two examples below.

United States Agency for International Development (USAID)

Since 2010, USAID has supported activities that reduce land-based emissions, including REDD+, under the Sustainable Landscapes programs.[50] Working with governments, USAID is helping plan and implement policies to address the drivers of land-based emissions.[51]

Type: Public-bilateral

Amount: Between 2015 and 2016, the US contributed US$200 million to this program. In 2017, a budget request had been decreased to US$86 million, subject to Congressional approval.[52]

Funding Mechanism: Grants

Eligibility: The Sustainable Landscapes program focuses on places where forest carbon storage is high and where the risk of deforestation maybe be great. Investments target a small number of countries and regions with high priority forest landscapes, high "demonstration value" activities, or MRV systems for forest emissions and market readiness.[53]

Scale: National

Access: To be considered for inclusion in the Sustainable Landscapes program, interested countries need to submit Concept Papers which must describe how to create public-private partnerships (PPPs) to address reducing the current pressures on forests so as to significantly reduce emissions from forest degradation and deforestation.[54] Supporting information regarding the type of support the applicant requests (e.g. funds, equipment, facilities, etc.) must also be provided. All concept Papers are reviewed against a set of criteria; if approved, then USAID will solicit full applications from applicants.[55]

Scope: This funding is supporting work in over a dozen REDD+ countries to help them better manage their tropical forests and other landscapes by building capacity for rigorous and transparent monitoring of forest and carbon stocks, and supporting other activities to identify better practices and opportunities on the ground for low-emissions agriculture.[56] Priority areas for investment include: creation or implementation of REDD+ strategies, readiness for carbon financing (including pay-for-performance programs), and REDD+ field demonstration activities linked to subnational or national frameworks.[57]

Challenges: In the US, official development assistance (ODA) for programs that are implemented outside the US have not been popular, and in some cases have been cut back or completely eliminated. Considering the budget allocation priorities of the current administration, the extent to which funding for climate and forest related activities will be approved is uncertain.

Germany, Norway, and the United Kingdom (GNU)[ii]

In 2015, Germany, Norway, and the United Kingdom—collectively known as GNU—announced a REDD+ funding pledge at the Paris climate negotiations. They intend to provide US$5 billion over the six-year period between 2015 and 2020—around US$800 million a year—with the goal of reaching US$1 billion a year by 2020, supporting all phases of REDD+.[58]

Type:	Public-bilateral
Amount:	The countries intend to provide US$5 billion over the six-year period between 2015 and 2020—around US$800 million a year—with the goal of reaching US$1 billion a year by 2020.[59]
Funding Mechanism:	Grants
Scale:	National
Eligibility:	Ad Hoc
Access:	Ad Hoc
Scope:	Funds are intended to scale-up support and technical assistance to build capacity, improve governance, address land tenure, strengthen sustainable land-use, and promote the full and effective participation of indigenous peoples and local communities in programs that reduce deforestation and forest degradation. Resources will also be used to partner with the private sector to transform supply chains to become deforestation-free, and ultimately leverage hundreds of billions of private investment in forests and agriculture.
Challenges:	The requirements to access this funding have yet to be announced. This means that, although the money has been pledged, it is not yet available. Additionally, each country has different access points depending on their respective programs and contexts.

PRIVATE SECTOR

The private sector has financed several pilot activities that in some cases have served to inform the development of a country's national strategy and policy development. In Ghana, for example, the country's Emission Reductions Program Document (ERPD) for its Cocoa Forest Mosaic Landscape benefitted from the private sector working with the Ghanaian government. Funding can be disbursed in various forms including grants, loans, and investments depending on the players involved and activities funded. But the fact remains that in many REDD+ countries, Phase 1 activities have not been funded much by the private sector. Given the for-profit nature of private sector actors, they aim to invest in carbon credits/tons, instead of financing the types of activities that are part of Phase 1.

PRIVATE FOUNDATIONS

Private foundations are the next-largest donor after governments, providing grants for REDD+ readiness and related activities. In the early years of the Fast-Start Finance period, private

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[ii] While GNU announced a joint REDD+ funding pledge, Germany is also providing support for REDD+ readiness and other phases via the German Corporation for International Cooperation GmbH (GIZ) and the REM, which will be covered in Section 2.3. Additionally, Norway is also contributing to REDD+ funding through Norway's International Climate and Forest Initiative (NICFI) as discussed in a later section.

foundations played a significant role in quickly mobilizing smaller amounts of grant funding and filling a crucial funding gap as bilateral and multilateral funding mechanisms took time to develop.[iii] Commitments from the Betty and Gordon Moore Foundation represented more than half (53%) of all foundation funding in 13 major REDD+ countries through early 2015, while other foundations including Climate Works, the Ford Foundation, and the Packard Foundation also made significant contributions.[60] These four private foundation donors also made collective commitments through the Climate and Land Use Alliance (CLUA), an umbrella consortium which allows these foundations to partner together to support land-use policies and practices that mitigate climate change, benefit people, and protect the environment.[61] A challenge with foundations has been that, in relative terms, they have not generated the amounts that government actors have provided. Foundations also have many other funding objectives that go beyond REDD+, which can limit the amount of funding set aside for strictly REDD+.

DOMESTIC INVESTMENTS

Many REDD+ country governments are using their own resources to support REDD+ through a variety of channels, including budgetary allocations to support general operations of REDD+-related government agencies, financing for domestic forest conservation subsidy programs, and contributions to regional and or national endowment funds often in the form of grants, loans, and subsidies. While difficult to quantify, several REDD+ country governments have mobilized domestic funds to conduct readiness activities when experiencing gaps or delays in international donor disbursements. For example, the government of Ghana contributed early finance to support REDD+ pilot projects in the country in an effort to compensate for slower-than-expected disbursement rates of funds from multilateral agencies.

Phase 1 Case Study: Ghana and REDD+ Readiness[62]

Ghana has implemented numerous REDD+ related activities, mostly for stakeholder engagement, institutional strengthening, and improved forest and land management. Although most of Ghana's Phase 1 activities have been funded through the country's own budget, Ghana has received some international support for these efforts. Ghana received around US$98 million in commitments through 2016, but has only received about US$29 million in actual disbursements. The main donor is the FIP, with US$70 million pledged to the Ghanaian government. In 2008, Ghana joined the FCPF Readiness Fund and in 2011 it entered into UN-REDD, receiving readiness funding from both of these multilateral trust funds. The FCPF has provided US$3.4 million for the implementation of a 4-year R-PP, but it is expected that the bulk of the finance to support implementation of the program will come from the private sector. Ghana presented its Readiness Package (R-package) to the FCPF in 2014. Its Emission Reductions Program Idea Note (ER-PIN) was then submitted to the FCPF Carbon Fund (which will be discussed in Section 2.3) in March 2016, and its ERPD was submitted in 2017.

In Ghana, REDD+ is well-aligned with national policies on climate change, low emissions development, and sustainable environmental and natural resource management. Its national REDD+ strategy has a roadmap in place to implement and achieve these policy goals. Ghana's REDD+ implementation plans also feature prominently in the country's NDC.

In Ghana, the Forestry Commission developed a Climate Change Unit to serve as the National REDD+ Secretariat, and this unit is now slated to be upgraded to Directorate. Ghana designated the Resource Management Support Centre (RMSC) of the Forestry Commission as the technical unit responsible for Ghana's FREL and MRV.

[iii] During COP15, developed countries pledged to provide new and additional resources, including forestry and investments, approaching USD 30 billion for the period 2010–2012 and with balanced allocation between mitigation and adaptation. This commitment came to be known as 'fast-start finance.'

