



Food and Agriculture
Organization of the
United Nations

A photograph of a waterfall cascading over dark, mossy rocks in a dense, lush green forest. The water is captured with a long exposure, creating a soft, white, misty effect. The surrounding vegetation is thick and vibrant, with various shades of green. The scene is set in a deep valley, with a rocky stream bed visible on the left side of the frame.

REDD+
finance and
investments

REDD+ finance and investments

To implement the ambitious REDD+ actions required to halve deforestation and forest degradation, developing countries need to adopt innovative and ambitious financing approaches. Financing to shift land-based investments and achieve deforestation-free commodity production is estimated at USD 200 billion, of which approximately USD 17-28 billion is needed for REDD+, an ambitious amount given the current level of climate finance. The funding magnitude required for REDD+ can be explained by the fact that in many instances, cutting forests is still more profitable than protecting or recovering them.

Options for REDD+ financing sources and mechanisms

Countries are adopting diverse approaches to finance their REDD+ mitigation actions. The following figure illustrate two categories of funding sources: (1.a) Public International; (1.b) Public National; and (2) Private Finance. The figure also highlights certain financing mechanisms that governments are using to raise and channel funding, financed through public and private sources, as well as market- and non-market based.

Besides international public sources of REDD+ finance, countries are arranging to orient specific public finance towards bolstering and sustaining mitigation actions. A few examples are worth mentioning. Since 2014, India has amended its tax transfer mechanism to promote forest stewardship, transferring taxes to its 29 states according to many indicators, including their respective population, area and income, as well as the extent of their forest cover. Since 2007, Viet Nam has established a



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successful system of payments for ecosystem services, whereby hydropower facilities, water companies and tourism businesses contribute part of their revenue to the Viet Nam Forest Sector Development Fund, which collects about USD 80 million each year for district-level efforts in sustainable forest management. Under Brazil's Amazon Fund, projects that reduce deforestation can receive grant-based financing if they meet certain criteria and operate in the Fund target areas. These can include projects that support the management of public forests and protected areas, or environmental control or monitoring, among other types of support. On the private sector side, green bonds are picking up speed as a promising source of debt financing for REDD+ actions, with emerging schemes taking shape in Madagascar and Kenya. Also, specialized land-use equity funds such as EcoTierra's Canopy Sustainable Land Use Fund and Althelia's Climate Fund demonstrate the potential to leverage capital equity markets to invest in green commodity supply chains in support of REDD+.



Public finance sources

International

- Environmental funds (*GCF, GEF, etc*)
- REDD+ capacity support (*FCPF, UN-REDD, CAFI, etc*)
- Results-based REDD+ funds (*Early Movers, FCPC Carbon Fund, etc*)
- Bilateral aid

National

- State budget
- Fiscal measures for REDD+ (*taxes, fees, subsidies, etc*)



Private finance sources

- Private equity and debt
- Corporate social responsibility
- Smallholders investment
- Private foundations
- Green bonds
- Insurance
- Micro credit



Financing mechanisms

- National Forest / REDD+ funds
- Payment for ecosystem services
- Carbon markets





REDD+ Results-based payments

REDD+ Results-based Payments are ex-post payments that countries can obtain for the emission reductions achieved. Most available REDD+ results-based finance opportunities are publicly funded.

These include the Green Climate Fund's REDD+ Results-based payments pilot programme (running from October 2017 until 2022 with results eligible from December 2013 to December 2018 – for a cumulative maximum of USD 500 million), the World Bank's Forest Carbon Partnership Carbon Fund, and the Germany's Early Movers Programme.



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FAO's support

FAO's REDD+ finance work aims to support countries to plan and raise funding for REDD+ implementation.

Over the years, FAO has supported countries in the planning and costing of their climate investments in the forestry and agriculture sectors, preparing sectoral investment plans that address critical policy and market gaps all along various value chains – for instance, in Equatorial Guinea and Viet Nam.

FAO is recognized as a partner of choice to help countries mobilize international public funding for REDD+ readiness and actions from various sources, supporting countries in developing REDD+ funding proposals through different international sources (e.g. UN-REDD, the Forest Carbon Partnership Facility, the Green Climate Fund, the Global Environment Facility).

In addition, FAO regularly organizes knowledge exchange events and produces guidance to help countries think “outside of the box” when thinking about financing, including on payments for ecosystem services and on sustainable forest management.

FAO also supports countries with tools and technical assistance to establish innovative and inclusive domestic finance mechanisms for REDD+ and land-use investments. For instance, FAO has established the Rural Finance and Investment Learning Centre and has been supporting countries to establish national forest funds. FAO also supports countries to establish microcredit facilities, blending grant and debt funding in partnership with Rabobank in Kenya, and supports the development of smallholder financing schemes such as microcredit facilities and rotating funds, notably through the Forest and Farm Facility.



