

## REDD+ Partnership

# Component 2: Analysis of Financing Gaps and Overlaps

Concept note<sup>1</sup>

September 7, 2010

### 1. Introduction

At COP15 in December 2009, delegates confirmed the need for joint action to reduce GHG emissions to meet the overarching objective of keeping the increase in global temperature rise below 2°C above pre-industrial levels. COP15 provided methodological guidance and the Copenhagen Accord called for immediate establishment of “a mechanism including REDD+”. Also in Copenhagen, six donor countries (Australia, France, Japan, Norway, the United Kingdom and the United States) collectively dedicated approximately US\$3.5 billion in “fast-start” funding for REDD+ through the end of 2012.

Following COP15, progress has been made on moving closer toward a REDD+ mechanism that will allow the challenges associated with deforestation, forest degradation, forest carbon enhancement, conservation and sustainable forest management to be addressed jointly and effectively. Under the leadership of Jens Stoltenberg, Prime Minister of Norway, and co-chaired by Dr. Susilo Bambang Yudhoyono, President of Indonesia, the Oslo Climate and Forest Conference was organized on May 27, 2010. It was attended by heads of State and Government, Ministers and other representatives of 55 countries as well as delegates from civil society, indigenous peoples and the private sector. At the Oslo conference, a new Interim REDD+ Partnership was launched. In total, approximately \$4 billion dollars was dedicated towards fast-start funding to support developing countries in their efforts to reduce emissions from forest loss during 2010-2012, including the \$3.5 billion pledged at Copenhagen. The partner countries implicitly recognized that although finalizing an agreement on REDD+ under the UNFCCC is a top priority, the negotiations may take time. The Interim REDD+ Partnership is therefore intended to allow developing and developed country partners to act now to implement REDD+, building on the political momentum from Copenhagen and a conference of the major forest basins convened by French President Nicolas Sarkozy in Paris in March 2010. Through the interim REDD+ Partnership, the Partners aim to improve “the efficiency, effectiveness, transparency and coordination of REDD+ initiatives and related financial instruments, to facilitate among other things knowledge transfer, capacity enhancement, mitigation actions and technology development and transfer”. It is interim to the extent that it would be replaced by, or folded into, a UNFCCC mechanism including REDD+ whenever the latter is put in place.

The first technical session of the REDD+ Partnership met in Brasilia on July 14-15, 2010 and discussed a variety of issues related to the functioning of the Partnership and the first operational measures

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<sup>1</sup> Prepared by the Facility Management Team of the Forest Carbon Partnership Facility and the UN-REDD Programme Team (FMT/PT).



that might be taken under the Partnership. Partners discussed priority activities, such as: a Partnership draft Work Program, a Voluntary Database on financing/actions/results & preliminary gaps and overlaps analysis, secretariat services and stakeholders' participation. It was agreed that once a Work Program is established, the FCPF Facility Management Team and UN-REDD Programme Team (FMT/PT) should be expeditiously tasked with the secretariat services detailed in the Work Program and a budget estimation, to be proposed to the Partnership.

A Work Program was agreed in the Bonn meeting, held during the UNFCCC AWG's sessions 02-06 August 2010. The Work Program is composed of two phases: phase 1 – immediate actions (included in Appendix II of the REDD+ Partnership document); and phase 2 – medium term actions (2011-2012, based on the Partnership's overall objectives) Phase 2, which, as for the moment includes only indicative elements and a timeline for discussion, needs to be further elaborated. Each component of the Work Program has its own objectives, approach, stakeholder involvement strategy, immediate actions, resources needed. While the focus of phase 1 of the Work Program is on activities in 2010, the Partners are also developing and finalizing phase 2 of the Work Program activities for the period 2011-2012. Component 2 of the Work Program requests the FMT/PT to initiate efforts to identify and analyze gaps and overlaps in financing and take steps to address them. Anticipated key deliverables in 2010 are:

- A preliminary identification and analysis of REDD+ financing gaps and overlaps. This identification and analysis should cover the full scope of REDD+, including financing for, and actions directed towards, building capacity and facilitating enabling institutions in developing countries to better channel finance and technology for REDD+ actions;
- An initial set of recommendations on ways to address REDD+ financing gaps and overlaps to be considered by Ministers; and
- A process initiated to regularly provide independent review of gaps and overlaps in financing.

