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ACRONYMS

BNDES	Brazilian Development Bank
COP	Conference of the Parties (to the UNFCCC)
DRC	Democratic Republic of the Congo
ER	emission reductions
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Program
FLEGT	Forest Law Enforcement, Governance and Trade
GRIF	Guyana REDD+ Investment Fund
IDB	Inter-American Development Bank
LCDS	Low Carbon Development Strategy (Guyana)
MRV	measuring, reporting and verification
NGO	nongovernmental organization
ODA	official development assistance
PFES	payments for forest ecosystem services
PPCDAM	Action Plan for the Prevention and Control of Deforestation in the Legal Amazon (Brazil)
REDD+	reducing emissions from deforestation, reducing emissions from forest degradation, conservation of forest carbon stocks, sustainable management of forests, enhancement of forest carbon stocks
REM	REDD Early Movers Program
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UN-REDD	United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
USAID	United States Agency for International Development
VRD	Voluntary REDD+ Database

Note that throughout this report all dollar amounts are U.S. dollars.

FOREWORD

Over the past decade, a growing body of evidence has emerged demonstrating that tackling climate change is a prerequisite for sustaining economic development, and that the costs of inaction greatly exceed the costs of action. Nonetheless, funding from the international community to help developing countries pay for action to address climate change remains a contentious topic in the run-up to the twenty-first Conference of Parties to the United Nations Framework Convention on Climate Change.

With slow economic growth in most developed countries, official development assistance—including climate finance—faces increased scrutiny, even when it remains a fraction of one percent of developed country government budgets. Yet most developing countries, particularly the least-developed among them, can ill afford the capital and operating expenses of climate change mitigation and adaptation actions.

Because the damages wrought by climate change do not respect national boundaries, it is in the self-interest of the international community to promote and support the leadership of developing countries in addressing the problem—especially where the cost of mitigation is substantially lower than in "donor" countries and where co-benefits are important. In this timely report, Donna Lee and Till Pistorius combine a case study approach with review of a growing body of relevant literature to identify the impacts in developing countries of nearly $8.7 billion dollars in committed international funding to support reducing emissions from deforestation, reducing emissions from forest degradation, conservation of forest carbon stocks, sustainable management of forests, and enhancement of forest carbon stocks (REDD+).

A number of approaches emerged from their analysis that can be proposed as "best practices" for both donors and recipients of REDD+ finance:

- Integrate REDD+ into mainstream economic planning so that REDD+ finance leverages development finance, rather than funding isolated efforts that are likely to be undermined by much larger, traditional investments in agricultural expansion and/or infrastructure;
- Align REDD+ with relevant private sector initiatives and facilitate the application of REDD+ finance to foster private sector investment;
- Improve coordination of both foreign and domestic REDD+ finance; and, crucially
- Ensure that finance is adequate and predictable in both amount and duration for REDD+ implementation and results-based payments to shift "business-as-usual" practices.

How much developed countries should contribute to fund climate change action in developing countries lies beyond the scope of this report, but the analysis it contains suggests that during the past decade REDD+ finance has helped to lay the groundwork for REDD+ action globally. And in a few important places, REDD+ finance has contributed to what could be, and indeed must be, a transformation away from seeing deforestation as an inevitable cost of short-term economic gain toward seeing forests as a source of goods and services upon which sustainable economic growth depends. Realizing that potential is likely to require growing investments from the international community over the next decade, along with a shift in allocation of those resources from improving the enabling environment (i.e. "readiness") toward implementation and results-based payments.

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[1] The Climate and Land Use Alliance (CLUA) is a collaborative initiative of the ClimateWorks Foundation, David and Lucile Packard Foundation, Ford Foundation, and Gordon and Betty Moore Foundation. CLUA brings together diverse, complementary perspectives to help identify and support land use policies and practices that mitigate climate change, benefit people and protect the environment. CLUA provided funding for this report in recognition of the need that policymakers have, in both donor and recipient countries, for well-informed, objective analysis of the impacts of REDD+ finance—particularly in 2015. We hope that the report serves that purpose, noting that the authors are wholly responsible for its content.

EXECUTIVE SUMMARY

Since COP13 in Bali (2007)—when REDD+ was put formally on the agenda of the UNFCCC—a significant increase in funding for forests has been pledged by donor governments. This reflects the recognition by the international community of the importance of forests to mitigating climate change. As of early 2015 nearly $9 billion has been pledged (although a much smaller amount disbursed) for REDD+ from international public sources, with the majority coming from official development assistance. Thus both the level of financing for forests, as well as its objectives (i.e. the reduction of emissions), have significantly changed in the past eight years.

This study examines the impacts of international REDD+ funding--not only because of the significant amount of this new finance, but more importantly because even more finance is expected to flow in the future to provide support and incentives for reducing emissions from slowing, halting and reversing forest loss. For this study, we focused on eight countries that are relatively advanced in their REDD+ programs: Brazil, Colombia, the Democratic Republic of the Congo, Ghana, Guyana, Indonesia, Mexico and Vietnam. In addition, we conducted a global literature review. Over 100 experts were interviewed for, or provided input into, this study.

REDD+ has been conceptualized by Parties to the UNFCCC as following three phases: readiness, implementation and the achievement of results (for which a country might be compensated). As a result of this "phased approach" the majority of funds to date has been allocated for "readiness". In many countries, that funding has led to better understanding of the drivers of deforestation and forest degradation, increased capacity to monitor forest cover change and to measure forest-related emissions, stronger participatory processes in policymaking, new dialogues between ministries, and the development of national REDD+ strategies and supporting policies. In other words, REDD+ finance has improved the enabling environment to tackle deforestation and forest degradation.

Challenges remain in moving from readiness to results, however, in part because finance for implementation has not yet been identified. The needs vary by country: several upper middle income, or emerging, economies have more capacity in place to move from readiness to implementation if provided appropriate incentives (e.g. adequate and predictable results-based finance); others, including least developed countries, require financial and technical assistance to bridge the gap between readiness and results.

Many countries have not been able to access more than small amounts of readiness finance, in part because REDD+ funding is concentrated in just a few countries. For many of these countries, the funding available is not large enough to catalyze REDD+ implementation or to create sufficient political will to alter the momentum of business-as-usual. Lack of coordination of REDD+ and other finance that affects forests, both internationally and domestically, remains a barrier to the effectiveness of the REDD+ finance that is available. For forested countries that have political will and ambition to transform their forest and land use sectors, the predictability and adequacy of future REDD+ finance is critical to ensuring that their progress and momentum is not lost.

Funding is not the only challenge. In most countries, REDD+ programs are still not aligned with other sector goals (e.g. agriculture, mining, energy) and cannot succeed without stronger integration. REDD+ strategies and planned activities are still often designed by forest and/or environment ministries without robust engagement from sectors that drive deforestation. While REDD+ finance can provide a certain level of support and incentives to a country, these can easily be overwhelmed by other economic and political interests—for example, agricultural subsidies in some countries significantly exceed any potential REDD+ finance. To be successful and sustainable, REDD+ ambition must be part of a country's mainstream economic development planning.

We also found that, in many cases, REDD+ processes have yet to engage the private sector—whose investment flows are many times greater than REDD+ finance today, or in the future. As a result, few countries have advanced pragmatic approaches for managing the underlying drivers of deforestation, such as incentivizing behavior change within the private sector or identified opportunities to leverage private finance toward investment in more sustainable land use practices.

The challenges ahead are substantial and results will often be slower to materialize than originally anticipated. In the countries we examined closely, REDD+ finance is helping to lay the foundation for transformational change: new capacities are being built, institutions have been strengthened, and the ability to understand land-use change and to measure and monitor emissions from it improves each year. They, and many other REDD+ countries, have defined and are beginning a journey down a new pathway to protect and sustainably use their forest resources.

INTRODUCTION

STUDY OBJECTIVES

The introduction of the REDD+[2] concept into international discussions on climate has increased funding for forests. Since 2006, approximately $8.7 billion of international public funding has been pledged (although a much smaller amount disbursed) for REDD+ activities or funds (Norman and Nakhooda 2015). This figure includes pledges for countries that deliver forest-related emission reductions and exceeds pre-REDD+ funding levels[3] (UN 2012). In addition to the efforts to quantify, categorize, and track REDD+ finance,[4] recent studies have also begun to focus on the status, challenges, and lessons learned from REDD+ pilot activities at different policy levels (e.g., Fishbein and Lee 2015; Sills et al. 2014; Nakhooda and Norman 2014). With these publications, knowledge of the level of finance being offered and the state-of-play of recent REDD+ initiatives has increased. However, there is still scant empirical information on the actual impacts, intended and unintended, in recipient countries of both disbursed and expected funds. Evidence-based information on these issues not only provides lessons learned for donor and recipient countries, it can also provide a basis for ongoing policy discussions.

This study's main objective was to identify impacts of disbursed and expected REDD+ funding and to draw lessons from international funding dedicated to support REDD+. It therefore sought to answer the following key questions:

- **What have been the specific impacts of international REDD+ finance in developing countries?** We sought to assess not only direct and quantifiable outcomes (e.g., reduced forest-related emissions or increases in forest carbon stocks) but also less tangible (and highly critical) impacts on policies, politics, capacities, participation, and the economics that affect the forest sector in REDD+ countries.

- **What factors have influenced why REDD+ finance has had such impacts?** We asked why finance may have had specific impacts (or not), and whether and how certain pre-existing conditions in a country led to specific impacts from particular types of REDD+ finance.

- **What lessons can be learned for future REDD+ finance and funding priorities?** We extracted policy-relevant lessons useful for donor governments making decisions about allocating finance, for developing countries seeking finance, and for the broader international community interested in policies related to REDD+ and finance.

We assume that the concept of REDD+ implies a transformational change, given the agreement under the United Nations Framework Convention on Climate Change (UNFCCC) that REDD+ performance is measured at the national scale (allowing for a subnational scale only as an interim measure) and not at site-specific or smaller project scale

[2] REDD+ is "reducing emissions from deforestation, reducing emissions from forest degradation, conservation of forest carbon stocks, sustainable management of forests, enhancement of forest carbon stocks" (UNFCCC 2010).

[3] Financial support for forests in developing countries has increased since the formal introduction of REDD+ (COP13 2007). According to a U.N. report commissioned by the Collaborative Partnership on Forests, "ODA [official development assistance] disbursements increased by an average of 125% between the periods 2002–2004 and 2008–2010, largely due to REDD+ related financing" (Advisory Group on Finance 2012). In addition, the Voluntary REDD+ Database demonstrates the levels of international REDD+ finance in 2011–2013 was higher than the 2008–2010 period (VRD, accessed July 2015); complete data for 2014 to the present are not available, but ad hoc information from key donors (e.g., Germany, Norway, the United Kingdom) suggests funding levels have at least been maintained.

[4] Such efforts have been made by, for example, the REDD+ Partnership through its Voluntary REDD+ Database, the Overseas Development Institute, and Forest Trends through REDDX.

(UNFCCC 2010). Such transformational change entails moving away from an economic development pathway that leans heavily on natural resource depletion and instead promotes low-carbon development—an enormous task that most countries cannot complete quickly or without continued and targeted support. The "positive incentives" for REDD+ agreed under the UNFCCC were envisioned to provide, at least in part, such support.

Although significant REDD+-specific support has been provided since 2008, it is very challenging to make a correlation between REDD+ finance and its ostensible impacts. Land use dynamics are complex and involve multiple players and factors that affect change, making attribution difficult. In addition, some impacts or results may be muted by stronger effects (e.g., commodity price fluctuations) or not be seen for years, as time scales related to affecting natural resource management are much longer than in other economic sectors—often decades rather than years. To cope with this complexity we chose an exploratory approach: Much of this study relies on experts who live and work in the countries receiving REDD+ finance and their perception of how such finance has influenced the progress of the country regarding transformational change. The study therefore only offers what appear to be the broad impacts, across multiple countries, of international REDD+ finance based largely on expert opinion.

DEFINITION OF INTERNATIONAL REDD+ FINANCE

The Voluntary REDD+ Database (VRD) allows countries to self-identify what they interpret to be "REDD+ finance." As a result, this term is interpreted in a range of different ways. In its broadest sense, it can mean any finance that supports the reduction of emissions from the forest sector. As such, it would include support for forest governance reforms or conservation of forest biodiversity—e.g., by effectively protecting a forest, which as a side effect reduces emissions. A broad definition may also cover many different sources of finance, including international, domestic, and private sector funding, in line with what the UNFCCC suggests—"results-based finance … may come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources" (UNFCCC 2011).