2.2. Sources of Finance for Phase 2: Implementation

Phase 2 of REDD+ is generally referred to as the "Implementation" phase. Support for this phase includes funding for activities that contribute to emission reductions from deforestation and forest degradation such as:

i. Implementing national policies, measures, strategies, activities—such as forest landscape restoration (FLR)—or action plans involving further capacity building and technology development and transfer to address the drivers and underlying causes of deforestation and forest degradation, or to enhance forest carbon stocks;[63]

ii. Testing or piloting activities included in national REDD+ strategies on-the-ground, including results-based demonstration activities, to gain experiences that can inform decision-making and assure decision-makers that policies will result in desired outcomes;[64] and

iii. Continuing support for the implementation of systems and processes designed for REDD+ readiness including operationalizing Safeguard Information Systems (SIS) and national forest monitoring systems, which can entail updating or revising FRELs / FRLs.

Up to now, a limited amount of funding has been committed or disbursed for Phase 2, when compared to REDD+ finance dedicated to Phase 1 and Phase 3.[65] Increased funding for implementation, however, is most likely necessary to generate anticipated results. The following subsections describe the current funding sources for Phase 2.

Up to now, a limited amount of funding has been committed or disbursed for Phase 2, when compared to REDD+ finance dedicated to Phase 1 and Phase 3.

MULTILATERAL FINANCE

The Global Environment Facility (GEF), the GCF, and the FIP are among the multilateral sources of funding providing support for Phase 2 activities. These three sources alone are providing over US$15 billion to further implementation by bolstering forest governance, improving the management of forest landscapes, and addressing drivers of deforestation among various other activities.

Global Environment Facility (GEF)

As an operating entity and financing mechanism of the UNFCCC, the GEF plays a critical role in supporting the implementation of REDD+ activities. The GEF was created to help member countries in their efforts to address the causes and mitigate the impacts of climate change, which includes financing projects that reduce emissions from both land use and land-use change.[66] In order to advance these goals, the GEF provides funding that can support activities to reduce pressure on forest resources, generate sustainable flows of forest ecosystem services, reduce GHGs from deforestation and forest degradation, and enhance carbon sinks from land use, land-use change, and forestry (LULUCF) activities, with a focus on addressing the drivers of environmental degradation.[67]

Type:	Public-multilateral
Amount:	The anticipated total funding envelope for GEF-6, which runs from 2014 to 2018, is US$4.43 billion with a target of over US$700 million for forests—US$70 million of which is targeted at forest landscape management and restoration.[68] Project funding from the GEF ranges from US$1 million for medium-sized projects to US$8 million for full-sized projects. During the second meeting of Participants for the GEF-7 Replenishment, participants considered the two Financing Scenarios presented: the "status quo" scenario of US$4.4 billion (unchanged from GEF-6)

and the "increased support scenario," which would increase GEF-7 to US$5 billion.[69] In anticipation of the upcoming GEF-7 replenishment meeting, participants requested the Secretariat to provide additional information concerning the trade-offs with respect to programming, both in the case of a larger or smaller funding envelope, compared to the status quo scenario.[70]

Funding Mechanism: The GEF provides funding primarily through grants. The GEF also directs investments to Sustainable Forest Management (SFM) and related portfolio activities according to the System for Transparent Allocation of Resources (STAR) system. For every three investment units from STAR resources from two or more focal areas allocated to a particular country, one unit is released from the SFM/REDD+ funding envelope to the proposed project.[71] Additionally, to qualify for incentive investments from SFM/REDD+, each country is also required to invest a minimum of US$2 million from their combined allocations.[72]

Eligibility: GEF funds are available to developing countries with economies in transition to achieve the objectives of relevant international conventions and agreements. Countries may be eligible for GEF funding if the country has ratified the five conventions the GEF serves—including the Convention on Biological Diversity (CBD) and the UNFCCC—and conforms with the eligibility criteria decided by the COP conventions, or if the country is eligible to receive World Bank financing or is an eligible recipient of UNDP technical assistance.[73] Support is provided to government agencies, civil society organizations (CSOs), private sector companies, research institutions, and other potential partners to implement projects and programs in recipient countries.[74]

Scale: GEF provides funding for activities at the jurisdictional and national level; all types of forests are eligible. All GEF projects are fully country-driven[75]

Access: As the GEF Trustee, the World Bank administers the GEF Trust Fund resources and disburses funds to GEF Agencies, among other responsibilities. Governments of recipient countries decide which specific executing agency (CSOs, private sector companies, and research institutions, etc.) to partner with. Therefore, projects must be driven by the country (and not an external partner) and be consistent with national priorities that support sustainable development. Additionally, projects must address one or more of the GEF focal area strategies (which include land degradation and SFM).[76]

The GEF provides variable amounts of funding depending on the specific project's scope and ambition. Each approved project is assigned an Operational Focal Point (OFP) who coordinates all GEF-related activities within the recipient country.[77] The GEF funds four types of projects: full-sized projects, medium-sized projects, enabling activities, and programmatic approaches.[78] Each type of project has separate templates for applying, reviewing, and reporting, which can complicate the application and approval process.

Scope: GEF funds can be used to further REDD+ implementation by supporting countries in their efforts to:[79] [80]

- Develop national systems to measure and monitor carbon stocks and fluxes from both forests and peatlands;
- Bolster forest-related policies and institutions;
- Develop policy frameworks to slow the drivers of carbon emissions resulting from deforestation and forest degradation;

- Establish innovative financing mechanisms;
- Pilot projects to reduce emissions from deforestation and forest degradation;
- Support work with local communities to develop alternative livelihood methods to reduce emissions and store carbon;
- Improve management of forest landscapes for multiple benefits and services;
- Restore forest landscapes; and
- Avoid GHG emissions from deforestation and forest degradation and improve forest management.

Challenges: Among the challenges cited with accessing funds through the GEF is the complexity of the approval process for projects. Additionally, the strictness and complexity of application and approval procedures tends to increase with project size. Both of these factors may create barriers for those countries seeking funding for projects that are both ambitious and efficient.

Green Climate Fund (GCF)

Established in 2010, the GCF is an extension of the UNFCCC's financial mechanism and was created to help developing countries limit or reduce their GHG emissions and adapt to climate change.[81] The GCF provides support to both maintain and amplify the implementation of the early phases of REDD+.[iv] Phase 2 investment through the GCF identifies the appropriate interventions to be funded depending on the major land use circumstances of the areas where investments are expected, specifically considering the state of:

- **Previously forested lands**—to reduce pressure on forests and prevent increasing deforestation by enhancing carbon stocks through reforestation, agroforestry, and forest restoration;
- **Managed forest**—to support sustainable forest management; and
- **Primary forest**—to enhance forest conservation and other activities with limited human intervention.[82]

Type: Public-multilateral

Amount: As of the start of the GCF's initial resource mobilization period, which lasts from 2015 to 2018, US$10.3 billion has been pledged overall, originating from 43 different governments.[83] The Fund's objective is to convert all pledges to contribution agreements within one year from the time at which they are made.[84] As of October 2017, approximately US$2.2 billion has been committed.[85] Approximately US$991 million (or 37%) of GCF funds are related to REDD+, US$236 million (or 24%) of which is related to forestry and land use.[86] Funding for projects depends on the size of the proposal, and can range from up to US$10 million to above US$250 million. Thus far, the GCF has mobilized funding for REDD+ implementation in Ecuador (US$41.2 million) and Madagascar (US$53.5 million).[87] [88]

Funding Mechanism: Grants, loans, equity

Eligibility: Developing countries

Scale: National and subnational

iv The GCF provides some funding for Phase 1 as REDD+ readiness requests go through the GCF Readiness and Preparatory Support Program, but these activities are done in the context of general readiness for implementation and support for these actions may be minimal.