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Key resources

Climate Focus. 2017. Progress on the New York Declaration on Forests: Finance for Forests - Goals 8 and 9 Assessment Report:

forestdeclaration.org/wp-content/uploads/2017/10/2017-NYDF-Goals-8-and-9-Assessment-Report.pdf

FAO. 2015. Towards effective national forest funds: www.fao.org/3/a-i4359e.pdf

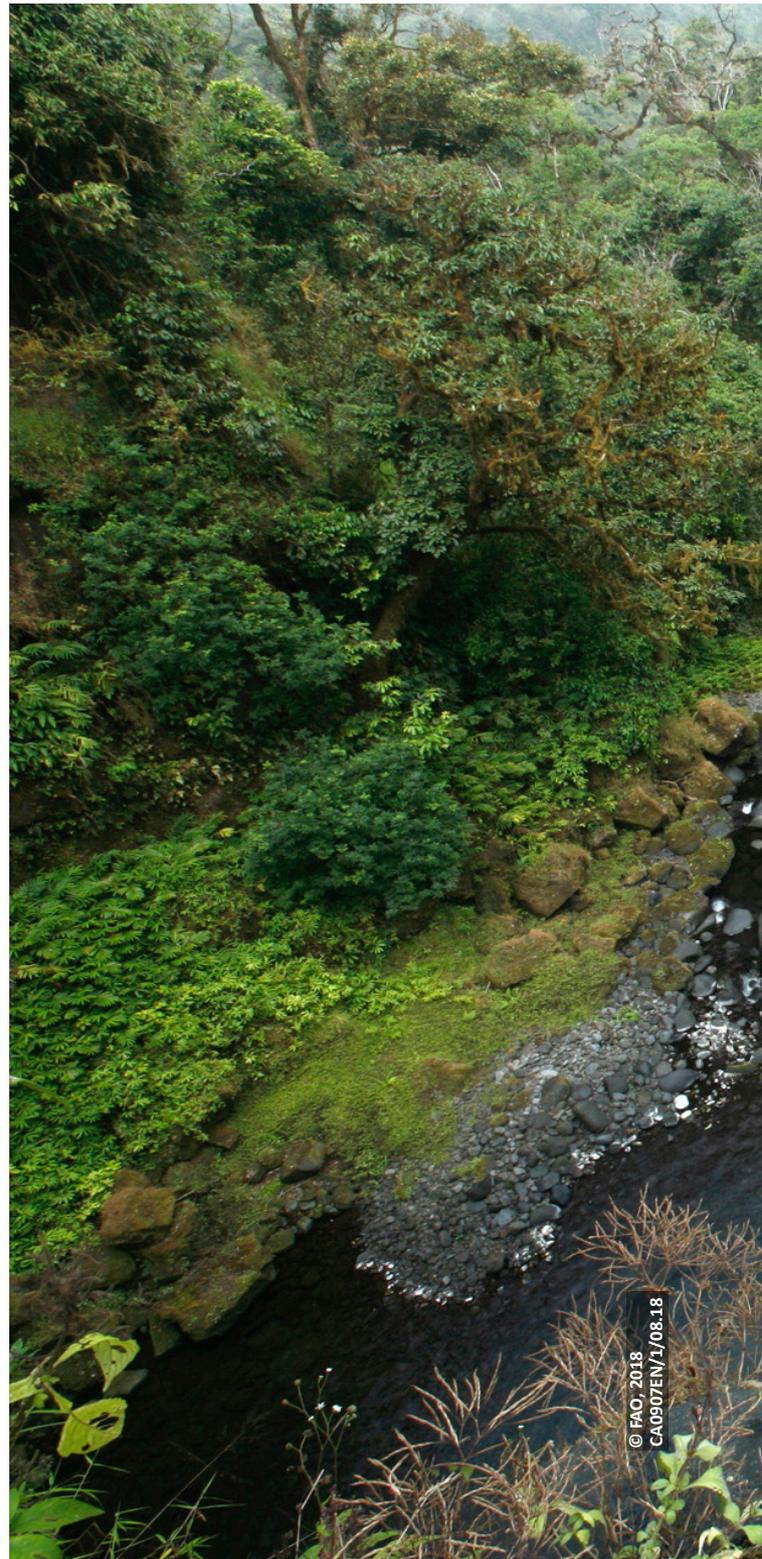
FAO - Global Mechanism of the UNCCD. 2015. Sustainable financing for forest and landscape restoration: Opportunities, challenges and the way forward: www.fao.org/3/a-i5174e.pdf

FAO – CTFC. 2016. Promoting private sector investments in sustainable forestry: Expert workshop on financial and institutional innovation for reducing the risks of private sector investments in sustainable forestry: www.fao.org/3/a-bo564e.pdf

UN-REDD Programme. 2017. Financing for REDD+ and sustainable forest management needs to influence the private sector: www.un-redd.org/single-post/2017/08/14/Financing-for-REDD-and-sustainable-forest-management-needs-to-influence-the-private-sector

For more information, please visit the **FAO REDD+ webpage**: www.fao.org/redd

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