This study, however, focuses on the impacts of *international public finance for REDD+*—finance whose objective is primarily to support REDD+ or that has been clearly identified in a country as REDD+ support. For many donor governments, this funding is part of their international budget to address climate change. To date, such finance—largely from donor governments through their official development assistance (ODA) budgets—accounts for the majority of funding for REDD+. Recognizing that disbursements so far only account for a small part of the total finance, we include both disbursed and committed support but also try to distinguish between the two. We consider "committed" support to be clearly allocated budgets in donor countries (and therefore is relatively certain to be disbursed over time).

Despite this focus, we recognize the wide range of forest-related funds beyond those directly linked to climate change. Examples include the European Union's Forest Law Enforcement, Governance and Trade (FLEGT) initiative, support for forest sector reforms, improving the livelihoods of forest-dependent communities and indigenous peoples, and funding for biodiversity conservation. The programs these funds support are critical for the success of REDD+ in many countries—for example, by helping to create an enabling environment for national or subnational REDD+ programs. However, we considered an analysis that extends to this breadth of funding sources and programs beyond the scope and objectives of this project. For this study we were uniquely interested in the impacts of what might be considered a new flavor of forest funding—i.e., public funds that are explicitly dedicated to supporting the mitigation of forest-related greenhouse gas emissions in developing countries (as opposed to traditional funding streams for forests).

This assessment distinguishes impacts as far as possible according to three different categories (or phases) of funding: readiness, implementation, and results-based (see Table 1). The most-used conceptualization of the REDD+ process are the three phases outlined by the REDD+ decision at the 16th Conference of the Parties (COP) to the UNFCCC in

Cancun. Our findings confirm, however, that this distinction is more in theory than in practice. In particular, it can be difficult in some instances to distinguish between readiness and implementation finance.

Table 1: Categories of REDD+ finance

Support for REDD+ "readiness"	Includes funding that enables REDD+ implementation and future emission reductions, such as: • Development of national strategies or action plans • Capacity building and institutional development to support REDD+ • Technical assistance for establishing monitoring and measuring, reporting, and verification (MRV) systems, safeguards, reference levels, studies to understand drivers, etc. • Building local awareness and participatory processes
Support for REDD+ implementation	Funding for activities that directly support the reduction of emissions, such as: • Support for implementation of national policies and measures • Funding of specific activities included in REDD+ national strategies or action plans that address drivers and underlying causes of deforestation and forest degradation or that enhance forest carbon stocks
REDD+ results-based finance	Payments for emission reductions in the forest sector, such as: • Jurisdictional results-based pilot programs at the subnational or national level (e.g., contributions to the Amazon Fund or the Forest Carbon Partnership Facility (FCPF) Carbon Fund) • Disbursed funds or pledged/parked funds for results • The expectation of potentially receiving results-based funds in the future

REDD+ finance is highly dynamic, and we assume that impacts result not only from disbursed finance but also from "parked funds" or other expected results-based finance. For example, we have witnessed countries taking action in the expectation of getting access to the FCPF Carbon Fund, the Green Climate Fund, or even no specific financing source—simply on the basis of raised expectations of finance from discussions under the UNFCCC or pledges from countries such as Germany, Norway, and the United Kingdom (Joint Statement of Germany, Norway, and the United Kingdom 2014). While categories of finance could be further disaggregated, with constantly changing figures, new programs, and modified funding streams—on top of the difficulties noted above in attributing impacts to finance—identifying impacts based on further refined categories was not possible in this assessment.

STUDY DESIGN

This study used an exploratory research design. It analyzed the available global literature on this topic and validated the findings though qualitative interviews with international REDD+ experts from various public and non-public institutions. The results were merged and complemented with information on eight REDD+ countries that have received or can expect significant amounts of REDD+ finance. Six in-depth country studies[5], with a pre-structured design to allow for comparability of the findings, were commissioned and carried out in spring 2015 (see Figure 1

[5] The case studies are available at: www.climateandlandusealliance.org/en/Impacts_of_International_REDD_Finance

below). The case studies for Brazil and Indonesia were based on a review of recent literature.[6] (See Annex for summaries of all eight.) We chose these eight countries because they are relatively advanced in the REDD+ process; also, they are all seeking results-based payments, provided bilaterally or through multilateral funds. In all, for this synthesis report and the case studies, over 100 documents (from policy papers to peer-reviewed literature) were reviewed, and more than 100 national and international REDD+ experts from governments, academia and research organizations, civil society, and the private sector provided input to the report, including through a series of interviews (see Acknowledgements).

Figure 1: Case Study Countries

[6] Of particular utility to our study were reports commissioned or produced by the Center for Global Development on the impacts of results-based finance on Brazil (Abranches 2014) and Indonesia (Darmasaputra and Wahyudi 2014; Seymour, Birdsall, and Savedoff 2014).

OBSERVED IMPACTS OF INTERNATIONAL REDD+ FINANCE

Attributing observed impacts to international financial support is a challenge. Impacts are influenced by a range of factors (see section 3), depending on the funding purpose and on the conditions already present in the recipient country. Furthermore, many impacts do not materialize or fully unfold immediately but over time. Despite the attribution challenge, there are some good indications about what has been achieved in seven years of international public support for REDD+.

IMPACTS ON EMISSION REDUCTIONS

While there are many conceptual ideas on how to define REDD+, the consensus is that a key outcome sought by REDD+ finance is to foster a reduction in forest-related emissions (or an increase in forest-related carbon sequestration) in developing countries. This is the core purpose of REDD+, and this section assesses the impacts to date on this desired goal.

A causal link between international REDD+ finance and significant impacts on forest-related emission reductions is not yet apparent. Most REDD+ finance, whether domestic or international, has been dedicated for readiness activities or pledged for results; until now, relatively little funding has been disbursed for implementation. Accordingly, the latest annual report of the FCPF (2014) states that impact-level results for "reduced emissions from deforestation and forest degradation" and outcome-level results for "efforts undertaken to achieve ERs [emission reductions]" are "not yet applicable". Generally, two categories can be distinguished: countries where a transformation is already occurring or has taken place in the recent past (e.g., Brazil, Mexico, and Vietnam) and countries where a transformation has not occurred and therefore deforestation is constant or rising (e.g., Colombia, the DRC, Ghana, and Guyana). For the first category, the successful reduction of deforestation rates cannot be attributed to international REDD+ finance, although some suggest that the funding has been indirectly helpful in maintaining progress, for example in Brazil (Abranches 2014). For both categories, REDD+ finance has to date focused on readiness activities and not yet on large-scale investments for implementation, and therefore it is too early to know how deforestation rates will respond to the new enabling environment. By comparison, the FLEGT program is older than REDD+, but its Voluntary Partnership Agreements are still in different stages of negotiation and until now no FLEGT-licensed timber has been imported to Europe.

However, REDD+ finance has played a large part in concerted readiness activities that have laid the groundwork for future performance. To date, REDD+ finance has focused on developing policy, building capacity, and strengthening national institutions in-country, as well as developing monitoring and MRV systems that will allow the long-term evaluation of emissions reductions and deforestation at the national level (Nakhooda and Norman 2014; see also the case studies). In Colombia, early activities have also focused on improving institutional coordination (e.g., between the Ministry of Environment and Sustainable Development and the Ministry of Agriculture and Rural Development) and identifying concrete investment activities that can be supported by the REDD Early Movers (REM) program. The Ghana Case Study similarly describes readiness activities that make the country well placed to realize future environmental impacts—including broad stakeholder agreement on a landscape-level emission reduction program, collaboration between the Forestry Commission and Cocoa Board for such a program, and agreement to scale up the National Forest Plantation Development Program with finance of the Forest Investment Program (FIP). In some cases, however, it remains unclear how a country plans to reduce emissions, and while funding has been spent on building

key capacities (e.g., on safeguards, MRV, etc.), insufficient attention has been given to the development of concrete plans to address the drivers of deforestation.

Some positive impacts on forest-related emissions are demonstrated by smaller-scale REDD+ pilot projects. Such projects, particularly if connected with national REDD+ strategies, are critical for demonstrating successful models that can then be scaled up during implementation of jurisdictional programs (Sills et al. 2014; FCPF 2013, 2014b). In Mexico, for example, REDD+ finance has promoted sustainable management practices at the site level, such as silvopastoral and milpa systems in the Yucatan Peninsula (an early action area), community-based forestry, forest restoration, and fire management. The lessons these projects are providing can be adopted for Mexico's Emission Reduction Program under the FPCF Carbon Fund. Similarly, in Colombia, the BioREDD+ project of the United States Agency for International Development (USAID) (see Section 2.6) has been successful in reducing forest degradation. The Brazilian Amazon Fund also reports on measureable success from funds it has disbursed—for example, the reforestation and recovery of over 6,000 hectares of degraded areas. While these concrete impacts are positive, it was noted in many case studies and interviews that there is a lack of implementation finance—for smaller-scale but critical pilot activities as well as for scaling up actions for larger-scale emission reduction programs.

IMPACTS ON POLICIES

While the focus of REDD+ for many countries is getting access to results-based payments, a recent study suggests that the most effective incentive to reduce deforestation at scale is the enactment of supportive domestic policies (Fishbein and Lee 2015). These, of course, may be catalyzed by the prospect of REDD+ payments for results, supported by readiness and implementation funding.

REDD+ finance has catalyzed targeted policy changes in some countries that have the potential to have a significant impact on deforestation in the future. A positive example is the achievements in Indonesia as an outcome of the bilateral agreement between that government and Norway—in particular, the moratorium on forest concessions, the related "one-map" initiative to consolidate contradicting data and information on forests, and improved recognition of indigenous rights (Darmasaputra and Wahyudi 2014; Seymour, Birdsall, and Savedoff 2014). Other countries are also in the process of developing new policies, incentives, and laws to address deforestation and degradation drivers. In the DRC, for example, a number of ongoing policy reform efforts hold promise, including a long-expected new decree on community use of forests, revisions to the mining and agriculture codes, and updating of the Economic Governance Matrix (tied to debt relief by the World Bank and the International Monetary Fund) to include REDD+ specific reforms such as land tenure, land use planning, and impacts of extractive industries. In Mexico, REDD+ finance has supported the development of a forest policy that takes a landscape and rural development approach. It has also contributed to the inclusion of such REDD+ elements as safeguards into existing laws and has catalyzed discussion on new forest and climate policies at the state level. To date, however, such efforts remain incomplete in all the analyzed countries.

In many countries REDD+ finance has triggered the development of national REDD+ strategies or action plans, but it remains unclear how much effect these will have on new and existing policies, budgets, and practices. Many REDD+ strategies point to a need for policy reforms, but such reforms have not yet been enacted, and they require consensus among many different stakeholders, cross-sectoral coordination, and political buy-in that, in some cases, is not yet present. One interviewee suggested that in many countries REDD+ action plans exist "just on paper." Another suggested there was no evidence that REDD+ finance has led to critical governance reforms. Furthermore, it was stated in several interviews that effective implementation of REDD+ needs to be integrated into land use planning and may require reform of established land tenure systems and deep-rooted governance settings. Colombia, for example, announced in 2009 a zero-net deforestation target in the Amazon region by 2020, followed by the Amazon Vision (in 2013) and a National Development Plan 2014–2018. These developments, however, just mark first

milestones and, as in all countries, they still require the adoption of specific laws and implementing policies to make these high-level strategies operational.

Policy impacts may still be limited because finance has been focused on readiness activities and not yet on implementation of national REDD+ strategies and action plans. In line with the phased approach agreed to at COP16, donors of REDD+ finance have focused early allocations of finance on readiness activities. This includes analyzing in detail the country- and context-specific drivers of deforestation and forest degradation, developing a common understanding between relevant authorities and stakeholders about the needs and options to tackle the drivers, and triggering a process—including national multisector stakeholder dialogues—for developing national REDD+ strategies and action plans. There is a need to increasingly focus REDD+ finance on on-the-ground testing and implementation, even at smaller scales, of actions included in national REDD+ strategies in order to gain experiences that can be used to inform decision-making and to give decision-makers confidence that such policies will result in the desired outcomes.

Pledged future support at scale can also have positive impacts on policies in countries implementing REDD+. In some countries, the expectation of significant results-based finance has strengthened actors promoting forest sector reforms within the country, thereby having an indirect impact on policies. This has been true in Brazil, where the Amazon Fund and Norway's agreement to make a significant contribution (of $1 billion) to the fund is said to have had "an important intellectual and political influence that contributed to the paradigm shift in the politics and policies of reduction of deforestation and promotion of forest conservation" (Abranches 2014). In Guyana, the partnership with Norway has set in motion an effort to sign up to the Extractive Industries Transparency Initiative and FLEGT; has increased the titling, demarcation, and extension of Amerindian Lands; and has encouraged the drafting of new codes of practice for the mining sector. Alternatively, in some countries, expected REDD+ finance is not large enough to influence policies. In Vietnam, for example, international REDD+ finance is small—compared with finance provided for forestry through a functional payment scheme for forest ecosystem services (PFES); the same holds true for Mexico. Along with the uncertainty over future finance, for some countries the presently available incentives are not sufficient to speed up implementation or to reform politically entrenched policies.