Access:[89]	To access GCF resources, the National Designated Authority (NDA) or focal point of a potential recipient country can voluntarily submit a country work program to the Secretariat. The Secretariat then issues a call for proposals, which project or program sponsors respond to by submitting a concept note. Once the Secretariat—in consultation with the focal point—provides feedback and recommendations, then the proposal is revised and submitted for review. The Secretariat then performs due diligence on the submission and submits it to the Board. If the Board decides to approve the funding proposal, then the required legal arrangements are made and the letter of commitment is signed. Selected countries can then access GCF resources through Accredited Entities (AEs), which can include development banks, foundations, government ministries, and large NGOs. To explain how to apply to or access the Fund, the GCF launched "GCF 101" a step-by-step guide written in nontechnical, accessible language.[90]
Scope:	To facilitate enabling conditions for REDD+ implementation, the GCF provides funding that can be allocated for:[91] • Reforming land tenure and land use planning; • Strengthening law enforcement and the regulatory framework; • Facilitating policy, legal, and institutional reforms in the forestry sector and other related sectors; • Developing national forest inventories; • Strengthening institutional and local capacities of relevant stakeholders in the forestry and land use sectors; and • Addressing drivers of deforestation, such as agricultural expansion. To spur and support private sector interventions, the GCF: • Provides funding and instruments to generate credit lines with improved loan conditions for sustainable agricultural practices conditional to maintaining natural forests and/or increasing forest areas; • Finances technical assistance to small-scale farmers to improve capacities and generate opportunities to engage in deforestation-free supply chains; and • Provides guarantees to reduce market risks and other risks inherent to forestry and land use sectors, including climate variability.
Challenges:	There are many elements that must be met and addressed in order to access GCF resources. These procedures can be challenging to navigate and burdensome for countries facing personnel capacity challenges (such as least developed countries and small island developing states). Furthermore, the role of AEs throughout the application, implementation, and coordination process can be unclear. This can result in ambiguity of responsibility attribution. Challenges with the disbursement of funds, due in part to the application of the GCF's specific legal framework at the national level, particularly regarding the GCFs privileges and immunities policy, have also been raised.

Forest Investment Program (FIP)

The FIP—a multilateral financing mechanism administered by the World Bank—provides financing to governments to help them achieve measurable reductions in GHG emissions from deforestation and degradation, and to secure other associated co-benefits from sustainable forest management.[92] The FIP focuses primarily on Phase 2 activities, with the intent of bridging the gap between Phases 1 and 3.[93] The FIP was designed to take advantage of existing project origination and management structures, by partnering with and channeling finance through multilateral development banks (MDBs). An important component of the FIP, which is still being rolled out, is the Dedicated Grant Mechanism (DGM) for Indigenous Peoples and Local Communities, which is designed to support these groups through the direct provision of finance.

Type: Public-multilateral

Amount: As of 2016, a total of US$775 million has been pledged, of which US$603 million has been allocated to fund 51 projects across 10 countries.[94] Approximately US$80 million has been set aside for the DGM for Indigenous Peoples and Local Communities.[95] The FIP has administered US$32 million to areas in the Cerrado region of Brazil and US$18 million to Mexico.[96] The amount provided to FIP recipients depends on the specific nature of the projects.

Funding Mechanism: Grants and low-interest loans[97]

Eligibility: Developing countries are eligible to apply. So far, 23 countries have already been selected into the FIP pipeline, but the FIP is no longer open to new country applicants. Countries must be ODA eligible—according to the Organization for Economic Cooperation and Development's (OECD) Development Assistance Committee (DAC) guidelines—and have active MDB country programs in place.[98]

Scale: National and subnational

Access: After potential countries submit an Expression of Interest (EoI), the FIP Sub-Committee (SC) selects national or regional pilots to be financed based upon:[99]

- Potential of the project to lead to significantly reduced GHG emissions from deforestation and forest degradation, or lead to further efforts to conserve, sustainably manage, or enhance forest stocks whilst protecting biodiversity and supporting rural livelihoods;
- Potential of the project to contribute to FIP objectives and adherence to FIP principles;
- Diverse regional and ecological preparedness; and
- Country preparedness and ability to undertake REDD+ initiatives and address key direct and underlying drivers of deforestation.

Once countries or regional pilots are selected by the FIP-SC based on the Expert Group Report, they are invited to confirm their interest to participate, and must identify a local focal point and establish their national-level, multi-stakeholder steering committee.[100]

Scope: The FIP is supporting government-led development and implementation of pilot programs and private sector investments that are capable of achieving measurable reductions in GHG emissions and other co-benefits through providing finance for:[101] [102]

- Government and institutional capacity-building;
- Forest protection efforts, governance, and information gathering;
- Investments in forest mitigation efforts, including certification systems and ecosystem services;
- Landscape approaches;
- Forest monitoring and/or MRV; and
- Sustainable forest management.

Challenges:	Selection criteria can be difficult to meet for countries in the process of demonstrating REDD+ readiness and their ability to advance FIP initiatives and principles. Additionally, even when projects are accepted into the FIP pipeline, there can be delays in the implementation of investment plans, projects, and related disbursements.[103]

UN-REDD Program (UN-REDD)

Recognizing that a number of UN-REDD's 64 partner countries are advanced in REDD+ readiness and are requesting further technical support to move into the Implementation Phase, UN-REDD recently started focusing on implementation support.[104] Although primarily a Phase 1 funding source as indicated in Section 2.1, UN-REDD provides support for activities related to Phase 2, specifically those related to strengthening safeguards through National Programs (NPs) and Support to National Action- Global Programs (SNA-GPs). The information presented below pertains specifically to UN-REDD's support for Phase 2.

Scope for Phase 2 Funding

To support Phase 2, UN-REDD provides:

- Direct support for the design and implementation of National REDD+ Programs;
- Tailored support to national REDD+ actions; and
- Assistance with technical capacity building support through the sharing of expertise, common approaches, analyses, methodologies, tools, data, best practices, and facilitated South-South knowledge sharing.

By providing support for Phase 2, the ISFL aims to build upon existing progress achieved by the FCPF Readiness Fund, UN-REDD, or the FIP, depending on which of these programs are active in ISFL countries.

BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL)

The ISFL is a multilateral facility established in 2013 with the support of Germany, the Kingdom of Norway, the UK, and the US.[105] The ISFL provides funding to support capacity building and implementation of REDD+ through the BioCFplus program. By providing support for Phase 2, the ISFL aims to build upon existing progress achieved by the FCPF Readiness Fund, UN-REDD, or the FIP, depending on which of these programs are active in ISFL countries.[106] While much of the ISFL's up-front funding supports Phase 2 implementation activities, some of the work it supports could also be considered Phase 1 Readiness support.