The FMT/PT, under the oversight of the Co-chairs, has been tasked with proposing potential approaches to identify and analyze gaps and overlaps in financing using information from the existing database structure as well as from other available information. This proposal shall be submitted to the Partners for approval on a no-objection basis. Once approved by the Partners, the identification and analysis work should be carried out by an independent consultant under the oversight of the Co-chairs. This work should start in time for the Technical Meeting in Tianjin, scheduled for October 2, 2010, to enable a Technical Workshop to consider the preliminary analysis of gaps and overlaps in financing. That meeting could then produce a report from the analysis of gaps and overlaps and draft recommendations on ways to address them to be endorsed by Ministers as appropriate at the Nagoya Meeting, scheduled for October 26, 2010.

This document constitutes the concept note for FMT/PT's proposal requested by the Partners.



## 2. Rationale

There are currently approximately 20 bilateral and multilateral initiatives directly targeted at supporting and financing REDD+ and related activities in developing countries. REDD+ initiatives include, at a minimum, the following:

- Multilateral: Forest Carbon Partnership Facility, Forest Investment Program, UN-REDD Programme, Congo Basin Forest Fund, Global Environment Facility;
- Bilateral initiatives of the governments of: Australia, Denmark, Finland, France, Germany, Japan, Netherlands, Norway, Slovenia, Spain, United Kingdom, United States;
- NGOs: Conservation International, The Nature Conservancy, Wildlife Conservation Society, WWF.<sup>2</sup>

Funding for these initiatives comes mostly from bilateral donors. For the period 2010-2012, also referred to as “fast-start”, donors pledged around \$4 billion for REDD+ financing at the time of the Oslo Climate and Forest Conference in May 2010. This is an aggregate sum of voluntary commitments, with little or no effort required to ensure the consistency of these various commitments with respect to activities to be financed.<sup>3</sup> It is important to note that this fast-start financing is a small fraction of the estimated financial needs to achieve a significant reduction in tropical deforestation. Substantial investments both in the forest sector and outside of the forest sector, together with performance-based payment streams, will be required to achieve and sustain such reductions.<sup>4</sup>

On the other hand, at least about 50 tropical and sub-tropical forest countries are involved or intending to get involved in REDD+ and their number is likely to increase. These countries will face financing needs in the three phases of REDD+, “beginning with the development of national strategies or action plans, policies and measures and capacity-building, followed by the implementation of national policies and measures, and national strategies or action plans and, as appropriate, subnational strategies, that could involve further capacity-building, technology transfer and results-based demonstration activities, and evolving into results-based actions”.<sup>5</sup>

Forest countries have started assessing their financing needs for the three phases of REDD+, though the estimates are neither comprehensive nor systematic. The majority of the estimates are bottom-up, i.e., built by the countries themselves based on their own circumstances and separate cost components, and were produced in preparation for the May 2010 Oslo Climate and Forest Conference and/or in the context of countries participating in the Forest Carbon Partnership Facility (FCPF) and the UN-REDD Programme. In the case of the FCPF and UN-REDD, the focus has been on

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<sup>2</sup> Synthesis Report: REDD+ Financing and Activities Survey, prepared by an Intergovernmental Taskforce, May 27, 2010, available at <http://www.oslocfc2010.no/pop.cfm?FuseAction=Doc&pAction=View&pDocumentId=25092>

<sup>3</sup> Ibid.

<sup>4</sup> The Eliasch Review (Climate Change: Financing Global Forests) estimates that \$17-33 billion per year may be required to halve emissions from the forestry sector by 2010 (see <http://www.occ.gov.uk/activities/eliasch.htm>).

<sup>5</sup> Outcome of the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention, Draft decision -/CP.15: Policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.



the development of national strategies or action plans, policies and measures and capacity-building, what is also referred to as “REDD+ Readiness”.<sup>6</sup> There also exist REDD+ cost data generated through top-down approaches, mostly global economic models. Finally, some countries have studied the cost of a low-carbon development path, which tend to include cost data on potential REDD+ activities.

For analytical and operational purposes, it is useful if the information from both donors (sources of funds) and forest countries on their needs (uses of funds) is presented in a consistent fashion. Amongst other things, it becomes easier then to analyze what gaps and overlaps may exist between sources and uses. This would contribute to enhancing the efficiency, effectiveness, transparency and coordination of fast-start financing, as per the REDD+ Partnership objectives.