In a few cases, some believe REDD+ finance has had unintended, negative policy impacts. Several interviewees suggested that REDD+ finance has diverted political attention away from other legitimate approaches to forest protection, in essence "crowding out" other solutions that are needed to tackle deforestation. Some perceive that REDD+ has shifted attention and finance to issues such as monitoring carbon stocks rather than, for example, rigorously implementing FLEGT, improving forest governance, or clarifying land tenure issues. Some also suggested the promise of large-scale finance (which has not yet materialized) has been divisive in some countries and has set unrealistic and partly counterproductive expectations in others.

POLITICAL IMPACTS

High-level political will and commitment was often mentioned in the interviews as a key "element of success" for countries or jurisdictions making efforts to reduce deforestation, as it is closely linked to a country's ability to create a strong legal, policy, and regulatory environment. Political will is subject to many external influences and not the only prerequisite for success, but without it policy-induced transformational change is unlikely to occur. Such political will can be stimulated through a variety of means and a combination of factors that may include the provision of concrete incentives, improved understanding among political constituents of the benefits of forest protection, and increased diplomatic efforts or private sector interest in REDD+.

In the case study countries, **REDD+ finance has spurred a new or intensified dialogue on forest protection and the role of forests in mitigating climate change**. While the depth and breadth of this new discourse varies among

countries, in the eight examined for this study REDD+ finance has elevated forest protection and sustainable management on the political agenda and led to a better informed debate on national policies related to the nexus of forests, climate change, and development. The new concept of payments for reduced forest-related emissions, in particular, has resulted in new communications and media coverage on forests and the benefits of their effective protection. For example, Norway's pledges in Brazil, Indonesia, and Guyana have been successful in "elevating the position of REDD+ on the national agenda, catalyzing action to address critical bottlenecks in REDD+ readiness, broadening government and civil society participation and stimulating national debate on REDD+" (Creed and Nakhooda 2011). Or, as Watson et al. (2014) put it: "Norwegian finance is small in the context of the economies it targets, but large enough to get key actors within government to take it seriously." Similar impacts were documented in the case studies for Colombia, the DRC, Ghana, Mexico, and Vietnam.

In some cases, REDD+ finance has improved coordination among relevant government ministries and key institutions. Most of the multilateral REDD+ programs (FCPF, FIP, the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD)) require countries to demonstrate interagency collaboration, particularly between agencies responsible for forest management (e.g., forestry departments) and those responsible for agriculture, planning and development, mining, etc. This has been a critical requirement for REDD+, as government institutions tend to operate in silos. In Ghana, for example, where cocoa is the main driver of deforestation, the prospect of REDD+ finance helped to catalyze cooperation for the first time between the Forestry Commission and the Cocoa Board. In the DRC, new (albeit fragile) cooperation between the Ministry of Environment and Sustainable Development and the Ministry of Finance on REDD+ is a promising development. While positive impacts have been noted, much improvement is still needed, and several cases also highlight a need for further enhanced cooperation with sectors such as agriculture (Mexico), mining (Guyana, Colombia), and timber (the DRC)—sectors that, in most cases, still wield much stronger political influence and have larger budgets than forestry or the environment. While the importance of intersectoral cooperation is broadly recognized, it often needs to be mandated and sustained throughout time by high-level political authorities, as conflicts of interest are inevitable.

REDD+ finance has also directly and indirectly furthered the development of new institutions and agencies mandated with facilitating process and implementation. Such institutions represent new players in established political arenas and have either complicated and delayed implementation or created new efficiencies by restructuring and bundling existing competences. One prominent example in this regard was the Indonesian REDD+ Agency, inaugurated as part of the Norway-Indonesia agreement. The new agency circumvented established ministries for forestry and the environment by its direct linkage to the president, creating the political leverage needed for the moratorium on new concessions, the review of licenses, and the One Map Initiative (LTS International 2014). The example also demonstrates that the persistence of such new institutions cannot be ensured through REDD+ finance alone, as a change of government in Indonesia resulted in the absorption of the agency into the Ministry of Environment and Forestry. Other countries have also experienced the creation of new agencies, or improved existing ones, as a result of REDD+ finance. For example, Ghana and Vietnam set up new institutions to coordinate their REDD+ program, and key existing institutions have been strengthened in Brazil, Colombia, the DRC, Guyana, and Mexico.

Political impacts are limited, in part, by the scale of finance and because most disbursed funds have been for readiness. In many cases the potential to receive relatively large sums of finance plays a contributing role to political engagement. For most REDD+ countries, however, such finance has not been forthcoming. As a result, initial interest and engagement have been running out of steam. In addition, since most finance has been focused on readiness activities, concrete outcomes have not yet been demonstrated—but some suggested that funding programs on the ground could help illustrate, even if at smaller scales, the benefits of REDD+ actions. From the donor government perspective, however, the challenge is not just mobilizing new funds for REDD+ (on the scale of political interest for

REDD+ countries), but the fact that actual disbursements run quickly into absorptive capacity constraints. Several donor governments stated that "parking" large sums of money into, for example, results-based finance mechanisms for long periods of time[7] can be politically challenging, and they suggested they do not wish to risk moving more finance into such funds until those funds disburse what is already there.

In some cases, REDD+ finance has been a source of new political tension. Disbursed finance has resulted in new inter- and intra-ministerial tensions over the ownership of funded programs and, in turn, over the national REDD+ process. The expectation of REDD+ finance has also triggered conflicts within some governments—even over the management of expected (but not yet confirmed) resources (Korhonen-Kurki et al. 2014). In Indonesia, for example, multiple agencies have been responsible for various financial support coming to the country, at times causing confusion and delays in the national REDD+ process.

IMPACTS ON CAPACITIES

In a recent study on REDD+, the lack of human, technical, and financial resources was consistently cited as the top challenge when aiming to implement a REDD+ program at the larger jurisdictional or national scale (Fishbein and Lee 2015). Therefore, the impact of existing finance on improving such capacities—e.g., human and technical resources—is critical for the sustainability as well as the national ownership of a REDD+ program.

There has been a strong and positive impact on capacities, but concentrated at the national level. There is considerable evidence from the literature and the case studies that the technicality and complexity of REDD+ as a results-based financing mechanism becomes an increasing challenge the further a country moves toward implementation**.** REDD+ finance used to build expert capacity has been concentrated at the national level, at least within the case studies, both within government and in organizations in or near the capital. However, emission reduction programs are often located in areas far from the capital—areas that suffer from low capacity and where stakeholders have not been able to fully participate in the national REDD+ process. Many of the individuals interviewed suggested that capacity limitations at the local level will be a barrier to progress as countries enter the next phase (implementation) and that future support should focus on expanding capacities to a broader audience and in finding ways to convey REDD+ in a simple and understandable manner in order to develop a general acceptance of and support for implementation activities.

REDD+ finance for readiness has led to a better understanding of the drivers of deforestation and remarkable improvements in forest monitoring capacities. Much REDD+ finance has been used for developing or improving forest monitoring and MRV capacities (Creed and Nakhooda 2011) for example, by carrying out new national forest inventories or providing technical assistance to enhance countries' capacities to analyze remote sensing data. In addition, the expectation of REDD+ results-based finance has incentivized the estimation of trends in land use change or forest-related emissions. Many countries pursuing REDD+ programs now know significantly more about their particular drivers of deforestation and degradation and have geo-referenced information about deforestation at their disposal. In combination with systematic analyses of drivers and underlying causes, these new capacities provide a solid foundation for developing strategic options to address forest-related emissions at landscape level—options tailored to specific national circumstances (Carodenuto et al. 2015). All case studies provide clear evidence for the positive impacts of REDD+ finance in this regard. For example, in the DRC there was no consensus on what were the most important drivers of deforestation prior to REDD+. Studies funded by REDD+ finance have now facilitated more common ground among key stakeholders on the key drivers—a prerequisite for effectively addressing drivers. Improvements in monitoring and a better understanding of drivers can also have positive political and policy impacts.

[7] For example, the FCPF Carbon Fund received contributions starting in 2009 but as of this writing has not yet disbursed any results-based payments.

However, **it is a general perception that there has been an overemphasis on building MRV capacity to the detriment of other critical element of REDD+ readiness**. Many of those interviewed stated that too high a proportion of finance has been used for technical capacities. They point at a particular need to improve other elements that are crucial for REDD+ to be successful—for example, to strengthen civil society to improve land use planning and help communities better manage their natural resources or to foster the private sector to build new business models or change to more-sustainable practices. Interviews also revealed a sense that a rush to disburse funding and progress on national REDD+ programs often results in the use of external consultants rather than building local capacities. These views reveal the need for pragmatic but robust compromises when making decisions on investments such as MRV capacities, including step-wise improvements that are balanced with building other key capacities. As one expert put it, "when you construct a car you don't start with developing the tachometer."

REDD+ finance often funds similar but uncoordinated capacity building activities. In many of the case studies, stakeholders mentioned duplicative activities by finance that was not coordinated. For example, in Ghana more than 20 different funding streams from various sources have supported MRV-related work, yet this has not resulted in a functional monitoring system or development of an agreed baseline. A similar situation is found in Vietnam, where several bilateral development cooperation agencies, FCPF, and UN-REDD all work in different REDD+ pilot provinces, and the Vietnamese government is facing the challenge of ensuring consistency among these support activities.

IMPACTS ON STAKEHOLDER PERCEPTION AND PARTICIPATION

A REDD+ requirement agreed to in Cancun by the Parties to the UNFCCC is that countries, when undertaking REDD+ activities, should promote and support the full and effective participation of relevant stakeholders. There is wide recognition that stakeholder inclusiveness and the fair and equitable sharing of benefits are prerequisites for successful REDD+ implementation—and ultimately for upscaling and the sustainability of achievements. In part due to this agreed "safeguard" for REDD+, a significant portion of international REDD+ finance has been earmarked for stakeholder participation. A report analyzing international REDD+ finance in seven countries found that among non-results-based finance "over 70% of donor initiatives at least partially supported stakeholder engagement and consultations" (Canby et al. 2014). However, the degree of stakeholder inclusiveness needed remains a contested issue.

REDD+ readiness finance has improved stakeholder participation and transparency in many countries. According to a REDDX report, the funds allocated to facilitate stakeholder participation take a large portion of how REDD+ finance has been spent in recent years (Canby et al. 2014). As a consequence, especially in countries relatively advanced in REDD+, the readiness process has significantly increased awareness of forest and climate-change-related issues among forest stakeholders. Various participatory processes, in particular in the context of safeguards, benefit-sharing mechanisms, grievance redress mechanisms and national strategy processes, have facilitated sometimes unprecedented open and transparent dialogues between public and private stakeholders. In Ghana, for example, the case study notes that "the importance of REDD+ finance is that it has facilitated widespread and new types of engagements at multiple levels about the value of forests and trees, sustainability, livelihood options, drivers of deforestation, and management rights with respect to forests. This is far more important than the money or the idea of carbon."

Experiences with stakeholder participation for REDD+ are widely perceived as positive and may become an accepted practice in some countries. The literature and the case studies confirm that REDD+ readiness finance has stimulated and created an environment for enhanced exchange and debate between policy makers and civil society organizations (LTS International 2014). As expressed by one interviewee, REDD+ finance has "opened communication channels that previously did not exist." This may have a broader impact than just for REDD+. In Mexico, for example, the development of national REDD+ strategy was reported in the case study to be "one of the most participative,

open and inclusive processes in public policy in Mexico" and has "created a precedent of including civil society in public policy design and is being replicated in other sectors." At the same time, some interviewed experts also expressed a need to balance stakeholder engagement with building capacities to implement a program as well as the uncertainties of future finance—and noted concerns about raising and managing expectations among, in particular, local stakeholders.

So far, participatory processes have mostly taken place at the national level, with corresponding national actors. There are few experiences of meaningful inclusion of important local interest groups (e.g., farmers, communities, local officials) at jurisdictional and local levels where much larger numbers of stakeholders will be affected by implementation activities. Including such groups may require communication tools that translate the international concepts of REDD+ into local contexts and interests. This finding was confirmed by the case studies for Colombia, Guyana, Mexico, and Vietnam. The DRC may be an exception, as it was cited that there is significant discussion and awareness in villages in Mai Ndombe province, the area targeted for the first subnational REDD+ program. A general finding confirmed by all case studies is the trade-off between rapid progress and inclusiveness: Streck and Parker (2012) note in this context that "the time required for consultations and consensus-building has often been underestimated." The findings suggest that ambitious schedules for developing REDD+ programs inevitably require compromises, and one immediate challenge for countries is to find and agree on the right balance between ensuring "full and effective participation"[8] while also making timely progress.

