Rethinking REDD+ finance

Options to scale up and redirect finance for forests and climate change in developing countries
What is REDD+?

REDD+ has often been framed as an incentive to not do something, i.e. a payment to not cut down forests.
What is REDD+?

REDD+ finance should help a country to develop economically, but in a way that decarbonizes commodity production by conserving and growing forests.
Why REDD+ finance?

- There are **costs** to implement sustainable land use activities over business as usual:
  - Certification costs,
  - Land titling
  - Policy enforcement

- Implementing REDD+ also creates **benefits**:
  - Water regulation
  - Ecosystem services
  - Livelihoods
  - Carbon

This leads to a viability gap.
How to reduce the viability gap?

Business as usual

- Increase the costs
+ Decrease the revenues

Sustainable

Decrease the costs
- Increase the revenues
Rethinking REDD+ finance

- Spectrum of activities ranging from misaligned (or business as usual) to aligned

- **Objective of REDD+ is to transition from misaligned / BAU activities to sustainable / REDD-aligned activities**
Rethinking REDD+ finance

Imagine you’re on a diet but to measure progress, you decide to count only the number of salads you’re eating while ignoring the number of ice creams.
International ODA is mostly misaligned

**REDD+ finance as a share of ODA in REDD+ countries in 2015 (USD billion)**

Number of countries: 70
Total ODA: USD 70.5 billion

- Not-REDD relevant, USD 58.1
- REDD-relevant USD 12.4
- REDD-misaligned, USD 9.7
- REDD-aligned, USD 2.7
Domestic ODA dwarves international ODA


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>158</td>
<td>11,082</td>
<td>2,700</td>
</tr>
<tr>
<td>Chile v/a</td>
<td>0</td>
<td>709</td>
<td>n/a</td>
</tr>
<tr>
<td>Indonesia</td>
<td>165</td>
<td>27,072</td>
<td>79</td>
</tr>
<tr>
<td>Mexico</td>
<td>12</td>
<td>7,880</td>
<td>n/a</td>
</tr>
<tr>
<td>Total</td>
<td>335</td>
<td>46,743</td>
<td>2,779</td>
</tr>
</tbody>
</table>
Rethinking REDD+ finance: four areas of intervention

- Greening domestic subsidies
- Redirecting international aid to address the drivers of deforestation and degradation
- Improving supply chain finance
- Scaling up responsible investment
Greening domestic subsidies

Increasing REDD+ aligned subsidies

• Costa Rica’s payments for environmental services
• Brazil’s Low Carbon Agriculture (ABC) Program

Decreasing REDD+ misaligned subsidies

• Reforming concessional rural credit in Brazil avoided approximately a quarter of a million hectares of forest loss
• Revision of the disbursement criteria of the CPO fund in Indonesia
Redirecting international aid

Scaling up REDD+ aligned ODA

- Improved safeguards and coordination across sectors.

Decreasing REDD+ misaligned ODA

- Phasing out misaligned ODA
- Better data and definitions on misaligned finance e.g. through IFC’s performance standards
Thank you