Type:	Public-multilateral
Amount:	The ISFL includes the suite of BioCFplus (primarily used to support technical assistance, capacity building, and implementation) and the BioCF T3 (primarily for emission reductions payments) funds. Committed funding to the BioCFplus funds and BioCF T3 at the end of 2015 totaled US$340 million in fund capital, US$100 million of which was committed to the BioCFplus.[107] Thus far, US$67 million has been pledged to Colombia, US$13.6 million to Ethiopia, and US$17 million to Zambia.[108]
Funding Mechanism:	Grants and loans
Eligibility:	Developing countries
Scale:	Jurisdictional and national
Access:	ISFL countries are selected on the basis of their engagement and capacity for large-scale programs like REDD+ Readiness, enabling environment and governance, and agricultural drivers of land use change.[109] There are currently

four countries included within the ISFL portfolio: Colombia, Ethiopia, Indonesia, and Zambia. These four country programs have achieved various stages of development and progress. Presently, it does not appear that the ISFL is open to considering additional country programs.

Scope: Future Phase 3 payments for results will be based on a comprehensive landscape GHG accounting approach. However, for Phase 2 implementation support, the ISFL provides upfront finance to:[110]

- Support countries to make improvements to their enabling environment for sustainable land use;
- Support piloting of activities and key partnerships, including engagements with the private sector; and
- Provide countries with resources to develop systems for monitoring, reporting, and verifying reductions in GHG emissions to prepare jurisdictions for RBPs.

Challenges: A primary challenge is the timeline of the ISFL. Due to the innovative and cross-sectoral nature of ISFL programs, governments must demonstrate that they have the appropriate strategies in place to abide by the approach of the ISFL. As such, ISFL programs have taken more time to develop and negotiate with recipient countries than was initially anticipated.[111] The timeline for completing the design, therefore, varies depending on the country in question and can take months to years.

In addition to providing support for REDD+ readiness, bilateral government arrangements between donor and developing countries also provide funding for REDD+ implementation.

BILATERAL FINANCE

In addition to providing support for REDD+ readiness, bilateral government arrangements between donor and developing countries also provide funding for REDD+ implementation.[112] The European Union, Germany, Japan, Norway, the UK, and the US are among the largest contributors to implementation. Donor countries focus their support on various activities to advance implementation including: delivering technical assistance to REDD+ countries, enhancing the biodiversity benefits of REDD+, building capacity for MRV, and strengthening forest governance.[113]

Norway's International Climate and Forest Initiative (NICFI)

Under NICFI, Norway signed agreements with several countries, including Indonesia, Colombia, and Peru, to support Phase 2 activities, such as policy and land tenure reforms. The information below details one such agreement with Guyana, known as the Guyana REDD+ Investment Fund (GRIF), as an example of how such bilateral agreements under NICFI are operationalized. The agreement designated the World Bank as the trustee and established a steering committee comprised of members of the governments of both countries, UNDP, the IDB, and NGO observers.[114]

Type: Public-Bilateral

Amount: The GRIF was to receive up US$250 million from Norway in 2015; by the end of 2014, US$166 million had been disbursed.[115]

Funding Mechanism: Grants

Eligibility: Ad Hoc

Scale: National

Access:	Norway and Guyana signed a memorandum of understanding (MoU), with details described in the regularly updated joint concept note.
Scope:	The agreement was designed as a performance-based contract partly for emission reductions, but also "for results on indicators of enabling activities" such as safeguards to protect indigenous peoples' rights.[116] The main focus of the agreement was to facilitate policy reform.
Challenges:	Two main critiques of the agreement were the donor credibility of conditionality and the indicators used to assess progress, which were not believed to fulfill the standard requirements of being specific, measurable, attainable, relevant, and time-bound.

PRIVATE SECTOR

Engagement with the private sector is key to complementing public funds pledged to advance implementation.

Engagement with the private sector is key to complementing public funds pledged to advance implementation. Through creating PPPs and working with governments and other public finance institutions, the private sector is helping countries and jurisdictions create enabling environments to implement Phase 2. For example, the ISFL forged a partnership with Nespresso and Technoserve through the International Finance Corporation (IFC). The partnership will provide US$3 million to support farmers in increasing the uptake of sustainable coffee production practices, which will be combined with the US$3 million loan from the IFC to support smallholder coffee farmers and producers in Ethiopia and Kenya for a total of US$6 million.[117] The private sector has also increasingly invested in the agriculture sector. As noted above, since 2010 the private sector has raised close to US$2.7 billion in capital in forest-relevant subsectors, 35% of which is designated for sustainable agriculture. New funds, like the andgreen. fund—which aims to generate US$1.6 billion in capital investment to protect forests and peatlands—and the Althelia Climate Fund—which focuses on making beef and palm oil supply chains more sustainable to safeguard biodiversity and mitigate climate change effects—are also emerging to reduce deforestation and, subsequently, contribute to the objectives of REDD+.[118]

PRIVATE FOUNDATIONS

Private foundations are also contributing to REDD+ implementation. The Betty and Gordon Moore Foundation, which committed about 54% of all foundation funding to 13 REDD+ countries up to 2015 (for Phases 1 and 2) as mentioned in Section 2.1, is supporting Colombia to implement REDD+ projects and consolidate the country's National Forest and Carbon Monitoring Systems.[119] CLUA is also contributing to Phase 2 support. In Brazil, for example, CLUA is helping the government meet its objective to reduce deforestation in the Amazon by 80% through monitoring the implementation of national climate change policy and preventing cattle production expansion into native forests.[120]

DOMESTIC INVESTMENTS

Various developing countries are devoting their own domestic finance to support REDD+ actions, many of which are focused on implementation. Brazil, for example, has been allocating funds for strengthening the enforcement of forest laws and implementing national and local plans to reduce deforestation.[121] Mexico is also taking action on REDD+ implementation by investing in demonstration activities and MRV.[122] Similarly, Indonesia is utilizing domestic resources to support the rehabilitation of degraded land and forests.[123] Additionally, under the

GCF, Ecuador and Madagascar leveraged domestic co-funding to raise additional funds. Assessing the extent to which national governments are already financing REDD+ implementation remains difficult, however, as data is not readily available.

Phase 2 Case Study: Joint Funding by the GEF and GCF Support REDD+ Implementation in Ecuador[124]

The government of Ecuador accessed grants of US$41 million from the GCF and US$12 million from the GEF to support the implementation of the country's REDD+ Action Plan. This financing is being channeled through the UNDP, acting as the country's accredited agency. Phase 2 funding for REDD+ implementation will finance land management planning, new agricultural practices in palm oil and cattle, and measures that support restoration in particularly vulnerable watersheds. The activities will aim to support Ecuador's goal of halting net national deforestation by 2020. The government of Ecuador will provide at least US$31.8 million of co-financing for the implementation of the Action Plan. After having approved the project in October 2016, the GCF transferred the first tranche of funding to the UNDP to begin work in July 2017. This funding is notable in that it represents one of the first GCF projects to explicitly target the forest sector, while combining both GEF and GCF finance.

2.3. Sources of Finance for Phase 3: Results-based Finance

Under the WFR, REDD+ results are achieved through the implementation of REDD+ activities, which are measured against FRELs/FRLs and expressed in tons of carbon dioxide equivalent per year (tCO_2eq).[125] The Results-based Finance (RBF) Phase, therefore, entails the full implementation of REDD+ activities for the purposes of receiving payments for verified metric tons of net emission reductions achieved in accordance with the WFR.[126] Results-based payments (RBPs) can be disbursed in the form of funds pledged, committed, or disbursed to pilot programs at the subnational or national level for tons of CO_2.[127] The concept of transfer-based payments (TBPs) for REDD+ results—wherein payments are made for the transfer of an asset (i.e. for the transfer of an emissions reduction or mitigation outcome between entities)—is also gaining traction in the context of Articles 6.2 and 6.4 of the Paris Agreement.[128] The following subsections describe the sources of RBF for Phase 3.