ECONOMIC IMPACTS

Deforestation and forest degradation are often driven by rational economic interests. In order for REDD+ to be successful and to effectively reduce emissions from the land sector, the values and benefits provided by forests need to be internalized, either through the creation of new incentives or through regulation and enforcement. Although REDD+ focuses on setting a price for mitigating CO_2 emissions, the expectation prevails that this will protect a range of non-carbon benefits for biodiversity and the other recognized ecosystem services that forests provide as well. While REDD+ payments may provide financial benefits for a period of time, they are not expected to be made in perpetuity to countries and must therefore, as a goal, aim to bridge a transformation to low-carbon economies and long-term, sustainable land use practices.

REDD+ finance has had an influence on new conceptualizations of "green commodities," but to date it has not had substantial economic impacts. The New York Declaration on Forests of the UN climate summit in September 2014, and its 179 signatories from governments, the private sector, and civil society, confirmed an increased recognition that new models need to be developed for the commodities that drive deforestation (United Nations 2014). This has resulted in emerging (but still insufficient) support for the development of sustainable business models and the demonstration of "proof of concept." Such support is provided, for example, through bilateral funding instruments such as the German International Climate Initiative and the Dutch-funded Sustainable Trade Initiative or through philanthropies such as the Rockefeller Foundation and the Climate and Land Use Alliance. In 2009, the United Nations Development Programme created a Green Commodities Programme and in 2013 the BioCarbon Fund (of the World Bank) opened a new tranche dedicated to reducing deforestation through promoting sustainable agriculture. However, many ideas on how to improve sustainability and collaborate with the private sector are only at the conceptual or early piloting stage and have not yet made a difference at the landscape level or transformed the economic drivers of deforestation.

[8] The Cancun Decision on REDD+ outlined a set of safeguards when undertaking REDD+ activities that includes "the full and effective participation of relevant stakeholders, in particular indigenous peoples and local communities" (FCCC/CP/2010/7/Add.1).

Some economic impacts have been felt at local levels where site-based pilot activities have been implemented. As mentioned earlier, there are some emerging pilot projects aimed at testing, for example, sustainable production or alternative livelihoods for communities (Sills et al. 2014). Such projects offer important lessons on activities that could be expanded and replicated in larger-scale programs. For example, USAID's BioREDD+ project in Colombia has already seen success in the creation of tangible economic benefits and reductions in forest degradation. The program works with communities to develop alternative income sources, typically through developing value chains for non-timber forest products, and links them with local producers and markets. Similar examples exist in other countries. In Brazil, for instance, the Amazon Fund has helped add value to family farming, and in Mexico REDD+ finance has created jobs in, for example, new management practices and forest monitoring. To have a significant impact, however, these need to be scaled up and matched with enabling policy reforms if they are to distinguish themselves from site-based integrated conservation and development projects that have existed since the mid-1980s (but that have had little transformational effect on the economy or landscape).

Ghana's Cocoa Forest Mosaic Landscape is a promising example of the potential for REDD+ finance to transform a landscape. While not guaranteed success, Ghana's emission reduction program in the cocoa-growing region of the country demonstrates how a country may use REDD+ finance to create new economic incentives for changed practices. The cocoa sector, in cooperation with the forestry sector, is planning to produce a new type of commodity—a climate-smart cocoa bean linked to reduced deforestation. The program will also enhance carbon stocks through promoting trees on cocoa farming landscapes (Ghana ER-PIN 2014). The model will effectively account for the cost to the forest of producing cocoa beans and chocolate, and implementation costs will be covered partially by the FIP and by donor governments but also by private sector cocoa and chocolate companies.

REDD+ results-based finance alone does not provide sufficient incentives to implement and upscale models of sustainable practice. It is unlikely that REDD+ finance can ever compete with the opportunity costs for some of the key commodities that drive deforestation and forest degradation (Hein and van der Meer 2012). Aside from such considerations, the relative scale of the amounts of results-based finance offered varies considerably, in comparison to gross domestic product and opportunity costs, in the analyzed case study countries. Despite these differences, all these countries have committed to implement REDD+, and the findings reveal that the domestic efforts are not only driven by REDD+ financial incentives. As described by one interviewee, "REDD+ [finance] can only be the cherry on the cake." For example, Vietnam had stabilized deforestation prior to REDD+ and very successfully mobilized significant domestic funds for forest protection through its PFES scheme. It anticipates that REDD+ finance will be used within established structures (national and provincial forest funds) to increase the impact of PFES. Another example is Mexico, where international REDD+ finance is complemented by much larger funding—for example a $350 million World Bank loan (as part of a Forest and Climate Change package) and another development policy loan from the World Bank and the French Development Agency, as well as an equally important domestic match of finance.

Lack of private sector engagement, in particular by those who profit from depleting or converting forest resources, is cited as a key weakness of many REDD+ programs. With the notable exception of Ghana's cocoa program, almost all other REDD+ programs struggle to fully engage these private sector actors. REDD+ funding has to date focused first on engagement of the government and second on participation of civil society—but it often seems to bypass the private sector. And in very few cases has the private sector played a significant role in developing national REDD+ strategies. In the DRC, the Fédération des Industriels du Bois has participated in some discussions more recently, but representatives of agricultural and extractive industries have not joined in. The same is true in Guyana, where engagement of the mining sector is critical for reducing deforestation, but key actors within the sector were not involved in the initial design or funding of the REDD+ program. The result is that, in many cases, countries have yet to come up with ideas on how to deal with overarching market drivers of deforestation or how to provide clear incentives for the private sector to change its behavior or invest in REDD+-compatible business models.

FACTORS AFFECTING THE IMPACTS OF REDD+ FINANCE

In order to draw meaningful lessons for future support, we tried to identify particular factors and conditions that affect the impacts of international REDD+ finance. CIFOR has recently conducted a qualitative comparative analysis of enabling factors for REDD+ in 12 countries; the major factors identified there were path dependence, functioning institutions, and the state of forest resources (Korhonen-Kurki et al. 2014). Our study confirms many findings, in particular that the amount of disbursed and pledged REDD+ finance alone cannot explain the differing impacts observed in REDD+ countries. Supported by existing literature, we focused in particular on the role of pre-existing conditions, country ownership, alignment of REDD+ funding with national development goals, use (and/or building) of local capacity, coordination of support, and private sector engagement. While country experiences vary, several common themes emerged from the case studies, as summarized in this section.

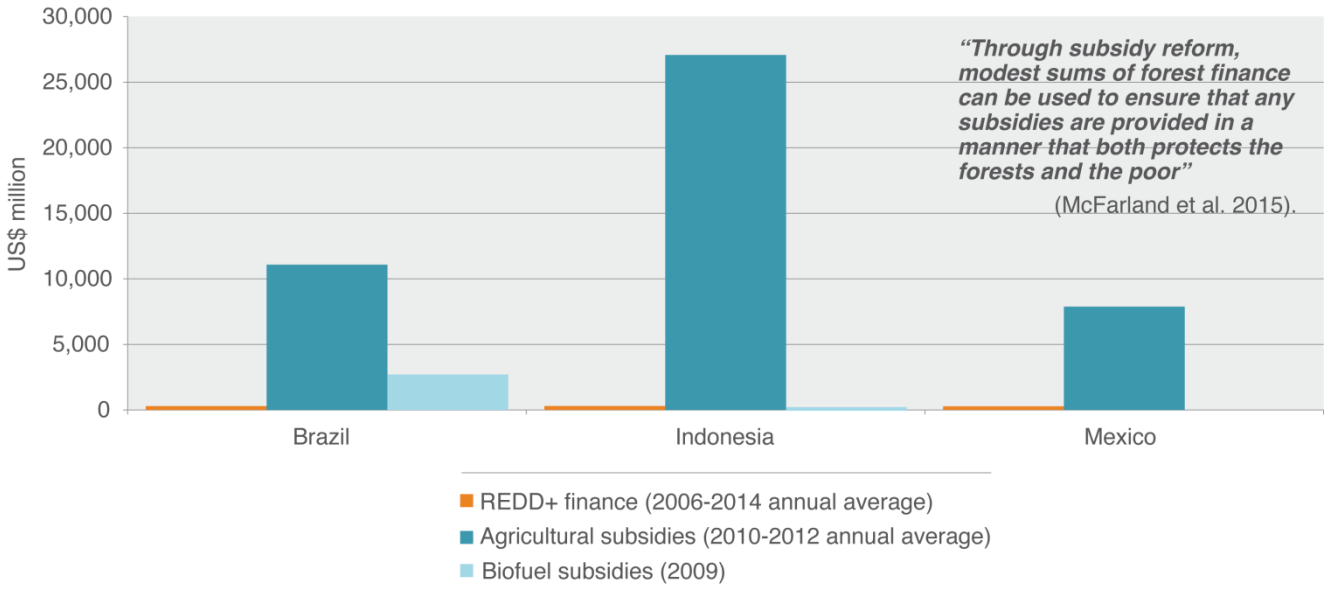
Countries with existing capacities, functioning institutions, and pre-existing programs that can be built upon tend to experience faster progress in REDD+. Brazil, the most advanced REDD+ country, has had a forest monitoring system in place for over 15 years, has established regulatory policies to reduce deforestation, and has increased enforcement. With these conditions in place, and with a robust financial institution (the Brazilian Development Bank, BNDES), the country was ready early on to implement a fully nationally owned REDD+ results-based system. Mexico also has in place similar policy and institutional strengths and is poised to develop a nationally owned and operated REDD+ mechanism. Similarly, Vietnam has existing capacity, a forest inventory in place, and functioning institutional structures. These countries have a long history of support through development cooperation, but they have also invested considerable sums from domestic budgets to improve their forest sector governance. As a result, all three countries were already experiencing declining rates of deforestation prior to the development of the REDD+ concept—which also makes it difficult for REDD+, with its comparatively small sums of funding, to identify and attribute significant and immediate impacts. In Vietnam, for example, the PFES program generates more funds than international REDD+ finance. Similarly, in Mexico, since its inception in 2003, the PES program has disbursed more than $600 million for forest conservation, exceeding the total amount of REDD+ finance committed to the country ($167 million). Furthermore, Conafor (Mexico's National Forestry Commission) has an annual budget of around $520 million per year, far outstripping available REDD+ funds.

REDD+ finance is expected to have stronger impacts where there is alignment between REDD+ strategies and national goals for sustainable development. In some countries, policies further the expansion of land used for agricultural production. Often these policies are implemented with significant subsidies and economic incentives that far outstrip the relatively small sums of international REDD+ finance (see Figure 2). On the other hand, policies that align development tools and fiscal policies—such as subsidy reform or access to government finance—with REDD+ goals can be very effective. For example, Brazil's linkage of rural credit to deforestation rates in municipalities has proved to be an effective strategy to reduce deforestation. Another example is Vietnam, which has developed a plethora of regulatory policies (e.g., logging bans, land allocation and respective use rights) combined with incentive mechanisms to further reforestation; all these measures were primarily driven by the objective of reducing extreme levels of rural poverty.

Readiness has progressed most in countries with a supportive political context, where confidence and trust exist among key actors, and where responsibilities and accountability are clear. While pre-existing capacities are helpful for accelerating a readiness process, overall progress on "phase one" of a REDD+ program (e.g., developing a national strategy, MRV system, safeguard mechanisms, etc.) is often correlated with the level of political support for REDD+. For example, a comparative assessment of countries participating in FIP indicated that countries progress faster if

there is high political will (FIP 2014). Broad support among relevant stakeholders and government ministries was also noted as important in the case studies. Strong accountability—clarity and transparency about who is responsible for what—also affects the effectiveness of REDD+ finance. For example, Indonesia's REDD+ efforts had strong presidential support under President Yudhoyono but not widespread buy-in across the many relevant ministries and governmental institutions. Confusion that led at times to competition regarding the responsibilities of the former REDD+ agency vis-à-vis the Ministry of Forestry caused delays, and such institutional coordination issues continue as the new government undergoes a restructuring process, including the recent establishment of a new Ministry of Environment and Forestry. Furthermore, in decentralized systems, responsibilities need to be clear between the central and state or provincial governments.