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<sup>6</sup> See country Readiness Preparation Proposals at <http://www.forestcarbonpartnership.org/fcp/node/257> and National Joint Program documents at <http://www.un-redd.org/AboutUNREDDProgramme/NationalProgrammes/tabid/584/Default.aspx>.



### 3. Approach

In 2010, the FMT/PT proposes the following approach, in line with the approved Work Program:

1. FMT/PT will draft a concept note, including terms of reference for a contract by an Independent Consultant, to carry out a preliminary analysis of REDD+ financing gaps and overlaps, covering the full scope of REDD+, including financing for, and actions directed towards, building capacity and facilitating enabling institutions in developing countries to better channel finance and technology for REDD+ actions, as well as an initial set of recommendations on ways to address REDD+ financing gaps and overlaps considered by Ministers. The concept note will also contain the names of several candidate consultants to conduct the analysis;
2. The FMT/PT submits the concept note to the Partners, via the Co-chairs, for approval on a no-objection basis on September 7, 2010;
3. The Partners, via the Co-chairs, provide approval and any comments to the FMT/PT by September 12, 2010;
4. The FMT/PT contracts the Independent Consultant by September 21, 2010;
5. The Independent Consultant submits a draft report and makes a presentation in person on the analysis at the Tianjin workshop on October 2, 2010;
6. The Partners and stakeholders provide inputs to the draft report and presentation at the Tianjin workshop on October 2, 2010 and for a period of ten days;
7. The Partners decide whether to make a presentation on the analysis at a side event at COP16 in Cancun;
8. Based on comments received at and after the Tianjin workshop, the Independent Consultant submits, by October 15, 2010, a revised report, including draft recommendations on ways to address REDD+ financing gaps and overlaps to be considered by the Partnership;
9. Partners discuss the draft recommendations at their meeting in Nagoya on October 25, 2010;
10. Ministers discuss the draft recommendations at their meeting in Nagoya on October 26, 2010;
11. If they have so decided, the Partners present the analysis at a side event at COP16 in Cancun (date to be determined).

The work on the gaps and overlaps analysis is closely linked with the development of the voluntary REDD+ Database of REDD+ financing, actions and results, which, according to the REDD+ Partnership Work Program, is “considered a central tool to assist in identifying and analyzing gaps and overlaps in financing”. The analysis will also rely on other sources of information as the development of the database and related information collection are proceeding in parallel at this stage.

Further analysis of financing gaps and overlaps may be requested in 2011 and beyond but is not covered in this concept note.



## 4. Independent Consultant's Assignment

The analysis will be divided into two parts:

1. A preliminary identification and analysis of REDD+ financing, gaps and overlaps, covering the full scope of REDD+, including financing for, and actions directed towards, building capacity and facilitating enabling institutions in developing countries to better channel finance and technology for REDD+ actions; and
2. An initial set of recommendations on ways to address REDD+ financing gaps and overlaps.

Only the first part (preliminary identification and analysis) will be included in the draft report to be submitted before the Tianjin technical workshop. The second part (recommendations) will be included only in the revised report to be submitted before the Nagoya meetings. Given the very tight deadlines, it is understood that the analysis is provisional and may benefit from revisions in the future.

The first part will focus on the following aspects:

- Identification of the financing needs, as currently identified by forest countries;
- Identification of the sources of financing, as currently identified by donors, forest countries, and other submissions;
- Identification and analysis of gaps and overlaps in the current situation.

Due to short time frame and cost implications, it is proposed that, as a start, the analysis be limited to the available data on needs and sources, without generation of original data. Thus the Independent Consultant is not expected to estimate financing needs for forest countries to cover the three phases of REDD+, for example, but rather to analyze the financing needs expressed by forest countries and the sources declared by donors, and the gaps and overlaps among needs and sources. At some future point, it may be necessary to generate original data, but this process would be covered by a separate (or revised) ToR. Should the Partners decide otherwise, the FMT/PT's proposal would have to be modified accordingly.