MULTILATERAL FINANCE

Because progress in Phases 1 and 2 has taken several years, disbursements of RBF have been limited, as most REDD+ programs are still in the process of establishing relevant systems and policies to generate results.[129] In the near term, most RBF will flow through bilateral or multilateral institutions, such as the World Bank. Beyond contracts signed in 2015, bilaterals and multilaterals have pledged, committed, or disbursed an additional US$4.4 billion for RPBs to tropical forest governments.[130]

Green Climate Fund (GCF)

As mentioned in Section 2.2, the GCF is part of the financial mechanisms of the UNFCCC. The GCF funds climate change mitigation and adaptation in developing countries, with an emphasis on RBF.[131] Although the GCF has established a results framework to track and incentivize investments in REDD+ consistent with the WFR, the financial mechanism has yet to approve any REDD+ proposals.[132]

During the most recent GCF meeting, held from September 30 to October 2 of 2017, GCF Board members agreed on the terms of reference for the first pilot program under the GCF that will pay for results achieved in the forest sector (emission reductions and enhancement of forest carbon stocks), and developed a scorecard to evaluate countries' submissions to the GCF.[133] Given that the GCF was discussed in Section 2.2, only the details pertaining to RBPs are listed below.

Amount: The pilot program will provide US$500 million in RBPs to eligible countries.[134]

Funding Mechanism: Results-based payments

Access: Countries can apply to sell verified emission reductions—each one representing 1 ton of avoided carbon dioxide emissions—to the GCF at a price of US$5 per ton.[135] If countries can verifiably prove that they are producing benefits beyond carbon storage by protecting their forests, then they can also earn 2.5% bonus payments.[136]

Scope: Results must be expressed in terms of verified emission reductions and absorptions of tCO_2eq and be achieved at the national level, or subnational level as an interim measure.[137] Recipient countries are required to reinvest proceeds in activities aligned with their NDCs, national REDD+ strategies, or low carbon development plans.[138]

Challenges: While this much-anticipated framework is now in place, no funds have been distributed thus far so any potential challenges to accessing funds are yet to be determined. Furthermore, the GCF indicates that RBPs can be used for whatever countries need, but the rules established by the AEs may make it difficult to apply the funds in preferred ways (ex. setting up a sustainable fund to ensure long term funding) to address country priorities.

The GCF funds climate change mitigation and adaptation in developing countries, with an emphasis on RBF.

Forest Carbon Partnership Facility (FCPF) Carbon Fund

The FCPF Carbon Fund was developed to build upon countries' readiness achievements under the FCPF Readiness Fund, by rewarding countries through performance-based payments for emission reductions achieved through forest conservation.

Type: Public- and private- multilateral

Amount: US$740 million has been committed to the Carbon Fund, but no funding has yet been disbursed to the 19 countries in the Carbon Fund pipeline.[139]

Funding Mechanism: Results-based payments; transfer-based payments (whose nature is still being negotiated under Article 6), although permitted, will be negotiated on a country-by-country basis.[140]

Eligibility: Countries that have already been accepted into the FCPF Carbon Fund pipeline, and have achieved the FCPF's standard for REDD+ readiness are eligible.[141]

Scale: National and jurisdictional

Access: Funding is disbursed if a participant meets several requirements, including compliance with environmental and social safeguards, adherence to the formal application processes, and development of robust permanence and leakage management systems.[142] Once countries have prepared an R-PP and have had their R-Package endorsed by the participants committee under the Readiness Fund, they can apply for the Carbon Fund.[143]

Scope: The Carbon Fund pilots RBPs for verified emission reductions from REDD+ programs. Payments are made upon delivery of emission reductions, after the reductions have been independently verified.[144] [145] The financing mechanism also aims to ensure that funding is disbursed to relevant stakeholders through an equitable benefit sharing approach.[146]

Challenges: Although the Carbon Fund recently expanded its pipeline to include 19 candidate countries, no RBP transactions or agreements have been issued as they are still being negotiated with participants.[147] Additionally, the fact that countries interested in accessing Carbon Fund resources must first demonstrate readiness according to the FCPF Readiness procedures could be challenging for countries with limited capacity.

BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL)

As mentioned in the previous section, the ISFL aims to incentivize emission reductions from the land sector—including those resulting from avoided deforestation and forest degradation, and sustainable agricultural practices and other land use policies.[148] Through the BioCF Trance 3 program, the ISFL specifically rewards verified GHG emission reductions as detailed below.[149]

Amount: Total funding committed by donors to the ISFL is US$355 million, with US$265 million earmarked for RBPs.[150]

Funding Mechanism: Results-based payments

Access: Once the technical analysis and program design of a proposed project are completed, then a Letter of Intent (LOI) for the purchase of verified emission reductions is signed with the government. Following that, both a grant agreement and Emission Reductions Payment Agreement (ERPA) will be signed with the government.[151]

Scope: Through the purchase of verified emission reductions, the ISFL provides RBF which gives participating countries and jurisdictions the incentive to shift to a sustainable development trajectory. Payments can be used to sustain successful sustainable land-use interventions and activities in each jurisdiction.[152]

Challenges: The RBF provided by the ISFL is intended to create a positive feedback loop in which public and private actors create an enabling environment to generate a reduction in GHG emissions.[153] This system, however, depends on the ability of jurisdictions to continue to generate results, sell verified emission reductions, and reinvest in interventions that are successful.

BILATERAL FINANCE

The governments of Norway and Germany are among those entities providing RBF for emission reductions. Under these bilateral arrangements, payments are only disbursed upon achievement of results-based activities resulting in emission reductions fully measured, reported, and verified. As mentioned above, an additional US$4.4 billion was pledged to tropical forest governments for RBPs to reduce deforestation beyond new contracts signed in 2015.[154]

Norway's International Climate and Forest Initiative (NICFI)

NICFI, which establishes prominent bilateral government agreements with REDD+ countries, has pledged RBPs to Brazil, Indonesia, Guyana, Peru, and Liberia through bilateral agreements. The majority of Norway's bilateral pledges are earmarked to pay for emission reductions and, together with funding for readiness activities, account for 80% of the US$4.5 billion of multilateral and bilateral commitments to RBPs.[155]

As referenced in Section 2.1, during COP21 Norway's existing support for RBPs was complemented by the announcement of a joint agreement with the UK and Germany to provide US$5 billion in REDD+ finance between 2015 and 2020, most of which will be set aside for RBPs, including pledges of US$339 million to the Carbon Fund, more than US$100 million to Colombia through the REM (which will be discussed in detail below), and a pledge from Norway to continue its support of Brazil's Amazon Fund (referenced in Case Study 3).[156]

Type:	Public-bilateral
Amount:	A total of US$2.7 billion has been pledged. As of 2015 just over US$1 billion has been disbursed, mainly through contributions to Brazil's Amazon Fund.[157]
Funding Mechanism:	RBF is issued via results-based payments. While the majority of NICFI funding is structured through bilateral arrangements, a good deal of NICFI's REDD+ support is also channeled through multilateral partnerships which include: Central African Forest Initiative, FCPF Carbon Fund, FIP, GRIF, and UN-REDD.
Eligibility:	NICFI targets engagement with key forest countries. So far, NICFI has partnered with 11 governments.[158]
Scale:	National
Access:[159]	Funding is typically provided through established multilateral channels, with certain exceptions for bilateral partners who: • Have already made extensive progress at the national level to the extent that performance-based support for the implementation of an established agency can be provided immediately; • Have already started internationally supported REDD+ programs; and • Have a long track-record of partnering with Norway on natural resource management.
Scope:	NICFI rewards countries that achieve quantifiable and verifiable reductions in the forestry sector.[160] NICFI focuses on the development of international finance and support systems through cooperation with multilateral organizations and works to establish:[161] • Credible systems for MRV of emission reductions from deforestation, at both the national and international level; and • Robust, effective, and flexible international infrastructure to advance REDD+.
Challenges:	Despite NICFI's contributions thus far, the effectiveness of the fund's application and selection processes could be hindered since the process has been seen as limiting, complex, and strict. Additionally, the transparency of the process could be improved. As a result, many potential recipients have not been able to apply or be successful in their applications to the Fund.