Figure 2: Comparison of REDD+ finance with subsidies for agriculture and biofuels in selected REDD+ countries (Source: McFarland et al. 2015.)



Pre-existing policies and power structures related to forests and climate change can hamper the effectiveness of international REDD+ finance. Institutional silos, turf battles (particularly when significant amounts of finance are at stake), and business-as-usual practices have also limited the impact or caused delays in the disbursement of REDD+ finance in many countries. In some cases, perverse incentives exist for duplicative funding—particularly where government agencies' budgets are weak and are dependent on international financing for projects that enhance civil servant salaries. In such cases, better coordination and greater efficiencies among donor funds could reduce overall funding levels. The Guyana case study illustrates that although high-level political support is generally helpful to a REDD+ program, centralized governance with weak civil society can also have an impact on the effectiveness of REDD+ finance and the eventual sustainability of a REDD+ program if stakeholders do not feel sufficiently consulted.

The political entrenchment of drivers of deforestation and their underlying incentive structures affect the impacts of REDD+ finance. Countries with economically and politically entrenched industries whose business models depend on depleting or converting forest resources are experiencing difficulties moving toward implementation. This is, in part, due to the relatively small sums of finance on the table for REDD+ relative to the size of such industries and to the fact that most funds are currently disbursed to governments and nongovernmental organizations (NGOs)—and

have not yet been spent to change incentives for private sector agents that drive deforestation.[9] Where such industries exist—for example, the palm oil industry in Indonesia or cattle ranchers in the Amazon—additional or complementary policy measures will be necessary for REDD+ to be successful, such as a combination of domestic regulations, subsidy reforms, incentives for the private sector, or voluntary corporate commitments.

REDD+ finance may be more effective in countries where the main drivers do not represent the interests of such politically powerful actors. For example, slash-and-burn (or swidden) agriculture in the DRC may experience stronger impacts from REDD+ finance where it provides alternative income sources for communities. In such cases, international finance does not need to be coupled with complementary commitments from the private sector in order to have an impact, but it does need to be embedded in agricultural development planning and programs. Where key deforestation agents see more sustainable land use in their interest, as in the cocoa industry in Ghana, REDD+ finance can be a powerful catalyst for change, providing needed incremental finance. Dramatic events or perceptions of scarcity and economic losses as a consequence of deforestation may also support implementation of activities that help in reversing forest destruction. This was the case in Costa Rica (Sánchez-Azofeifa, Harriss, and Skole 2001) and, later, in Vietnam (Matthews et al. 2014), and it may be the case in countries such as Uganda that face potential exhaustion of forests, which provide biomass critical for energy use (personal interviews).

The ability of REDD+ proponents to communicate the development benefits of REDD+ in a simple narrative can increase the impacts of REDD+ finance. Such a narrative should not be complicated by the complexities of carbon finance and its MRV requirements. For example, the cocoa story in Ghana (increasing production while improving local livelihoods and protecting the ecosystem services of forests) "quickly served to capture the *raison d'etre* of REDD+ in a concise and simple concept that people from all socio-economic backgrounds, sectors, and standpoints could relate to and understand," noted the case study. PFES programs similarly have a relatively simple narrative that can be attributed to their success in countries such as Costa Rica, Mexico, and Vietnam.

Where funding has used local institutions and procedures, the outputs often have a higher level of country ownership. Providing national stakeholders with opportunities to substantively contribute to the design of REDD+ and implementation is important for securing the legitimacy of a REDD+ process and crucial for REDD+ success (Westholm et al. 2011). Such funding also serves to strengthen local capacity and build institutional memory to carry forward the activities once the funding is finished. Most ODA-funded programs have a limited life span, five years or less, after which projects often falter. Furthermore, in many countries, a significant portion of REDD+ finance has been spent on hiring external consultants to conduct studies, provide services, or perform specific tasks—leaving many to question what sustained impact such funding will have on a country. The case study on Ghana noted in this context that "the best pieces of work that have emerged … came from individuals or entities that already had very good capacity and were able to operate smoothly within the enabling environment…. In comparison, some of the expensive international consulting firms that purported to have high capacity actually did not and were unable to operate effectively in the Ghanaian environment, resulting in expensive but low quality outputs".

National fiduciary capacities play a critical role in the level of ownership of REDD+ finance, particularly results-based finance. A key factor that defines Guyana's experience with REDD+ is the lack of clarity on how much ownership they had over the funding they had "earned" through protecting their forests. Funds have been managed by the World Bank and disbursed to delivery partners (e.g., to the Inter-American Development Bank (IDB) or the United Nations Development Programme (UNDP)), which has caused significant delays in disbursement and contestation over control and ownership of the funds. By comparison, the Amazon Fund managed by the Brazilian Development Bank has put ownership and decision-making squarely in the hands of Brazil.

[9] The "private sector" is a broad and unspecific term that can include global companies, local enterprises and individuals such as households and farmers, despite their different roles and rationales in the context of REDD+.

While pre-existing capacities provide fertile ground for REDD+ finance, there are cases where finance has been effective despite low initial capacity. The DRC is a good example of where REDD+ finance has effectively filled many capacity gaps over a period of seven years and moved the country from a long and intensive readiness process to start of implementation. The country has relied on much external expertise, and many observers suggest that for REDD+ finance to have a lasting impact there will need to be a transition over time from a dependence on external finance to stronger national ownership. This illustrates the delicate balance countries face in making progress to sustain political momentum and build confidence, while also exercising patience to build national capacity.

CONCLUSIONS

Currently more than 70 countries are planning or implementing REDD+ activities supported by international public finance. The access that countries have to such finance varies, as do its impacts. This section summarizes the key lessons learned from assessing the impacts of REDD+ finance in order to provide input into the continuously evolving concept of REDD+.

REDD+ finance has been focused on readiness and therefore has yet to "bend the curve" of reducing carbon emissions from deforestation and forest degradation—but in several countries it seems poised to do so. Similarly, in countries where transformation of the forest sector has already started (Brazil, Mexico, and Vietnam), REDD+ finance can accelerate such positive trends—if it is effectively spent. The concept of a phased approach has had the consequence of initially concentrating the lion's share of funding on activities to "get countries ready" (for results-based payments). Among the case study countries, with the exceptions of Brazil and Guyana,[10] disbursed funding for readiness is over 90% of the total. Readiness activities also are heavily weighted toward MRV, safeguards, and participation—and in many cases it is still unclear how a country plans to reduce forest-related emissions. However, some countries (e.g., among the case studies, Colombia, the DRC, Ghana, and Mexico) have used readiness funds effectively for creating or improving an enabling environment for REDD+ implementation; if momentum and political will are maintained and if investments begin in earnest for implementation, these countries may see significant reductions in their forest-related emissions. But transformational change in the land use or natural resources sector does not happen quickly. Some experts noted that slower, more deliberate, participatory efforts are more sustainable and that expecting quick results disregards the need for long-lasting structural change.

REDD+ finance has the largest potential when integrated into development planning and aligned early on with relevant private sector actors. Countries where REDD+ finance has high potential for positive impacts on forest-related emissions are those where REDD+ programs do not exclusively focus on emission reductions in isolation from mainstream economic development. In the DRC and Colombia, for example, REDD+ is part of development planning in post-conflict areas where growth and economic development are entering new phases. In Ghana, companies engaged in cocoa production and sale have been part of the REDD+ design process from the start and see sustainable production, a key strategy in Ghana's emission reductions program, as in their economic interests. In Mexico, Conafor has ensured that REDD+ finance is aligned with long-term, national programs for rural economic development. And in Vietnam, REDD+ is linked to other forest policies, plans, and the national PFES scheme—all guided by the objective of alleviating poverty and improving the sector profitability while simultaneously improving forest quality and ensuring the provision of ecosystem services. Such alignment can facilitate acceptance by relevant government ministries and local stakeholders (FIP 2014).

Where this integration is not occurring, other economic and political incentives can overwhelm the ability of REDD+ finance to be effective. Some drivers of deforestation have opportunity costs that will require more than REDD+ finance to overcome. For example, the production of oil palm is estimated to be worth between $3,500 and $9,600 per hectare per year (Butler, Koh, and Ghazoul 2009). Policies that prioritize and value longer-term benefits and ecosystem services provided by forests will be needed in such situations. Often, however, domestic politics and policies, subsidies, and fiscal instruments undermine REDD+ goals. In many countries, a multiplicity of sectoral policies act in contradiction to efforts to reduce deforestation. Furthermore, land use systems (e.g., concessions and other rights to extract economic benefit from land and forest resources) are often deeply rooted in the political system of countries and the rent-seeking of different actors. REDD+ goals also often conflict with development

[10] Brazil and Guyana have received large amounts of results-based finance from Norway that skews the overall picture that is more representative of the majority of REDD+ countries.

priorities that drive subsidies. From 2009 to 2012, for example, Brazil and Indonesia subsidized industries that drive deforestation with over $40 billion, compared with $346 million in conservation aid received to protect forests (McFarland, Whitely, and Kissinger 2015). In Mexico, the budget for the Ministry of Agriculture and Livestock Ministry is $6 billion, compared with $520 million for the National Forestry Commission and $162 million in pledged REDD+ funding to date. Mexico recognizes that international funding for REDD+, including payment for results, will be insufficient to make a transformational change, but it can provide motivation to align exiting initiatives (Lorandi 2014).

For many countries the amount of funding on the table is not large and/or predictable enough to increase their efforts to implement REDD+ or change the politics of forest protection. One of the most important factors for effective impacts of REDD+ finance is its ability to leverage policy changes that can result in sustained reductions in deforestation. Given the political economy of forests in many countries, such changes will require continued political will and the ability of forest and environment agencies to positively engage ministries responsible for driving deforestation. However, the lack of credible long-term funding is, in some cases, a barrier to generating political interest or sectoral cooperation.

Figure 3: Scale of readiness, implementation, and results-based funding[11] pledged and disbursed: on the left, Brazil, Colombia, the DRC, Ghana, Guyana, Indonesia, Mexico, and Vietnam; on the right, without Norway's results-based finance for Brazil, Indonesia, and Guyana.

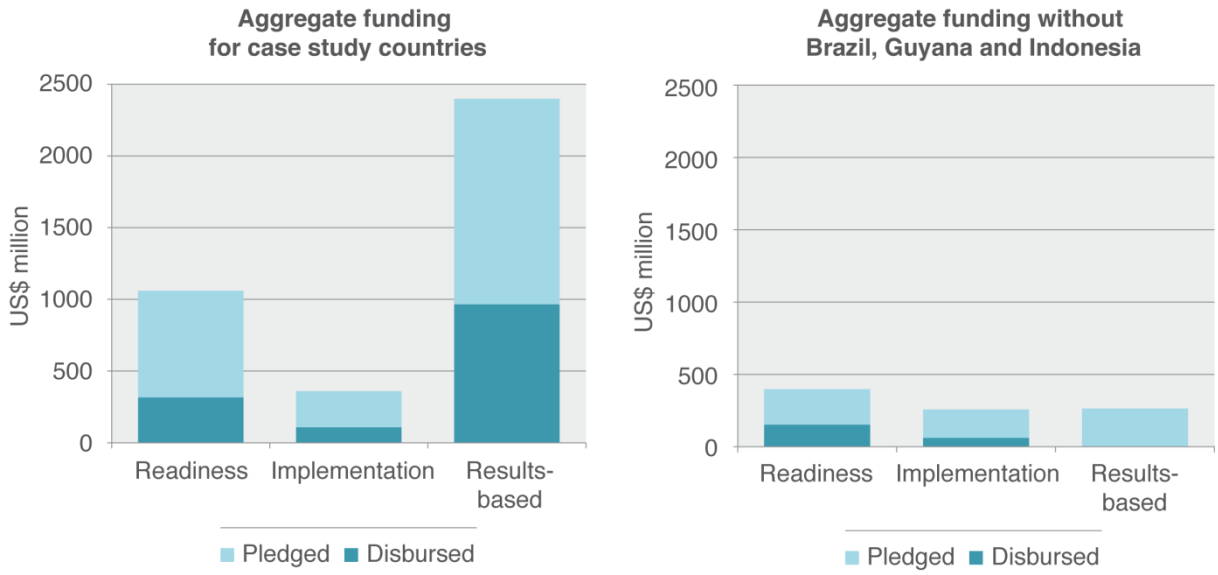


Figure 3 illustrates the relatively small scale of results-based finance available for countries. The figure on the left includes funding for all eight case study countries. But when Norway's results-based finance (pledged and disbursed) for Brazil, Guyana, and Indonesia is excluded the picture changes dramatically. For many countries, the only funding available for REDD+ results-based finance is through the FCPF Carbon Fund, which assumes the average size of an Emission Reduction program is $50–60 million—a sum too small to generate high-level political interest in REDD+. Some of the individuals interviewed also suggested the costs to comply with all the requirements of results-based financing mechanisms can be prohibitively high. Furthermore, the Carbon Fund currently is capitalized at $451 million (FCPF 2015), thus creating competition among the most advanced REDD+ countries, and it cannot expand beyond the 11 programs currently in the pipeline unless additional funds are committed by donor governments. The Green

[11] Note that "disbursement" for results-based payments is funding provided to the country for results achieved (e.g., the Amazon Fund or the Guyana REDD+ Investment Fund (GRIF)) and not the further disbursement from that fund to designated projects.