The following questions provide a guide for the first part (preliminary analysis):

- Financing needs:
  - Have countries identified their needs for the three REDD+ phases?
  - For those that have, were needs identified in a detailed, bottom-up, approach?
  - Have all the needs been taken into account?
  - Is the REDD+ strategy integrated within a full low-emission development strategy?
  - Do the needs take into consideration on-going or planned programs, including those not labelled REDD+? In other words, are they incremental to, or inclusive of, assistance already available or planned?
  - Are the needs better identified for the earlier REDD+ phases than for the later phases?
  - Are there any apparent tendencies towards under- or over-estimation of the needs?



- Who has identified the needs?
- Are the needs identified in a consistent manner across countries?
- What is the quality of the available data on needs?
- How easy it is to acquire the data? What are the main data sources? Are the data available in the developing Voluntary REDD+ Database?
- Financing sources:
  - Have current donors identified the specific countries and thematic areas for their pledged financial support considering (i) fast-start; and (ii) beyond fast-start?
  - What REDD+ phases do donors cover?
  - Do the sources take into consideration on-going or planned programs, including those not labelled REDD+? In other words, are they incremental to, or inclusive of, assistance already available or planned?
  - Is the funding available or already programmed?
  - Is the funding earmarked for specific countries or available to all?
  - Is the funding tied to specific uses (e.g., obligation to use consultants or purchase equipment from the donor providing the funding)?
  - Is there an effort to design funding for REDD+ in a coordinated fashion across donors?
  - Are the sources announced in a consistent manner across countries?
  - What is the quality of the available data on sources?
  - How easy it is to acquire the data? Are the data available in the developing Voluntary REDD+ Database?
- Gaps and overlaps between needs and sources:
  - Are all countries covered? Are there gaps and overlaps between countries?
  - Are all REDD+ phases covered? Are there gaps and overlaps?
  - Specifically, are there gaps in some countries that do not have funding for the REDD+ strategy building phase?
  - Specifically, are there major overlaps? Have deliberate attempts been made to match needs and sources? If so, which ones and how?

The following questions provide a guide for the second part (recommendations):

- If appropriate, should needs be assessed in a better way? If so, how could this be done?
- If appropriate, should the data available on needs be improved? If so, where and how?
- If appropriate, should data on sources be improved? If so, where and how?
- Generally, are there more gaps or overlaps?
- Are there specific forest countries where gaps and overlaps exist?





- What kind of initiative might help improve the matching (reduce the gaps and overlaps) between needs and sources? Are there short-term, easy, solutions? Are there longer-term, more complex, solutions?

The Independent Consultant is expected to consult the following sources of data and information:

- REDD+ Financing and Activities Survey prepared by the Intergovernmental Taskforce, before the May 27, 2010 Oslo conference;
- The developing Voluntary REDD+ Database;
- Available country FCPF R-PPs and UN-REDD Joint Program Documents (specifically budget requests, methodologies and justification) and other similar documents;
- Guidance documents for R-PPs, JPDs;
- Abatement costs studies carried out for several countries;
- UNFCCC financial needs assessment;
- FIP design document on financing needs;
- Eliasch review;
- Background documents produced for the IWG-IFR meetings;
- Relevant documents on REDD+ financing produced by CIFOR, WRI, CI, TNC and others;
- Other sources, as appropriate.





## 5. Budget

The table below contains an estimate of the cost of conducting the assignment up to and including Cancun. Actual costs would depend on the scope of work agreed by the Partners and the choice of the Independent Consultant. Consultant fees could vary depending on whether an individual or a firm is selected.

Budget Item	Description	Cost (USD)
Consultant fees (up to Cancun)	35 days	\$31,500
Consultant travel	<ul style="list-style-type: none"><li>Airfare to Tianjin, Nagoya and Cancun</li><li>Per diem in Tianjin, Nagoya and Cancun</li></ul>	\$11,451
Consultant report	Report design and publication (1,000 copies)	\$5,000
FMT/PT preparation and coordination	Staff time*	\$10,000
FMT/PT travel (2 persons)	<ul style="list-style-type: none"><li>Airfare to Tianjin, Nagoya and Cancun</li><li>Per diem in Tianjin, Nagoya and Cancun</li></ul>	\$22,902
<b>Grand Total</b>		<b>\$80,853</b>

\* Based on standard World Bank / United Nations human resources rules and procedures



## 6. Indicative List of Potential Consultants

The FMT/PT will informally advertise the project, and send a short-list of qualified respondents to the co-chairs for consultation with the Partners. The co-chairs, in consultation with the Partners, will approve the final consultant and associated budget.