REDD Early Movers Program (REM)

The German government through the KfW, a German ODA initiative on behalf of the German Ministry for Economic Cooperation and Development, has been implementing REM for the past several years with technical support from the GIZ. This initiative was developed to promote forest conservation by providing financial support to close the pre-2020 funding gap that currently exists in the REDD+ process in pioneer countries or regions that are already taking initiative to protect forests.[162] The only non-market payments for registered, forest-based emission reductions made as of today originated from the REM to Colombia and Acre, Brazil.[163]

Type:	Public-bilateral
Amount:	Funding pledged or committed under REM currently totals US$66 million. REM issued the first disbursement of RBPs totaling US$23.5 million in 2012 to the state of Acre, Brazil.[164]
Funding Mechanism:	Results-based payments
Eligibility:	Global; currently including Colombia, Ecuador, and Acre, Brazil
Scale:	National and jurisdictional
Access:	REM countries need to have already taken action to protect forests and have in place:[165] • Advanced MRV systems; • Initial benefit-sharing arrangements; • Technical conditions, enabling policy and institutional environments to ensure efficient forest conservation; and • Large-scale forest conservation programs at a subnational or national level, with the potential to be rapidly developed into performance-based REDD+ programs.
Scope:	This funding mechanism only provides finance for independently verified emission reductions from deforestation.[166] Rather than financing specific actions that can lead to emission reductions, payments issued by the REM provide an ex-post reward to incentivize the recipient country to take these actions.[167] Moreover, the program defines several criteria that must be met such as that 50% of rewards need to reach the local level, or that for each emission reduction paid, another needs to be retired to address uncertainty and risk; the latter arrangements, however, are based mainly on bilateral negotiations on a case-by-case basis.[168]
Challenges:	In order to access REM funds, sub-national and biome approaches must be coherently integrated and aligned with national strategies and policy goals that are related to reducing emission and avoiding deforestation.[169] These requirements could prove difficult for certain countries to meet, depending on their capacity.

The only non-market payments for registered, forest-based emission reductions made as of today originated from the REM to Colombia and Acre, Brazil.

PRIVATE SECTOR

Some private sector actors and corporations are engaging in market-based transactions to purchase REDD+ verified emission reductions via TBPs to further reduce their own carbon footprint beyond what they can achieve through their own operational mitigation efforts.[170] Although some companies access emission reductions markets through bilateral contracts with individual project developers or retailers for voluntary and or certified reductions, these are distinct from emission reductions as defined by the UNFCCC—as these private purchases may be or not endorsed by National REDD+ Focal Points, which can largely vary from country to country.[171] Below is additional information about how some private sector entities are engaging with voluntary and compliance markets.

Voluntary Markets: Some private sector actors, including several pioneering investment banks, are orienting themselves to take advantage of the growth in REDD+ credits in voluntary carbon markets and are purchasing credits to offset their own GHG emissions. Carbon credits in voluntary markets are transacted over-the-counter, and often times directly between the project developers and the buyer—such as private sector entities.[172] Several multimillion dollar private REDD+ investment funds have been developed to engage in voluntary carbon markets, including Althelia, Macquarie-International Finance Corporation, and Terra Global Capital.[173]

Compliance Markets: At the moment, few companies are engaging with compliance markets because they are not mandated to.[174] While the Paris Agreement established a framework for collaborative approaches under market-based mechanisms, and recognizes the role of REDD+ for achieving the Paris Agreement, it does not refer to linkages for REDD+ and market-based incentives.[175] Market-based approaches, however, are expected to play a larger role in the future as a critical tool to achieve the additional emission reductions needed to reduce the gap between national reduction targets and the global goal of the Paris Agreement.[176] The development of a MBM under ICAO could be the first system to provide market-based incentives (finance) for REDD+ activities in a manner consistent with the UNFCCC guidelines.[177]

Phase 3 Case Study: Results-based Payments through the Amazon Fund[178]

Established in 2008, the Amazon Fund finances efforts associated with preventing, monitoring, and combatting deforestation in the Brazilian Amazon, while promoting the biome's preservation and sustainable use. The Amazon Fund is financed in part by the government of Norway and the Brazilian company Petrobras, and is managed by the Brazilian Development Bank (BNDES). RBPs for emission reductions under the US$1 billion fund are issued by the BNDES based on the financial needs of the Fund and the levels of emission reductions verified by the Technical Committee. The fund sets the carbon price at US$5/t$CO_2$e.

This innovative payment-for-performance finance model accounted for 53% of all national and international REDD+ finance committed to Brazil from January 2009 to September 2016. Thus far, the Amazon Fund has been able to enhance domestic legitimacy of deforestation reduction policies and efforts, funnel funds directly to efforts to reduce deforestation in the Amazon, reward performance while respecting national sovereignty, promote domestic accountability, and enhance the level of trust between Brazil and Norway.

Part 3: Challenges and opportunities

There are many challenges with and opportunities for both accessing and coordinating funding for climate action in forests and REDD+. As these challenges and opportunities—which exist at both the international and national level—can affect the sufficient, timely, efficient, and effective allocation and coordination of finance for REDD+ and climate action in forests, it is essential that they be identified and understood. The following sub-sections present the challenges and opportunities that exist in the finance landscape for REDD+ and climate action in forests, which aim to inform the REDD+ and forest mitigation action agenda, such as under the UNFCCC's Subsidiary Body for Implementation for example. These findings can also encourage open multilateral discussions about the primary obstacles to and opportunities for ensuring that financial support is accessible and effectively coordinated.

3.1. Accessing REDD+ Finance

The following subsections detail the challenges and opportunities that exist for accessing REDD+ finance at both the international and national level.

Challenges

International

- **Lack of sufficient finance:** There is a significant gap between what is available and what countries need to undertake each REDD+ phase in order to slow deforestation and forest degradation and enhance forest carbon stocks and sustainable management of forests to achieve the Paris Agreement target. This is complicated by the fact that the lines between Phase 1 and 2, and 2 and 3 are blurred, which can create confusion when allocating phase-specific funding. Other impediments to securing sufficient funding include: the low price of carbon which is not providing enough of an incentive to spur action, the fact that most finance currently supporting REDD+ implementation does not come from REDD+ sources, and the fact that the sources of funding from the public sector and developed countries are not ambitious enough.
- **Demanding requirements:** Eligibility requirements to access funds are often ambiguous or too demanding and difficult to meet. Donor criteria for Phase 2 and Phase 3 funding can be especially stringent, especially regarding safeguards compliance for example.[v]
- **Limited private sector engagement:** Although the private sector has been engaging with funding REDD+, the risks and factors necessary to create an enabling environment for private sector investments in reducing deforestation in many developing countries have yet to be sufficiently explored. By working toward identifying financial strategies that

[v] In some cases, assessments of OECD classifications can preclude access to funding.

determine exactly where and how the private sector fits in, governments and donors could more systematically provide incentives for the private sector to engage.