Carbon Fund has adopted a logic framework but is yet to clarify how results-based finance may operate under the fund.

Increasing funding on implementation could potentially increase impact. To date very little funding has been allocated for implementation, as illustrated in Figure 3. Politicians and bureaucrats in the context of REDD+ are mainly driven by results-based finance at significant scale or by seeing concrete results. Interviews and input from experts also suggest that REDD+ is still too abstract for many stakeholders—and that more concrete on-the-ground demonstrations of reducing deforestation can improve the understanding and accessibility of REDD+ more than, for example, focusing training on the Warsaw Framework. It is possible that the "three phase" approach has driven the overemphasis on readiness activities. However, in an analysis of FIP (which focuses on implementation finance), it was found that the sequencing of readiness and implementation investments is not necessarily important (FIP 2014). In fact, in an analysis of Burkina Faso (a country participating in both the FCPF Readiness Fund and the FIP), it was found that progressing in both funds in parallel has been beneficial, as one process strengthens the other. Lessons from the FLEGT process also suggest that consistent, incremental progress is needed before impact on the baseline scenario becomes noticeable.

REDD+ funding could have much stronger impacts if it were better coordinated—by both donor and recipient countries. A universal view—held by those interviewed and confirmed by the case studies and the literature review—is that REDD+ finance is not well coordinated at the country level and that ODA, in particular, is sometimes duplicative or contradictory and tends to finance "bits and pieces" of programs instead of taking a programmatic approach. While a host country should ultimately be responsible for ensuring discipline on donor funding, many do not have the institutional and human capacity to manage the multiple delivery agencies operating in their country. Donors were criticized by many of those interviewed for not effectively coordinating among themselves, for funding programs (sometime duplicative) that meet their own priorities but not the country's needs to advance in REDD+, and for often operating under different theories of change—causing confusion and exacerbating alignment challenges already faced by REDD+ countries.

There is no "one size fits all" approach to REDD+ finance. When looking at impacts across countries, we found a wide variety of country circumstances that made generalizations about how different types of funds affect countries a challenge. Countries start with varying pre-existing conditions that affect the impacts (see Section 3). Some countries require long-term, consistent, and cooperative capacity building and will require financial support throughout the entire REDD+ process. Others can more usefully focus REDD+ finance on reforming domestic policies or redirecting critical fiscal levers. Furthermore, what REDD+ countries first envisioned when starting down the REDD+ path is in many cases quite different than where they find themselves today (as in Ghana and Mexico). There is a need to be flexible and adaptive to dynamic situations.

Rapid progress and country ownership are both crucial, yet in some cases they are contradicting objectives. Many reports suggest that national ownership of the REDD+ process is a key factor for the success and sustainability of forest protection (CIFOR 2013). At the same time, several interviewees stated that the pressure for rapid and visible success from donors can be problematic, as it takes time to develop consensus among key institutions of a REDD+ country. A report on Norway's partnerships found continuing challenges of finding the right balance between exerting pressure and allowing a host country to make its own decisions and guide its own process (LTS International 2014). While limited pressure may promote more ownership of the REDD+ process, it may also result in insufficient progress that is expected and needed by donors to justify continued engagement. On the other hand, there may be arguments that payment-for-performance agreements allow funders to be more patient, including for a government to build ownership over a program—as the flip side of such initiatives is "non-payment for non-performance"—and therefore lowers the risk of "wasting" money from disbursements being under undue pressure (Seymour et al. 2014).

One lesson drawn from multiple studies is that more time than expected is needed to demonstrate significant impacts (FCPF 2014a). Governance and institutional reform, cross-sectoral decision-making, policies that overcome vested interests, and effective implementation of the rule of law can be "long but necessary detours for enabling REDD+ to work" (Karsenty et al. 2012). For example, stakeholders in the DRC estimate that impacts on reduced emissions may take years to materialize. This issue creates a chicken-and-egg problem for donor governments: on the one hand, donors wish to allow countries to move at their own pace; on the other hand, public finance is limited, and REDD+ competes with other funding priorities. Donor governments are accountable for the money they spend, and they need success stories to legitimize maintaining or increasing their support for REDD+.

To maintain political momentum for REDD+ action, clarity on future REDD+ finance is needed. REDD+ finance to date has played a positive role in improving countries' readiness, including increasing understanding of the intersection of forests, climate change, and development. It has built new capacities in countries, strengthened or created new institutions to manage REDD+ processes, and increased transparency and participation in the development of REDD+ policies. However, if countries are to move into implementation—the most critical next step—they must have some idea of the finance and support they can realistically expect. Politicians and government agencies, especially the proponents of REDD+, need clarity on what REDD+ has to offer. Currently, many countries have no clear incentive to maintain a strong commitment to implement REDD+ once readiness support ends. In contrast, concrete, tailored and predictable support, appropriately aligned to country progress and results, strengthens proponents of REDD+ and can ensure the funding spent to date on readiness is not squandered but instead propels countries into implementation and eventual results.

ANNEX: COUNTRY SUMMARIES

The following summaries are drawn from the six case studies commissioned for this report (see Box 1) and two literature-based case studies.

The data for each of the charts are from a variety of sources, including REDDX data provided to us by Forest Trends, the case studies (where additional information was drawn from interviews), and personal contact with organizations that have provided funding for REDD+. Where information was not available (e.g., disbursed amounts), estimates were made based on the best available information.

Box 1: Case Studies on the Impact of International REDD+ Finance

Six case studies were commissioned to inform this study:

- Democratic Republic of the Congo, by Tracy Johns
- Colombia, by Charlotte Streck, Darragh Conway, Juan Pablo Castro and Theo Varns
- Ghana, by Rebecca Asare
- Guyana, by Tim Laing
- Mexico, by Paola Bauche
- Vietnam, by Till Pistorius

These case studies can be accessed at:
http://www.climateandlandusealliance.org/en/Impacts_of_International_REDD_Finance

In addition the following case studies were conducted through a literature review:

- Brazil
- Indonesia

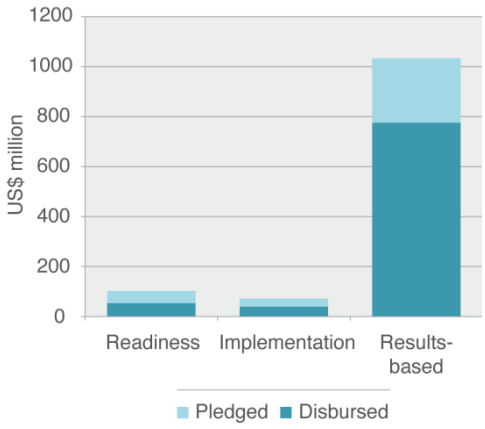
BRAZIL

REDD+ FINANCE IN BRAZIL

International REDD+ finance in Brazil is dominated by the $1 billion contribution from Norway to the Amazon Fund for emission reductions achieved. This finance accounts for around 80% of total REDD+ related funds to Brazil. The Amazon Fund, after receiving funds for verified emission reductions, then disburses those funds to NGOs, subnational governments, and other implementers of projects that further support forest conservation in the Amazon region.

IMPACTS OF REDD+ FINANCE

The steady decline of Brazil's deforestation rates started in 2005, pre-dating the concept of REDD+ and the receipt of REDD+ finance. The decrease in deforestation is largely attributed to government policies and enforcement, not to REDD+ finance. In particular, the government committed $661 million of its own budget for implementation of its Action Plan for the Prevention and Control of Deforestation in the Legal Amazon (PPCDAM), a key policy responsible for the steep declines in deforestation over the past decade.



However, while deforestation rates remain low, the Amazon and other regions, such as the carbon-rich *cerrado*, are under renewed pressure, and many suggest that Brazil's command-and-control policies are reaching their limit. Experts suggest the government must therefore now focus on a positive agenda of support for forest-friendly economic growth if reductions are to continue. The Amazon Fund is well placed to assist with this new agenda but it is too early to assess whether it can deliver such impact.

During the last few years the Amazon Fund has accelerated disbursements, which has led to positive impacts. For example, it has helped to remove Alta Floresta from the "high deforesting municipalities" list and reforested or recovered over 6,000 hectares of degraded areas. It is helping to implement the rural environmental registry, funding studies for creation of protected areas, and training individuals in environmental management and sustainable economic activities. The Amazon Fund has heightened the awareness of environmental issues broadly and has strengthened the environment department—whose staff has increased from one to 16—of the Brazilian Development Bank (BNDES) that manages the Fund.

Some suggest that support for the Amazon Fund has also had positive political impacts, helping to legitimize the concept of REDD+ and to support progressive elements within the Brazilian government as well as key domestic constituencies. But it remains an open question whether this progress and the achievements can be sustained. Brazil has yet to agree on a national REDD+ strategy, and the Amazon forest remains under pressure, with recent planned public works projects at odds with the climate change and forest protection agenda.

FACTORS THAT INFLUENCE THE IMPACTS

The most critical factor for the effectiveness of REDD+ finance in Brazil is that it is supported by a functioning legal and policy framework for reducing deforestation. In addition to this, Brazil has strong capacities across the board—from the ability to measure and monitor forest cover, an active civil society, and capable implementing organizations

to, more recently, the engagement of private sector entities, including agents that drive deforestation (e.g., soy producers and the beef industry).

LESSONS LEARNED

National ownership of the process has led to positive results. A long history of environmental activism, strong forest policies, and decades of support provided to strengthen government and civil society have led to domestic capacity to achieve results. Management of the Amazon Fund by BNDES, with a solid reputation and no claims of illegality or corruption, also ensures country ownership over how funds are received and spent.

Political will and leadership have been critical. Leadership and political engagement from Brazil's Presidents and Ministers of Environment have been essential ingredients for the successes achieved thus far. Interministerial processes involving the most relevant sectors have helped to establish an "all-of-government" agenda.

Alignment with domestic policies increases the effectiveness of finance. The Amazon Fund aligns itself with the priorities of the PPCDAM and the National Plan for Climate Change, and the project approval process requires coherence with development plans.

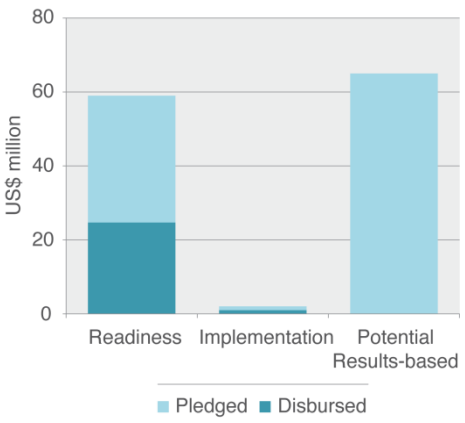
COLOMBIA

REDD+ FINANCE IN COLOMBIA

Colombia has received around $60 million in pledged support, of which less than half has been disbursed. The figure rises to over $120 million if the REDD Early Movers program and its support from Germany and Norway are included, as announced in December 2014. The majority of disbursed finance to date has been for readiness activities, but Colombia is considered by donors as a very suitable candidate for testing results-based finance, through the REM program and the BioCarbon Fund's Initiative for Sustainable Landscapes currently under consideration. Funding for implementation, however, remains a critical gap.

IMPACTS OF REDD+ FINANCE

Given the structure of finance and disbursements to date, it is not surprising that REDD+ finance has had mostly impacts on readiness-type activities: building stronger capacities, engaging stakeholders, improving coordination among national ministries, and improving knowledge of drivers and activities that may be taken to tackle them. REDD+ finance has yet to deliver notable impacts on the environment and the economy, but it has supported improvements of the country's ability to achieve emission reductions at scale in the future.



Colombia stands out among developing countries for its high level of political engagement on forests, climate change, and green growth. Experts generally agree that REDD+ finance has played an important role in raising deforestation as a political issue, although the post-conflict process and local land rights have played larger roles.

The zero deforestation goal by 2020 set by the government in 2014 has received significant media attention. More recent discussions of larger, potential results-based finance have further contributed to increasing political attention on forests, have helped to improve the cooperation between the environment and agriculture ministries, and have led to the development of more concrete plans to implement activities to meet the "net zero by 2020" deforestation goal in the Colombian Amazon.

In Colombia, it is important that the private sector is engaged in order to change the economics of deforestation. However, no clear incentives—such as secure funding from REDD+ or regulatory policy instruments—have yet been created to change the behavior of agents of deforestation.

FACTORS THAT INFLUENCE THE IMPACTS

The effective delivery of REDD+ finance is hampered by Colombia's long history of conflict, which has resulted in weak institutions in areas of high deforestation. Conversely, the recent peace process offers an opportunity to build institutions in these areas and to address environmental issues while rebuilding the economies of such regions. But this will require patience on the part of donors.

Activities with strong financial incentives that drive deforestation, such as oil exploration, mining, agricultural expansion, and infrastructure development, affect the effectiveness of REDD+ finance. REDD+ finance alone cannot counterbalance these impacts on forests unless policy frameworks with forest conservation goals are aligned with the development of these sectors.

LESSONS LEARNED

REDD+ finance has helped to elevate forests on the political agenda. Political commitment at the highest levels is essential for multisectoral cooperation. Donor attention, high-level policy dialogues, and the inclusion of REDD+ in country assistance strategies can stimulate the needed amount of high-level commitment.

Areas with weak institutions and high levels of illegal activity challenge the effective deployment of REDD+ finance. Areas with the highest rates of (unplanned) deforestation are often areas outside government control. It will therefore be important to closely link REDD+ finance to national priorities. In Colombia this includes the peace process; in other countries, it is often poverty alleviation and rural development.

Donor coordination is essential. Overlapping programs can overwhelm the limited capacity within host government agencies. This can be exacerbated by rigid criteria that do not allow the flexibility needed to harmonize programs.

For more, see the background study published for this report: The Impacts of International REDD+ Finance: Colombia Case Study.

THE DEMOCRATIC REPUBLIC OF THE CONGO

REDD+ FINANCE IN THE DRC

The Democratic Republic of the Congo has been pledged over $200 million in support for REDD+, including funds from the Congo Basin Forest Fund, the FCPF Readiness Fund, the Forest Investment Program, and bilateral donors. These funds are spread across readiness, implementation, and results-based finance, although disbursed funds are heavily

weighted toward readiness. In addition, the DRC entered into the FCPF Carbon Fund pipeline last year. Relative to its gross domestic product, the DRC is one of the larger recipients of international REDD+ finance.

IMPACTS OF REDD+ FINANCE

The DRC has made significant progress on REDD+. It is the first FCPF country to complete its Readiness Package, developed a national strategy, established a stakeholder platform for the participation of civil society, improved its forest monitoring capacities, and created a National Fund as an instrument to channel REDD+ finance.

Currently the DRC is in the process of reforming relevant national policies to align them with REDD+ goals. While governance challenges remain and more work needs to be done to improve the enabling environment, the country has developed a broad framework for REDD+ action. However, interviewees did not agree on capacities still needed for its implementation or how long it will take to see emission reductions. International REDD+ finance has played an important role in the DRC. Many observers suggest that without international finance, few REDD+ activities would have occurred.

One critical impact of REDD+ finance has been to bring stakeholders to a common understanding of the relative impact of drivers of deforestation and forest degradation. Several studies were undertaken that identified slash-and-burn agriculture and charcoal production as the main drivers. Such studies helped to build consensus around the need to focus solutions on poverty alleviation, sustainable agriculture, and energy alternatives.

FACTORS THAT INFLUENCE THE IMPACTS

Readiness funding has had a particularly strong impact because it was well targeted at capacity gaps that existed in the country prior to the start of a REDD+ program. In some respects, starting with a low degree of capacity has reduced potential conflicts that have arisen in other countries where new REDD+ programs compete with existing policies, institutions, and capacities.

The DRC faces less political resistance from entrenched industries dependent on large-scale deforestation, as in Brazil and Indonesia—which bodes well for the impact of future finance. While the participation of logging, extractive, and agro-industrial sectors is key for the sustainability of a REDD+ program, poverty and subsistence agriculture are the main causes of emissions. REDD+ finance can be effective if it demonstrates sustainable alternatives for communities that improve their economic development.

LESSONS LEARNED

The development transition presents unique opportunities for REDD+ finance. Similar to Colombia, REDD+ finance is entering the DRC during a post-conflict era of increasing stability and expectations of new economic growth as the general business climate improves. This provides an opportunity for the country, particularly if the REDD+ program effectively integrates environmental objectives into the broader development agenda.

For least developed countries, donors may need to provide financial support to help implement the REDD+ strategy. Unlike the case for middle income economies, It is not realistic to expect a country facing severe poverty

reduction challenges and with a weak national budget to fully self-finance REDD+ implementation. Readiness progress may be jeopardized if such finance does not materialize.

In some cases, political attention is commensurate with the amount of finance offered. To get attention at high political levels (i.e. the Presidential level or Parliament) and from other sectors, finance at larger scales will be needed. However, increased finance does not guarantee positive outcomes**.** Several people interviewed cautioned that REDD+ finance alone will not address the underlying poverty and poor land management that drives deforestation and, in fact, could have the unintended consequences of increasing migration and tenure disputes, corruption, and power imbalances if not managed equitably and transparently.

For more, see the background study published for this report: The Impacts of International REDD+ Finance: DRC Case Study.

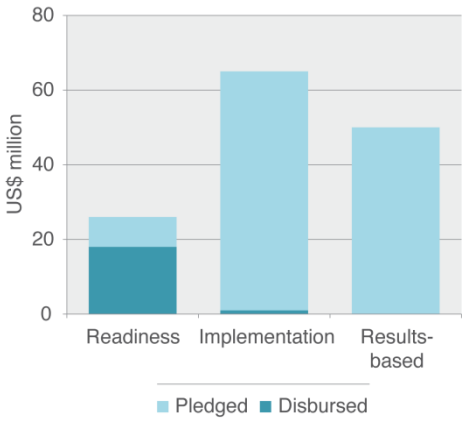
GHANA

REDD+ FINANCE IN GHANA

From 2009 to 2013, Ghana received around $90 million in international pledged support, of which so far $19 million has been disbursed. About 25% of these funds are earmarked for REDD+ readiness. The remainder is largely committed by the Forest Investment Program to support implementation. However, so far less than $1 million of these funds for concrete programs has been disbursed. In 2014, Ghana entered into the pipeline of the FCPF Carbon fund, which will give the country access to up to $50 million in results-based payments.

IMPACTS OF REDD+ FINANCE

REDD+ finance has had positive impacts on Ghana's capacities to implement a REDD+ program. Although it has yet to deliver concrete impacts on the environment or economy, international finance has supported the building of an enabling environment necessary to deliver measurable impacts in the future.



REDD+ finance has helped to increase stakeholder awareness of the value of forests—from a means of timber revenue to a provider of vital ecosystem services. Funded programs that promote REDD+ safeguards have bridged a divide that existed between forests and livelihoods and have mobilized unprecedented dialogues on sustainability and management rights.

Readiness support has also helped to clearly define drivers of deforestation and actions that can be taken to reduce them in ways that also tackle rural poverty. Funding has increased Ghana's capacity to measure and monitor progress related to these goals, including land cover change, associated emissions, and economic impacts on poverty.

REDD+ finance is also seen as having catalyzed new cooperation, for example between Ghana's Cocoa Board and the Forestry Commission, which now collaborate on an Emission Reduction program and in promoting a new type of commodity: climate-smart cocoa. It has also sparked new discourse among oil palm producers.

While there have been many positive impacts, there is a clear need for implementation activities before Ghana will see concrete progress on reducing emissions and forest loss and an economic transformation of the sector. This includes enacting key policy reforms, including tree tenure regimes; creating real incentives on the ground for REDD+; and entering into an implementation phase.

FACTORS THAT INFLUENCE THE IMPACTS

Strong leadership from several key individuals, both within and outside government, has been critical to Ghana's success to date. These "champions" have been supported by international finance, have spurred new discourses on forest conservation, and—backed by committed stakeholders—were able to change the status quo.

Pre-existing capacities and the functionality of the enabling environment have also been correlated to the positive impacts of REDD+ finance. Some of the most effective programs have emerged through the use of local organizations and individuals with high capacity who were able to operate smoothly within the local context.

The force and extent of a single commodity as a dominant driver has had a key impact—that is, the "cocoa story" was able to quickly capture the raison d'être of REDD+ in a concise and simple concept that many people could understand.

LESSONS LEARNED

Coordinated funding can have stronger impacts. Smaller, more agile funding instruments (e.g., private foundations) can help create more seamless support—if well-coordinated with larger multilateral support.

Effectively tapping national expertise has been critical to achieving real REDD+ impacts. Large international NGOs or consultants without sufficient knowledge of the country's circumstances in some instances have resulted in well-meant but ineffective support.

Support should leverage political commitment and policy reforms. Donors should jointly agree with higher-level officials of REDD+ countries on specific roadmaps for realizing policy and legal reforms—prior to committing funds.

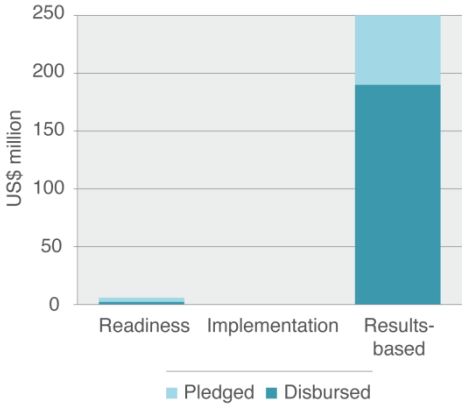
For more, see the background study published for this report: The Impacts of International REDD+ Finance: Ghana Case Study.

GUYANA

REDD+ FINANCE IN GUYANA

Funding for REDD+ in Guyana is dominated by Norway's pledge to provide up to $250 million in 2010–2015 if Guyana demonstrates emission reduction results against an agreed reference level. Payments are also dependent on meeting a set of "enabling indicators" that include stakeholder consultations, improving forest governance and respect for the rights of indigenous peoples and local forest communities. To date, Guyana has earned $190 million from the arrangement, which has been used to support its Low Carbon Development Strategy (e.g., a hydropower dam was planned, for $80 million of the total) and to build capacity to improve overall REDD+ efforts. (In the figure below, this funding is considered as "results-based" even though Guyana may use the received funds for further investments in readiness or implementation.)

IMPACTS OF REDD+ FINANCE



REDD+ finance in general and Norway's commitment in particular has, both directly and indirectly, increased discussion in Guyana over climate change and forest conservation. It has catalyzed a discussion on the country's pathway to a low carbon future and notably influenced Guyana's Low Carbon Development Strategy (LCDS). This strategy considers multiple economic sectors and its original intent was to be financed, in part, by keeping the country's forests intact. Progress along this low-carbon growth path has, however, been slow, and economic and environmental impacts from REDD+ finance have to date been small.

REDD+ finance has encouraged the country to begin implementing a number of new policies. Norway's payments are partly dependent on Guyana's pursuit of participation in the Extractives Industries Transparency Initiative and progress on the FLEGT initiative of the European Union, which seeks to reduce illegal logging. In 2011, the country established a new National Forest Plan, passed the Protected Areas Act, and put forward a National Forest Policy Statement designed to encourage best practice in the sector. In 2013, a new National Land Use Plan was implemented to provide a strategic framework to guide land development. These policies were likely accelerated by the promise of finance and partnership with Norway.

REDD+ finance, however, has not yet strongly influenced the mining sector, responsible for the majority of deforestation. It may take some credit for the drafting of new codes of practices for the sector, however, which includes a component on mining reclamation and closure.

Finally, an important impact from REDD+ finance has been the increase in titling, demarcation, and extension of Amerindian Lands. A project funded by the GRIF extends existing processes under the Amerindian Act of 2006.

FACTORS THAT INFLUENCE THE IMPACTS

One of the key factors that hampers the effectiveness of REDD+ finance in Guyana is a lack of clarity on who controls finance received for verified results. The requirement that money must flow first into the Guyana REDD+ Investment Fund (managed by the World Bank) and then to implementing partners (UNDP, IDB) has caused delays and frustration for all parties involved.

Some have suggested that the baseline agreed by Guyana and Norway—which provides financial compensation even if deforestation increases—does not incentivize changed practices of the extractive sectors.

LESSONS LEARNED

Capacity to meet the level of standards required by funders can increase country ownership, particularly in a result-based finance system. International public finance will always have fiduciary, social, and environmental requirements. In the case of Guyana, delivery partners (the World Bank, UNDP, IDB) were engaged to meet such standards—but this can cause delays and take away the full ownership of funds earned by a country through demonstrating results.