- **Perceived incompatibility of project vs. jurisdictional approaches:** Donors, and some REDD+ countries, view the issue of projects as an "either, or" problem. Project developers view investments in projects as both business opportunities under carbon markets and vehicles to get money to REDD+ actors, while the evolution of REDD+ to focus on national approaches has discouraged projects. REDD+ could be losing out on an investment vehicle that some private sector actors are comfortable and familiar with.
- **Re-directing private sector finance:** Redirecting private sector interest and funds to the actual implementation of national and policy approaches for implementing REDD+, including through markets when national legislation and NDC priorities permit, remains a prominent challenge.
- **Funding for Phase 2:** Since international donors tend to place greater emphasis on RBPs rather than the implementation of REDD+ activities meant to generate those results, accessing funds for Phase 2 has been more challenging than for other phases.
- **Sustainability of finance for Phase 3:** There is a need to ensure that countries will not be receiving one-time RBP transactions, but rather that they will receive RBPs over a long period of time.
- **Costs for implementing other REDD+ results-based activities:** FLR approaches, including activities for addressing degradation, conservation, and enhancing carbon stocks through restoration or sustainable forest management, are viewed as costly when compared to activities for reducing emissions from avoided deforestation through REDD+, which could present a challenge to funding opportunities.

National

- **Understanding and interpreting technical REDD+ language:** Practitioners and actors operating at different political levels seem to lack a "common" language, which can prevent understanding of technical processes and implications among policy makers and decision-makers.
- **Limited capacity:** REDD+ countries continue to face limitations in terms of technical capacities, such as securing sufficient personnel and institutional resources (including monitoring capacities) to access and use REDD+ finance.
- **Need for a cohesive vision:** REDD+ strategies are often the last element developed by countries, and in some cases the least understood. As a result, REDD+ countries often lack cohesive REDD+ strategies—which specify what type of finance is most needed, where to access funds, and where finance should be applied—that can be translated into usable investment plans.
- **Need for comprehensive visions:** The lack of cohesive visions and the incipient cross-sectoral coordination needed to develop REDD+ strategies often result in the exclusion of activities aiming to address the barriers for sustainable management of forests and enhancement of carbon stocks, thus representing a challenge for financing the restoration of forest landscapes.
- **Lack of awareness of new finance options:** Many forest actors are unfamiliar with newer finance tools and options (i.e. credit guarantees, equity investments, concessional loans etc.). Due to this lack of familiarity, countries are uncomfortable with seeking these types of support and choose to forego potential sources of finance.

- **Inefficient allocation of resources:** In some cases, such as for project or jurisdictional level activities, REDD+ funding is not funneled directly to governments. As a result, keeping track of funds and how they are applied can be challenging and result in duplication of activities and double accounting of financing.
- **Conservative reference level baselines for Phase 3:** The use of ultra conservative reference level baselines, sometimes resulting from the lack of technical capacities for improved forest monitoring and MRV or from donor's requirements aiming to increase confidence in carbon and emissions reduction estimates, can hinder future efforts to access Phase 3 funding. Diverging positions and views revolving around the issue of conservative estimates and environmental integrity, particularly when methodological responses to improve the accuracy and quality of emission reductions estimates disregard current trends, could have negative implications for countries that have been successfully reducing emissions and potentially hinder REDD+ performance.
- **Time consuming processes to access finance:** The process for accessing REDD+ finance can be very time consuming for all phases.

Opportunities

International

- **New RBP opportunities:** The pilot program for REDD+ RBPs to be issued by the GCF, or the "missing link" of Phase 3 finance, will provide reliable funding to enhance ambition, and further rigorous REDD+ action that meets UNFCCC, national, and GCF requirements. However, even US$500 million is not enough to pay for the reductions needed. Additionally, the upcoming FCPF Carbon Fund ERPAs under negotiation are gearing up to provide RBPs.
- **Market finance:** ICAO and compliance markets, for example, could provide viable, complementary sources of REDD+ finance for Phase 3 through a transfer of assets. Exploration of these potential sources of REDD+ finance, through the FCPF Carbon Fund for example, is underway.
- **Shift in investments:** Recently there has been an increase of investments in supply chain drivers. This is a promising sign of a shift in thinking from strictly carbon finance to incentives and drivers.
- **De-risk investments:** There is a need for more mixing of funding from grants and philanthropy with high risk investments to encourage the private sector to get involved in the implementation activities viewed as too risky for investment.
- **Funds from Non-REDD sources:** Non-REDD funding, for improved agriculture and reduced impact logging for example, could be used to fill the Phase 2 funding gap, but this can be challenging for various reasons. For one, many countries have difficulty meeting standards of international finance providers. Additionally, in order to make these funding opportunities work, cross-sectoral coordination and alignment are required.

National

- **Cohesive, coherent, and cross-sectoral strategies:** In cases where a country has a cohesive, coherent, and cross-sectoral strategy in place that can be turned into an investment plan, there has been significant interest from banks, companies, and other potential funders to do business. Similarly, donors are inclined to fund strategies that support cost-efficient and cost-effective government priorities.

- **List of finance needs:** Countries would benefit from creating lists of specific activities and priorities to finance. When combined with a structured and organized REDD+ strategy, these lists can highlight opportunities for investment, support, etc.

- **Carbon taxes and compliance markets:** Countries can also consider leveraging carbon taxes and instituting compliance markets to increase funding for REDD+.

3.2. Coordinating REDD+ Finance

The following subsections describe the challenges and opportunities associated with coordinating REDD+ finance at both the international and national level.

Challenges

International

- **External consistency and coherency:** Maintaining a balance (i.e. coherency and consistency) between the different requirements and criteria that govern REDD+ implementation is essential. Donor countries, and multilaterals by extension, should ensure a balance between their requirements and those of the UNFCCC for all REDD+ phases so as to optimize readiness and implementation processes undertaken by REDD+ countries.

- **External assessment of funding:** At the international (external) level, donors and other contributors need to assess how much funding is available and where it should be allocated.

- **Donor coordination:** National circumstances of donor countries, including specific requirements, cooperation objectives, and political and economic priorities, represent challenges for improving coordination amongst bilateral sources.

- **Nature of coordination:** As in REDD+ countries, coordination within donor institutions is challenging and requires a lot of work; staff are overworked and overstretched as it is.

National

- **Appropriate allocation of funding:** In order to determine which funding source is appropriate for specific activities, countries need specific, organized, cross-sectoral, and coherent national finance strategies to support the implementation of REDD+ national strategies or action plans, especially when considering different stakeholders, different donor requirements, etc. Formulation of these plans may be further complicated by the three phases of REDD+ since the non-linear nature of REDD+ phases could result in simultaneous implementation of REDD+ and development of REDD+ strategies.

- **Alignment of requirements under funding sources for consistency and coherency of requirement processes:** REDD+ countries would benefit from having a clear vision of their approach for REDD+ implementation in order to ensure that REDD+ funding (regardless of the phase) is completely in line with their national policies and has the potential to qualify for donor funding.

- **Opportunity cost consideration:** The design of REDD+ strategies, specifically the finance components, should be based on the opportunity costs of REDD+ implementation, especially considering those associated with effectively addressing the drivers of deforestation and those barriers for enhancing carbon stocks. This consideration is essential given the limited amount of funding available for implementation and the need to ensure that outcomes are sustained over the long term.