High-level political support has been a necessary but insufficient condition for success and sustainability of achievements. President Jagdeo's support for the REDD+ process in Guyana was critical to attracting finance and putting the LCDS and REDD+ on top of the political agenda. However, a REDD+ program in a centralized government

with a relatively weak civil society will only survive through changes in government if its ownership is also shared broadly among the bureaucracy and public constituents.

For more, see the background study published for this report: The Impacts of International REDD+ Finance: Guyana Case Study.

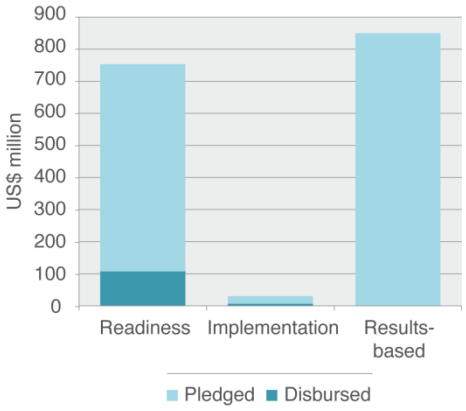
INDONESIA

REDD+ FINANCE IN INDONESIA

Indonesia is the fifth largest GHG emitter in the world, with land use change and forestry responsible for over 60% of the nation's emissions. Indonesia has received the largest amount of pledged international REDD+ finance of any developing country. By the end of 2013, donors had committed over $1.3 billion, including a $1 billion commitment by Norway (of which $800 million is reserved for results-based payments); however, as of 2013 just over $100 million had been disbursed. The main recipient of funding is the government, which has received 87% of disbursed funds.

IMPACTS OF REDD+ FINANCE

Perceptions of the impacts of international REDD+ finance on Indonesia's emissions are mixed. Probably the most notable impact on forest policy has been the forest moratorium, intended to prevent the issuance of new licenses for exploitation of primary forests and peatlands. The moratorium was enacted in 2011 by President Yudhoyono as part of Indonesia's partnership with Norway.



REDD+ finance has had positive impacts regarding increased awareness of Indonesia's forest-related emissions by treating deforestation and conflicts between local communities and plantation companies as national development issues. This has catalyzed a government process to improve the transparency of forest loss and consolidate spatial data across sectoral agencies—that is, the "One Map" initiative. The creation of an independent agency (BP REDD+)—as agreed in the memorandum of understanding with Norway—has directly and indirectly improved indigenous peoples' rights and contributed to a process of addressing widespread corruption related to the forest sector, improving forest governance. A recent change in government has led to a shift in the authority over REDD+, raising some concerns over continued progress in these areas. As the restructuring is not yet concluded, it is too early to predict impacts, although the new government has expressed continued commitment to reducing GHG emissions.

Recently, several key companies that operate in Indonesia, such as Golden Agri Resources, Wilmar, and Asia Pulp & Paper, with support from the Indonesian Chamber of Commerce and Industry, have made new pledges to deforestation-free production. This has, in part, been an impact of REDD+ finance, for example through work by NGOs to pressure key companies to make such commitments.

FACTORS THAT INFLUENCE THE IMPACTS

Indonesia is the world's largest plywood manufacturer and palm oil producer and among the top 10 pulp and paper producers. Agricultural subsidies—around $27 billion per year—directly and indirectly incentivize deforestation. Entrenched interests and corruption over access to natural resources continue to pose significant challenges for the effectiveness of REDD+ finance.

Within Indonesia, critics view REDD as an imposition of international priorities at the expense of domestic interests. Overlapping and unclear land claims and poor enforcement of environmental regulations exacerbate the situation, as do contradicting national policy targets, such as the goal to expand oil palm production 60% by 2020.

LESSONS LEARNED*

Policy frameworks to align key sectors with REDD+ goals are critical for REDD+ success. As in Colombia and Mexico, international finance will have difficulties counterbalancing large, well-funded sectors such as agriculture without supportive, coordinated policies in place.

Large-scale, international payment-for-performance can make a difference for domestic action. Such pledges are perceived as different from aid and provide a basis to foster trust and mutual support. Conversely, "non-payment for non-performance" can highlight insufficient action on the part of the government. However, the impact of a large commitment that is not realized diminishes over time.

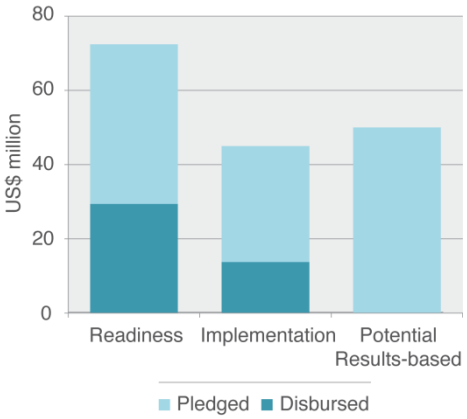
Broad support is needed for REDD+ finance to ultimately be effective. REDD+ has been supported by several NGOs and progressive government officials, but this has proved insufficient for substantial progress. More recently, several companies have formed a new constituency for forest protection, and a Climate Change Directorate within the Ministry of Environment and Forestry has been established—ideally playing a positive role in progressing REDD+.

**These lessons are partly summarized from Seymour, Birdsall, and Savedoff 2014.*

MEXICO

REDD+ FINANCE IN MEXICO

Mexico has received significant pledged funds ($162 million) for REDD+, although only a small portion has been disbursed to date. In contrast to many REDD+ countries, the government is providing significant domestic finance for forest protection and to improve forest governance. This includes $333 million in co-financing for a $350 million World Bank loan that, while not dedicated specifically for REDD+ activities, will play an important role in enabling the continuity of programs that seek to lower deforestation.



IMPACTS OF REDD+ FINANCE

Mexico's deforestation rate has declined significantly from the 1990s, when it was estimated at around 1%, compared with today's rate of 0.24%. Much of this decline pre-dated, and therefore cannot be attributed to, REDD+ finance. Rather it is due to a suite of policies put in place by the Mexican government to promote sustainable forest management and to change agricultural and cattle ranching practices. That said, a

number of interviewees suggested that REDD+ finance in Mexico has had important impacts. It has funded a range of site-level activities that inform the broader national strategy and Mexico's Emission Reductions Program. These include projects that promote sustainable management practices such as improved silvopastoral and *milpa* systems, that develop business models to improve timber and non-timber forest production, that strengthen community-based forestry, and that promote forest and soil restoration and fire management. However, these pilot activities will need to be scaled up to have significant economic and environmental impacts.

REDD+ finance has also strengthened political discourse among ministries and high-level officials regarding links between forest conservation and climate change mitigation. However, the Agriculture and Livestock Ministry still remains far more influential than the Environment Ministry on land use. And while there is broad support for REDD+, it is not yet deeply rooted, and there remains a risk that REDD+ could lose relevance in the political debate vis-à-vis topics such as energy reform.

In addition, there are many indirect impacts of REDD+ finance, for example the development of programs in REDD+ early action areas, the inclusion of safeguards in national forest and development policies, and new policies at the state level—particularly in states receiving international REDD+ funds. Institutions such as Conafor have also been indirectly strengthened due to the demands of new international REDD+ funds.

FACTORS THAT INFLUENCE THE IMPACTS

Conditions that help to make REDD+ finance effective in Mexico include strong forest policy institutions and instruments, a significant domestic budget for forestry (compared with most developing countries) that also contributes to REDD+, a functional forest monitoring system, a General Climate Change Law, and well-defined property rights.

In addition, the World Bank has been active in the forest sector of Mexico for many years and supported the creation of a community forestry program in 1998 and a payment for ecosystem services program in 2003—which has allowed private and public agencies and local communities to understand REDD+ more quickly.

Finally, the government of Mexico has a clear vision of its REDD+ process and has worked to ensure the alignment of international REDD+ finance with both domestic funding and national goals, policies, and priorities.

LESSONS LEARNED

A long-term strategy for the continuity of activities beyond international funding streams is critical for REDD+. International finance has enabled Mexico to perform new activities in preparation for REDD+. At the same time, Mexico has worked to develop strategies that ensure financed activities continue once the funding ends—and the government considers this an important part of managing REDD+ finance.

Alignment with development objectives can enhance the sustainability of a REDD+ program. REDD+ in Mexico not only aims at reducing emissions but is designed to simultaneously support sustainable rural development. Through a multistakeholder dialogue, the country has evolved beyond the simplistic view of REDD+ as a payment for ecosystem service mechanism to a more integrated approach that addresses both environmental and social policy objectives.

For more, see the background study published for this report: The Impacts of International REDD+ Finance: Mexico Case Study.

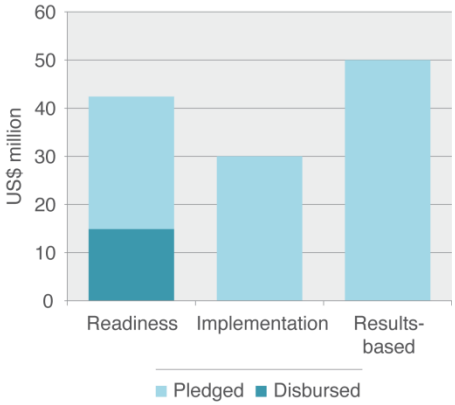
VIETNAM

REDD+ FINANCE IN VIETNAM

Between 2009 and 2012, Vietnam was pledged over $72 million in REDD+ support. Of this amount, approximately $15 million has been disbursed, mostly for investments into REDD+ readiness. Vietnam has been supported by FCPF and UN-REDD since 2009. Throughout the country, 23 REDD+ related projects are being implemented, many with bilateral support from Norway, Japan, Germany, Finland, and the United States. In 2014 Vietnam entered the pipeline of the FCPF´s Carbon Fund and therefore has access to up to $50 million in REDD+ results-based finance.

IMPACTS OF REDD+ FINANCE

Vietnam has made impressive progress in addressing deforestation and reforesting its lost forest cover. There are still considerable challenges, and Vietnam remains committed to improving its forest sector—but with a clear focus on rural development and poverty alleviation. It is difficult to attribute achievements to date to REDD+ finance, since many forest-related policies and measures were implemented long before REDD+ and most disbursed REDD+ funding has been allocated to readiness activities. Furthermore, REDD+ finance is only a small fraction of what the government spends on the forest sector and is also small compared with the funding generated though Vietnam´s PFES scheme.



That said, REDD+ finance has helped to keep forest protection and sustainable management of forests high on the political agenda. There is much awareness about the links between forest protection and climate change. However, the inherent complexity of the REDD+ concept has kept the REDD+ debate mainly at the national level and within expert circles. Generally, support has strengthened technical capacities at the national level, but environmental and economic impacts—which must occur at local levels—has not been significant enough to "tip the scale."

This may change with the development of REDD+ action programs in UN-REDD and FCPF pilot provinces, which are increasing the awareness of stakeholders actively engaged in on-the-ground implementation. In addition, REDD+ finance for safeguard processes and benefit-sharing mechanisms has triggered a number of progressive bottom-up stakeholder consultations.

FACTORS THAT INFLUENCE THE IMPACTS

Due to the plethora of pre-existing policies, the complexity of the REDD+ concept, and the uncertainty about future finance, the development of a national REDD+ approach has slowed after an enthusiastic start. The national PFES scheme is perceived as more functional and, in contrast to REDD+, delivers increasing amounts that are directly channeled to forest owners.

REDD+ requires alignment of pre-existing strategies and policy instruments, such as PFES, which is one of several regulatory and economic policy instruments relevant for the forest sector. It also requires enhanced interministerial and intersectoral coordination and improved cooperation among fragmented bilateral and multilateral support—all of which currently limit the effectiveness of REDD+ support.

LESSONS LEARNED

Coherence with national policy processes and strategies is critical for the success of REDD+ implementation. The alignment of REDD+ with existing and emerging forest and development policies helps to maintain strong political will and continued commitment of the government to implement REDD+ programs.

Finance for readiness alone in Vietnam will not generate results. There is a need for investments in the sustainable management of forests to achieve REDD+ performance— e.g., through specific development cooperation loan programs. Better coordinated support for the implementation of such activities has considerable potential to increase the impacts of REDD+ finance.

Private sector finance in Vietnam is an important source of funding for forest protection. Vietnam has demonstrated through its PFES scheme that it can generate significant and increasing amounts of private sector finance for forest protection and that there are significant co-benefits of this approach that are applicable for the objectives of REDD+.

For more, see the background study published for this report: The Impacts of International REDD+ Finance: Vietnam Case Study.

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