- **Needs and capacity:** There is a need to maintain coherence, synergy, and coordination between what REDD+ countries need and what these countries themselves can provide for REDD+ activities. Taking stock of available capacity and resources will help external donors allocate funds more effectively.

- **Complementarity and alignment challenges from different scales and scopes:** On a project/subnational level, REDD+ activities are executed within different scopes and under the guide of different implementation strategies. As a result, these activities often have independent (and sometimes contradicting) outputs.

- **Internal coordination:** Countries should ensure that REDD+ strategies are coherent enough to serve as the basis for investment plans in order to access and efficiently allocate diverse sources of funding. Furthermore, national governments should decide how best to coordinate available funding, rather than the outside community.

- **Tracking funds:** Sometimes REDD+ finance for implementation at the project or jurisdictional scale is given to subnational governments or NGOs or CSOs without going through national governments, making accounting of resources difficult.

- **Inclusiveness:** When REDD+ strategies and associated investment plans are developed, relevant stakeholders need to be included in these discussions, especially those concerning the activities to be financed, how funds are to be disbursed, the expected results, cost management, and permanent monitoring systems.

- **Resource competition:** Different agencies, bodies, and groups across different sectors tend to compete for resources rather than discuss how to use them in complementing ways. Sectoral coordination, therefore, is needed to ensure that resources are being appropriately and efficiently allocated.

- **Distribution of benefits:** While not directly related to the issue of coordinating REDD+ finance, concern over the lack of systems in place to ensure better benefit distribution among all players involved (i.e. smallholders, etc.) has been cited by various countries as a challenge. Given that inclusive, participatory, and cross-sectoral strategies are ideal, discussions on equitable distribution of systems should be considered as part of the conversations in the development of national strategies.

Opportunities

International

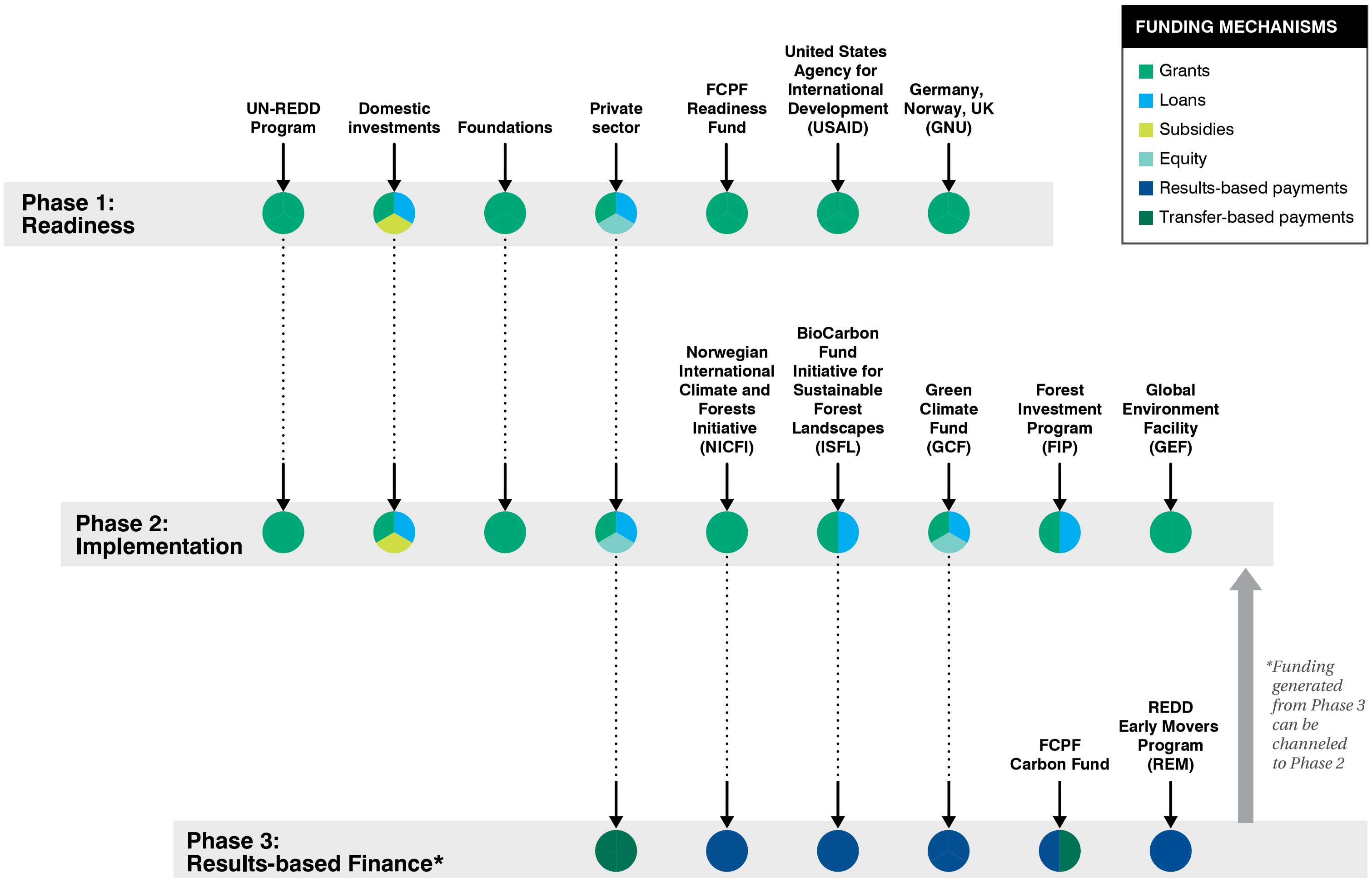
- **Coordination among multilaterals and stakeholders:** Over time, coordination has improved among multilaterals (such as the FCPF, FIP, and UN-REDD) and there has been a push to make them work together with multiple stakeholders. This includes trying to standardize templates, using similar documents, and using existing multilateral processes as informal coordination platforms. The GCF's new pilot program for forest sector RBPs is one promising example of how donors and REDD+ countries are striving to ensure coordination, consistency, and coherency between their specific requirements and those of the UNFCCC.

- **Complementary funds:** Donors have been asking "if we have funding to do X, can you fund Y?" to determine how the funds they are providing can complement, and be complemented by, funds from other donors. These types of conversations are facilitated by cohesive REDD+ strategies and visions.

National

- **Finance at the national level:** Channeling finance at a national level could lead to the development of national systems and the delivery of national results, improving cross-sectoral coordination.
- **Agriculture subsidies:** In many REDD+ countries the agriculture sector is a main driver of deforestation and is receiving flows of domestic government finance. Coordination with the agriculture sector could turn domestic budgets allocated for agriculture, for example agricultural subsidies, into sources of Phase 2 funding for the implementation of National REDD+ Strategies and investment plans.
- **Coordination at the landscape and jurisdictional level:** In countries where REDD+ activities and climate action in forests are being undertaken at landscape and jurisdictional levels, there is an opportunity to coordinate these smaller scale initiatives with national goals.
- **Formal platforms:** Establishing formal platforms between the government, civil society, and the private sector could facilitate the exchange and transparency of information pertaining to different financing needs and possibilities.

Annex 1: Landscape of Finance Sources for REDD+ Phases



Please note:

1) The size of the circles and proportion of shading are not to scale and do not reflect the amount of funding each source provides or the amount of funding distributed via each mechanism.

2) The exact nature of transfer-based payments (TBPs) in relation to REDD+ has yet to be determined as parties in the UNFCCC are still negotiating ITMO's as part of Article 6.2.

Notes

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